

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 or sale would be unlawful prior to registration or qualification under

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

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2025

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

\$13,830,000*

General Obligation Public Improvement Bonds, Series 2025

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 any of 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

February 1 and August 1, commencing August 1, 2025.

Denominations

\$5,000 or any integral multiple thereof.

Expected Closing/Settlement

June 24, 2025.

Bond Counsel

Sanford Holshouser LLP, Carrboro, North Carolina.

Financial Advisor

Davenport & Company LLC, Charlotte, North Carolina.

Sale Date

June 3, 2025.

Sale of Bonds

Pursuant to sealed bids in accordance with the Notice of Sale.

The date of this Official Statement is June __, 2025

* Preliminary; subject to change.

MATURITY SCHEDULES*

\$13,830,000 General Obligation Public Improvement Bonds, Series 2025

Due February 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> |
|-----------------------------|-----------------------------|--------------------------|---------------------------------------|--------------------------|
| 2026 | \$695,000 | | | |
| 2027 | 695,000 | | | |
| 2028 | 695,000 | | | |
| 2029 | 695,000 | | | |
| 2030 | 695,000 | | | |
| 2031 | 695,000 | | | |
| 2032 | 695,000 | | | |
| 2033 | 690,000 | | | |
| 2034 | 690,000 | | | |
| 2035 | 690,000 | | | |
| 2036 | 690,000 | | | |
| 2037 | 690,000 | | | |
| 2038 | 690,000 | | | |
| 2039 | 690,000 | | | |
| 2040 | 690,000 | | | |
| 2041 | 690,000 | | | |
| 2042 | 690,000 | | | |
| 2043 | 690,000 | | | |
| 2044 | 690,000 | | | |
| 2045 | 690,000 | | | |

* Preliminary; subject to change.

¹ Information obtained from underwriters of the Bonds.

⁺ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. Copyright ©2025 CUSIP Global Services. All rights reserved. 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

Jessica Anderson Mayor

TOWN COUNCIL

| | |
|----------------------|--------------------|
| Camille Berry | Melissa McCollough |
| Paris Miller-Foushee | Theodore Nollert |
| Amy Ryan | Adam Searing |
| Elizabeth Sharp | Karen Stegman |

TOWN STAFF

Mary Jane Nirdlinger..... Interim Town Manager
Loryn Clark..... Deputy Town Manager
Amy OlandDirector 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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STATE AND LOCAL GOVERNMENT FINANCE DIVISION
LOCAL GOVERNMENT COMMISSION

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 \$13,830,000* General Obligation Public Improvement Bonds, Series 2025 (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.

* Preliminary; subject to change.

THE BONDS

Description

The Bonds will be dated as of their date of delivery and will bear interest from their respective dates at the interest rates set forth on the inside front cover page. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing August 1, 2025. 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"), a New York corporation, 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 February 1, 2035 will not be subject to redemption prior to their respective maturities. The Bonds maturing on February 1, 2036 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 February 1, 2035, 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 such 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 the 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 such 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 or her 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 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, bond orders adopted by the Town Council of the Town on June 22, 2015 and on June 5, 2024, which bond orders were approved by the vote of a majority of qualified voters of the Town who voted thereon at referenda duly called and held on November 3, 2015 and November 5, 2024, and a resolution adopted by the Town Council on May 7, 2025. The Town is issuing the Bonds to finance capital costs of streets and sidewalks, improvements to the Town's stormwater system, the design for construction of a fire station, a community center climbing wall, and providing affordable housing, in the Town.

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 93 percent of the Town area is located in Orange County and the remaining 7 percent is located in Durham County. The Town covers an area of 21.8 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 27.5 square mile area that includes the corporate limits and an additional 5.7 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" or "UNC"). Enrollment at the University has risen from 8,791 in 1960 to 32,234 in fall 2023. 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 the Town 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 planned 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> | <u>2020</u> |
|-------------|-------------|-------------|-------------|
| 38,872 | 46,019 | 57,233 | 62,270 |

The North Carolina Office of State Budget and Management estimates the 2023 population of the Town to be 63,288.

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> |
|-------------|-----------------------------------|--------------|-------------|
| 2019 | \$65,940 | \$48,374 | \$55,567 |
| 2020 | 70,349 | 51,758 | 59,123 |
| 2021 | 75,780 | 57,008 | 64,460 |
| 2022 | 77,427 | 58,953 | 66,244 |
| 2023 | 82,487 | 61,839 | 69,810 |

¹ Separate 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 and the UNC 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 UNC, 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 (the “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 375 research and development related organizations, employing about 60,000 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 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, 211 companies have participated in the program and Launch companies have raised more than \$122.2 million. Launch companies have created more than 4,010 jobs, 3,388 within Orange County (as of July 2024).

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 has a 20-year Development Agreement with UNC that allows up to 3 million square feet of development on approximately 133 acres in the southeast portion of Carolina North. The Carolina North project is a large-scale, mixed-use academic and research campus development located two miles north of the main campus of UNC-Chapel Hill. Plans are underway to help the University increase enrollment numbers and provide greater opportunities for research, living space, and campus growth.

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 thirteen large-scale new construction projects as well as several smaller projects in existing commercial developments.

The Town is currently working to rewrite the 2003 Land Use Management Ordinance. The plan is to create land use tools that are predictable, functional, and intentional. This process includes three phases:

Phase One: Future Land Use Map, adopted in December of 2020, included a major update to the Town's Comprehensive Plan, which details the Town's future vision to the year 2050.

Phase Two: Overhauling the Land Use Management Ordinance, underway now, including updated districts and uses, development standards and procedures.

Phase Three: Revising the Town's Zoning Atlas to reflect the updated Ordinance.

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. Fiscal year 2020 saw a decline in building permits due to the COVID-19 pandemic, but the Town has recovered from that decline and is now seeing more permits issued in both commercial and residential properties than before the pandemic. Building permits issued for commercial and residential construction in the Town are summarized below for the latest five fiscal years:

| Fiscal Year Ended/Ending June 30 | <u>COMMERCIAL</u> | | <u>RESIDENTIAL</u> | |
|---------------------------------------------|--------------------------|---------------------|---------------------------|---------------------|
| | <u>Number</u> | <u>Value</u> | <u>Number</u> | <u>Value</u> |
| 2019 | 829 | \$235,996,718 | 1,654 | \$61,738,881 |
| 2020 | 327 | 141,166,309 | 481 | 52,509,760 |
| 2021 | 304 | 186,768,196 | 560 | 61,877,592 |
| 2022 | 852 | 159,103,912 | 1,626 | 69,193,962 |
| 2023 | 974 | 238,847,658 | 1,711 | 77,059,785 |
| 2024 | 909 | 190,873,369 | 1,750 | 106,935,177 |

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 Institution</u> | <u>Service or Product</u> | <u>Approximate Number of Employees</u> |
|---------------------------------------------|----------------------------------|-------------------------------------------------------|
| University of North Carolina at Chapel Hill | Education, Research | 10,000+ |
| UNC Health Care | Medical Care | 10,000+ |
| Town of Chapel Hill | Local Government | 650+ |
| Aramark Food and Support Services | Food Service | 250+ |
| The Chapel Hill Residential Center | Medical Care | 250+ |
| UNC Physicians Network LLC | Medical Care | 250+ |
| Harris Teeter | Trade | 250+ |
| Food Lion | Trade | 250+ |
| Hyatt Corporation | Hotel | 250+ |
| Chapel Hill-Carrboro City Schools | Education | 150+ |

¹ Most recent available data from 2023-24.

Source: Orange County Economic Development

Total taxable sales in the County for the fiscal years ended June 30, 2020 through 2024 and for a portion of 2025 are shown in the following table:

| <u>Fiscal Year Ended June 30</u> | <u>Total Taxable Sales</u> | <u>Increase Over Previous Year</u> |
|--------------------------------------|--------------------------------|----------------------------------------|
| 2020 | \$1,955,949,743 | 1.7% |
| 2021 | 2,149,246,638 | 9.9 |
| 2022 | 2,482,070,449 | 15.5 |
| 2023 | 2,778,217,449 | 11.9 |
| 2024 | 2,909,906,965 | 4.7 |
| 2025 ¹ | 1,909,603,073 | -- |

¹ For the eight-month period ended February 29, 2025. The comparable figure for the eight-month period ended February 29, 2024 was \$1,936,695,378.

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>Year</u> | <u>Jan</u> | <u>Feb</u> | <u>Mar</u> | <u>Apr</u> | <u>May</u> | <u>Jun</u> | <u>July</u> | <u>Aug</u> | <u>Sep</u> | <u>Oct</u> | <u>Nov</u> | <u>Dec</u> |
|-------------|------------|------------|------------|------------|------------|------------|-------------|------------|------------|------------|------------|------------|
| 2020 | 3.6% | 3.4% | 4.3%* | 8.8%* | 8.5% | 8.0% | 7.3% | 5.6% | 4.8% | 4.3% | 4.4% | 4.7% |
| 2021 | 4.9 | 4.6 | 4.0 | 3.9 | 4.1 | 4.6 | 5.0 | 4.6 | 3.5 | 3.6 | 3.5 | 2.9 |
| 2022 | 3.6 | 3.3 | 3.1 | 3.3 | 3.8 | 4.3 | 4.6 | 4.4 | 3.5 | 3.5 | 3.7 | 3.3 |
| 2023 | 3.6 | 3.4 | 3.6 | 3.3 | 3.8 | 3.9 | 4.3 | 4.1 | 3.4 | 3.4 | 3.5 | 3.4 |
| 2024 | 3.4 | 3.1 | 3.8 | 3.1 | 3.6 | 4.1 | 4.7 | 3.9 | 3.2 | 3.1 | 3.5 | 3.5 |
| 2025 | 3.6 | 3.0 | N/A | N/A | | | | | | | | |

* Onset of the COVID-19 Pandemic.

Source: North Carolina Department of Commerce, Labor and Economic Analysis Division.

For comparison, the average unemployment rate for 2024 was 3.6% for Chapel Hill, 3.2% for Orange County, 3.6% for North Carolina and 4.0% 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.

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 five-year period beginning with the 2020-21 school year.

| | <u>Elementary</u> <u>Grades K-5</u> | | <u>Intermediate</u> <u>Grades 6-8</u> | | <u>Secondary</u> <u>Grades 9-12</u> | | <u>Totals</u> |
|---------------------------|------------------------------------------------------|--------------------|--------------------------------------------------------|--------------------|------------------------------------------------------|--------------------|----------------------|
| <u>School Year</u> | <u>No.</u> | <u>ADM*</u> | <u>No.</u> | <u>ADM*</u> | <u>No.</u> | <u>ADM*</u> | <u>ADM*</u> |
| 2020-21 | 11 | 4,912 | 4 | 2,910 | 3 | 3,880 | 11,702 |
| 2021-22 | 11 | 4,742 | 4 | 2,805 | 3 | 3,787 | 11,334 |
| 2022-23 | 11 | 4,622 | 4 | 2,762 | 3 | 3,885 | 11,269 |
| 2023-24 | 11 | 4,624 | 4 | 2,740 | 3 | 3,915 | 11,277 |
| 2024-25 | 11 | 4,519 | 4 | 2,656 | 3 | 3,913 | 11,080 |

*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, Phoenix Academy, and Virtual Academy enrollment.

Across North Carolina, enrollment in traditional public schools has been affected by increasing enrollment in public charter schools, and private schools, and by homeschooling. The circumstances of the pandemic have compounded this trend. The Chapel Hill-Carrboro School System estimates, for example, that approximately 220 students from the district are enrolled in public charter schools.

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, 2024, there were approximately 67 miles of State maintained streets within the Town's limits.

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, 2024, 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 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 93 fixed-route buses and a demand response program for seniors and persons with disabilities.

During the 2023-24 fiscal year, the bus system carried around four (4) million passengers and had the highest per capita ridership in the State. Like most public transportation systems, the system saw a decrease in ridership from fiscal years 2020-2022 due to the COVID-19 pandemic and service reductions in response to the pandemic, but there were no direct financial impacts due to the fare free nature of the system. The system is returning to pre-COVID service levels and ridership is expected to track with its service. The bus system's \$36.6M annual budget 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 15.5% of eligible operating costs for the system.

The North-South Bus Rapid Transit ("NSBRT") is an 8.2-mile-long project that will run along Martin Luther King Jr. Blvd between Eubanks Road Park-and-Ride and Southern Village Park-and-Ride. The project will bring dedicated bus lanes, new bus stations, more frequent bus stops, and longer operating hours, along with pedestrian and cycling improvements along the route. The estimated cost to build this project is \$180 million, paid for with 80% federal funding, \$29.1 million provided by the Orange County Transit Plan, and local and state funding will cover the remaining cost.

The Raleigh-Durham International Airport ("RDU") is a major regional airport serviced by eleven major airlines and six foreign flag carriers. Approximately 14.2 million passengers enplaned or deplaned in calendar year 2019 as compared to 12.8 million passengers in 2018. For calendar year 2023 14.5 million passengers traveled through RDU as the airline industry continues to recover from the COVID-19 pandemic. 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" or "Authority"). 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 OWASA).

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. 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 serving about 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 351 miles of sewer mains, 11,082 manhole access points and 21 pumping stations conveying waste from OWASA's approximately 22,000 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, 2024, was approximately 7.6 MGD. During this same fiscal year, a maximum day flow of 17.1 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. 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 308 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 2,160 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 began construction on a 1,089-space parking deck in the summer of 2021. There will be 100 spaces reserved solely for the support of the University's building of a new Admissions building downtown and the balance of 989 spaces will be for public use. The deck opened in September 2024 with 20 electric charging stations and gated controlled parking. It will eventually replace the 308 spaces at the current Wallace 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 the City of Durham, operated by GFL Environmental for eventual disposal. The Town contracted with GFL Environmental for municipal solid waste disposal beginning October 1, 2022, and extending through June 30, 2025. The Town continues to review its options for future solid waste disposal with its local partners through the Solid Waste Advisory Group, including the development of a Solid Waste Master Plan by Orange County with a goal of reaching zero waste by 2045.

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 \$718,262,308 as of June 30, 2024. 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

| | <u>Principal Outstanding as of</u> | | | |
|-----------------------------------|------------------------------------|----------------------------|----------------------------|----------------------------|
| General Obligation Bonds | June 30, 2021 | June 30, 2022 | June 30, 2023 | June 30, 2024 |
| Streets | \$ 9,125,000 | \$ 8,575,120 | \$ 15,725,234 | \$ 14,788,712 |
| Parks and Recreational Facilities | 5,995,000 | 5,637,340 | 5,279,679 | 4,922,019 |
| Refunding | 10,969,000 | 9,692,000 | 8,406,000 | 7,121,000 |
| Other | <u>12,470,000</u> | <u>11,667,540</u> | <u>18,105,087</u> | <u>16,844,268</u> |
| Total Outstanding Debt | <u>\$38,559,000</u> | <u>\$35,582,000</u> | <u>\$47,516,000</u> | <u>\$43,676,000</u> |

Most Recent Bonds Issued:

2020-21 \$3,205,000 General Obligation Public Improvement Bonds, Series 2021A, 10.39 years average maturity, 1.4186% true interest cost.

\$7,755,000 General Obligation Affordable Housing Bonds, Series 2021B, 10.34 years average maturity, 1.4141% true interest cost.

2022-23 \$1,980,000 General Obligation Public Safety Bonds, Series 2023A, 5.37 years average maturity, 2.2821% true interest cost.

\$12,945,000 General Obligation Public Improvement Bonds, Series 2023B, 10.38 years average maturity, 3.0779% 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> |
|----------------------------------------------|--------------------------|-------------------------------|----------------------------------------------------|-------------------------------|-----------------------------------------|
| 2020 | \$33,281,000 | \$8,283,264,338 | 0.40% | 62,270 ² | \$534.46 |
| 2021 | 38,559,000 | 8,465,215,257 | 0.46 | 62,469 | 617.25 |
| 2022 | 35,582,000 | 9,461,547,860 | 0.38 | 62,531 | 569.02 |
| 2023 | 47,516,000 | 9,537,829,885 | 0.50 | 63,288 | 750.79 |
| 2024 | 43,676,000 | 9,662,978,846 | 0.45 | 63,288 ³ | 690.12 |
| After the Bonds now offered are issued | \$52,661,000* | \$9,797,950,000 | 0.54%* | 63,288 ³ | \$832.09 |

* Preliminary; subject to change.

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

² 2020 Census count, U.S. Census Bureau.

³ For purposes of this schedule, the 2023 population is being used.

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 2025 |
| 2025 | \$ 3,845,000.00 | \$ 5,532,497.96 | |
| 2026 | 3,669,000.00 | 5,185,549.46 | \$ 695,000.00 |
| 2027 | 3,622,000.00 | 4,972,422.16 | 695,000.00 |
| 2028 | 3,300,000.00 | 4,500,343.76 | 695,000.00 |
| 2029 | 3,315,000.00 | 4,376,636.26 | 695,000.00 |
| 2030 | 3,325,000.00 | 4,244,011.26 | 695,000.00 |
| 2031 | 3,340,000.00 | 4,121,125.00 | 695,000.00 |
| 2032 | 2,410,000.00 | 3,052,446.26 | 690,000.00 |
| 2033 | 2,315,000.00 | 2,876,643.76 | 690,000.00 |
| 2034 | 2,115,000.00 | 2,597,893.76 | 690,000.00 |
| 2035 | 2,115,000.00 | 2,527,112.50 | 690,000.00 |
| 2036 | 2,115,000.00 | 2,453,368.76 | 690,000.00 |
| 2037 | 2,115,000.00 | 2,379,062.50 | 690,000.00 |
| 2038 | 1,665,000.00 | 1,866,875.00 | 690,000.00 |
| 2039 | 1,040,000.00 | 1,192,700.00 | 690,000.00 |
| 2040 | 1,040,000.00 | 1,159,000.00 | 690,000.00 |
| 2041 | 1,040,000.00 | 1,125,300.00 | 690,000.00 |
| 2042 | 645,000.00 | 696,600.00 | 690,000.00 |
| 2043 | 645,000.00 | 670,800.00 | 690,000.00 |
| 2044 | | | 690,000.00 |
| 2045 | | | 690,000.00 |
| Total | \$ 43,676,000.00 | \$ 55,530,388.40 | \$ 13,830,000.00 |

¹Principal only. Preliminary; subject to change.

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> |
|-----------------------|--------------------------|------------------------------------------|------------------------------|------------------------|
| Parks and Recreation | 11/03/2015 ¹ | \$ 2,700,000 | \$ -- | \$ 2,700,000 |
| Stormwater | 11/03/2015 ¹ | 3,200,000 | 3,200,000* | -- |
| Solid Waste | 11/03/2015 ¹ | 5,200,000 | -- | 5,200,000 |
| Refunding | 09/05/2019 | 2,745,000 | -- | 2,745,000 ² |
| Public Safety | 01/11/2023 | 1,980,000 | -- | 1,980,000 |
| Housing | 11/05/2024 | 15,000,000 | 3,500,000* | 11,500,000 |
| Public Facilities | 11/05/2024 | 15,000,000 | 1,230,000* | 13,770,000 |
| Streets and Sidewalks | 11/05/2024 | 7,500,000 | 5,400,000* | 2,100,000 |
| Parks and Recreation | 11/05/2024 | 4,500,000 | 500,000* | 4,000,000 |
| Greenways | 11/05/2024 | <u>2,000,000</u> | <u>--</u> | <u>2,000,000</u> |
| Totals | | <u>\$59,825,000</u> | <u>\$13,830,000*</u> | <u>\$45,995,000</u> |

* Preliminary; subject to change.

¹ The authorization for these bonds has been extended to November 3, 2025.

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, 2024

| <u>Unit</u> | <u>2023 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 | 150,913 | \$23,019,330,145 | \$.8353 ³ | \$ -- | \$ -- | \$ -- | \$107,345,000 | \$711 |

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 \$0.00198 is levied in the Chapel Hill-Carrboro School District.

OTHER LONG-TERM COMMITMENTS

In June 2024, the Town issued \$16,161,000 in limited obligation bonds to provide \$12.121 million additional funding towards completing construction of a new parking deck on East Rosemary Street; \$2.3 million for the purchase of a fire ladder truck, and \$1.7 million to upfit the new police department.

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|--------------------|---------------------|
| 2025 | \$1,011,000 | \$721,944 | \$1,732,944 |
| 2026 | 1,010,000 | 710,777 | 1,720,777 |
| Thereafter | <u>14,140,000</u> | <u>5,462,969</u> | <u>19,602,969</u> |
| Total | <u>\$16,161,000</u> | <u>\$6,895,690</u> | <u>\$23,056,690</u> |

In August 2021, the Town issued \$12,047,000 in advanced refunding limited obligation bonds and defeased the 2012 series limited obligation bonds and a 2015 installment purchase contract by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt on the old bonds and installment purchase contract. Accordingly, the trust assets and the liability for the defeased debt are not included in the Town's financial statements. The reacquisition price exceeded

the net carrying amount of the old debt by \$481,044. This amount is amortized over the life of the refunded debt. The refinancing was undertaken as part of a larger borrowing to reduce total debt payments over the next 20 years and resulted in a savings of approximately \$1.07 million. On June 30, 2024, \$5,550,000 of limited obligation bonds and installment purchase contract is considered defeased.

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|---------------------|---------------------|
| 2025 | \$3,816,000 | \$1,321,642 | \$5,137,642 |
| 2026 | 2,462,000 | 1,211,072 | 3,673,072 |
| Thereafter | <u>34,562,000</u> | <u>7,883,385</u> | <u>42,445,385</u> |
| Total | <u>\$40,840,000</u> | <u>\$10,416,099</u> | <u>\$51,256,099</u> |

The Town entered into a fifteen-year installment purchase contract 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> |
|--------------------|--------------------|------------------|--------------------|
| 2025 | \$566,000 | \$ 86,072 | \$ 652,072 |
| 2026 | 572,000 | 72,941 | 644,941 |
| Thereafter | <u>2,572,000</u> | <u>180,867</u> | <u>2,752,867</u> |
| Total | <u>\$3,710,000</u> | <u>\$339,880</u> | <u>\$4,049,880</u> |

The Town entered into an installment purchase contract 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> |
|--------------------|--------------------|--------------------|---------------------|
| 2025 | \$1,403,000 | \$ 279,844 | \$1,682,844 |
| 2026 | 1,442,000 | 241,516 | 1,683,516 |
| Thereafter | <u>6,706,000</u> | <u>777,149</u> | <u>7,483,149</u> |
| Total | <u>\$9,551,000</u> | <u>\$1,298,509</u> | <u>\$10,849,509</u> |

For the year ended June 30, 2024, the financial statements include the adoption of GASB Statement No. 87, Leases and GASB Statement No. 96 Subscription-Based Information Technology Arrangements. The primary objective of these statements are to enhance the relevance and consistency of information about governments' leasing and subscription activities.

The Town had one enterprise lease outstanding at June 30, 2024 with a net present value of \$93,831.

The Town had five governmental subscriptions outstanding at June 30, 2024 with a combined net present value of \$63,769.

DEBT OUTLOOK

The Town reviews its capital needs and potential funding sources on an on-going basis.

The Town is working on a Brownfields agreement with the NC Department of Environmental Quality to evaluate the grounds at the old police headquarters site. The long-term plan for the site was to build a "multi-agency" facility. The Town decided to lease a new facility for the police

department for now and to work on determining the best use need for the long-term use of the existing land site. Council will be discussing interests related to remediation and long-term use plans this spring of 2025.

TAX INFORMATION

| Assessed Valuation | Fiscal Year Ended/Ending June 30 | | | |
|---------------------------------------|----------------------------------|------------------------|------------------------|------------------------|
| | 2022 | 2023 | 2024 | 2025 |
| Assessment Ratio ¹ | 100% | 100% | 100% | 100% |
| Real Property | \$8,754,178,419 | \$8,795,629,837 | \$8,876,404,468 | \$8,966,076,633 |
| Personal Property | 618,604,665 | 646,036,515 | 688,799,325 | 732,455,693 |
| Public Service Companies ² | <u>88,764,776</u> | <u>96,163,533</u> | <u>97,775,053</u> | <u>99,417,674</u> |
| Total Assessed Valuation | <u>\$9,461,547,860</u> | <u>\$9,537,829,885</u> | <u>\$9,662,978,846</u> | <u>\$9,797,950,000</u> |
| Rate per \$100 ³ | .514 | .522 | .572 | .592 |
| Levy | \$48,632,356 | \$49,797,912 | \$55,272,239 | \$58,004,000 |

¹ Percentage of appraised value has been established by statute.

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

³ Rate 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 shown in the table below.

Note: Revaluation of real property was effective for the 2022 fiscal year.

TAX RATES

The following table shows the Town's tax rate for the current and four previous fiscal years, on the basis of cents per \$100 of assessed valuation. The tax bill presented to taxpayers is based on the "Total Rate" shown below; the component rates are for the Town's internal purposes.

| Fiscal Year | General Fund Rate (cents per \$100) | Transit Rate (cents per \$100) | Debt Rate (cents per \$100) | Total Rate (cents per \$100) |
|-------------|----------------------------------------|-----------------------------------|--------------------------------|---------------------------------|
| 2020-21 | 38.6 | 6.0 | 9.8 | 54.4 |
| 2021-22 | 37.2 | 5.4 | 8.8 | 51.4 |
| 2022-23 | 37.2 | 6.2 | 8.8 | 52.2 |
| 2023-24 | 42.2 | 6.2 | 8.8 | 57.2 |
| 2024-25 | 43.7 | 6.7 | 8.8 | 59.2 |

Note 1: The Town created a Municipal Service District effective July 1, 1989 which has a current tax rate of \$0.064 for improvements and services in the downtown area.

Note 2: Revaluation of real property was effective with the fiscal year 2022 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.

Taxpayers in the Town are also assessed a special school district tax (currently \$0.198 per \$100 of assessed valuation and county property taxes from Orange and Durham Counties, as applicable to the location of their property.

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> |
|-------------------------------|----------------------------------------|------------------------------------------|------------------------------------------|
| 2020 | \$176,549 | \$44,871,448 | 99.58% |
| 2021 | 168,217 | 45,882,304 | 99.63 |
| 2022 | 173,422 | 48,492,226 | 99.71 |
| 2023 | 127,815 | 49,787,472 | 99.72 |
| 2024 | 129,813 | 55,272,239 | 99.72 |

TEN LARGEST TAXPAYERS FOR FISCAL YEAR 2023-24

| <u>Name</u> | <u>Type of Business</u> | <u>Assessed Valuation</u> | <u>Tax Levy</u> | <u>Percentage of Total Valuation</u> |
|----------------------------------------------------|-------------------------|-------------------------------|---------------------|------------------------------------------|
| Chapel Hill Foundation Real Estate Holdings Inc. | Shopping Center | \$ 112,650,500 | \$ 644,361 | 1.17% |
| NR Edge Apartments Property Owner LLC | Apartments/Retail | 83,855,700 | 479,655 | 0.87 |
| BIR Chapel Hill LLC | Apartments/Retail | 80,124,700 | 458,313 | 0.83 |
| Townhouse Apartments LLC | Apartment Rental | 70,175,272 | 401,403 | 0.73 |
| Northwestern Mutual Life (Chapel Watch Apartments) | Apartment Rental | 68,747,589 | 393,236 | 0.71 |
| KV Chapel Hill Owner LLC | Apartment Rental | 57,990,305 | 331,705 | 0.60 |
| Duke Energy Carolinas LLC | Public Utility | 57,053,580 | 326,346 | 0.59 |
| State Employees Credit Union | Bank | 50,684,665 | 289,916 | 0.52 |
| Health Systems Properties LLC | Medical | 46,667,933 | 266,941 | 0.48 |
| East 54 Office Retail LLC | Office/Retail | <u>45,114,900</u> | <u>258,057</u> | <u>0.47</u> |
| | | <u>\$ 673,065,144</u> | <u>\$ 3,849,933</u> | <u>6.97%</u> |

Budget Commentary for 2024-2025

The Town has developed a rolling five-year budget outlook that lays out the Town's priorities and interests over the next five years. This outlook is used to help guide discussions during the budget process. Post pandemic, revenues have mostly stabilized, and the Town anticipates continued growth in these areas. The one area that still affects the Town is the continuation of slow property tax base growth that has not kept pace with the increase in expenditures. Increases to the costs of doing business associated with the economic impacts of inflation have exacerbated the increase in expenditures, as well as the need to raise employee salaries due to inflation. Delays in the construction of major approved development projects and the diminishing supply of developable land have exacerbated these problems. After many years of minimal tax increases, the Town had a five-cent increase in FY 2024 and a two-cent increase in FY 2025 in order to address many backlogs (facility maintenance, vehicle replacement, operating cost increases) and to address community priorities

(affordable housing, climate action, parks & recreation, greenways, etc.).

The Town was awarded \$10,668,497 in American Rescue Plan Act (ARPA) funds to assist with recovery from the COVID pandemic. With these funds, which have federal limitations on eligible uses, the Town is investing in areas that have backlogs and recovery efforts, such as ReVive, a downtown economic recovery program, so the community can bridge the gap from where it has been and where the Town plans to go as a community. As of December 31, 2024, the Town has allocated our full award in community partner funding, affordable housing projects, parks and facility infrastructure projects, and downtown economic recovery, and spent \$5,844,591.

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 12.85% of eligible payroll for general employees and 14.10% of eligible payroll for law enforcement officers for the year ended June 30, 2024. The contribution rates for the fiscal year ending June 30, 2025 have been set at 13.60% for general employees and at 15.10% 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 Annual Comprehensive Financial Report ("ACFR") for the State. Please refer to the State's ACFR 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 |

Over the last 14 years, this change has significantly reduced the Town's OPEB liability as membership in the old plan decreased and membership in the new plan increased. In addition to this change, the Town moved its post-65 retirees to Medicare as their primary insurer and a newly created plan with comparable benefits to active employees as their secondary insurer. This created a significant amount of cost savings and also helped significantly decrease the Town's OPEB liability.

The Town contracted with an actuarial firm to conduct an actuarial study on the other post-employment benefits (OPEB) through June 30, 2024 and in accordance with GASB 68, the Town's financial statements for fiscal year 2024 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, 2024 was \$30,479,571. The Town has historically funded health benefits for retirees on a pay as you go basis. For the year ended June 30, 2024, the Town paid \$2,274,761 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 \$454,700 to the trust in FY 2021 - FY 2024. The total balance in the trust as of June 30, 2024 was \$8,639,705.

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 (the Rule).

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 (the Rule) as of the date of this Official Statement, after taking into account any amendments or interpretations of the Rule, 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 the Rule, in full of the principal of and interest on all of the Bonds.

The Town is not aware of any instance in which it has failed, during the previous five years, to comply, in any material respect with its prior continuing disclosure undertakings under Rule 15c-12.

The Town has adopted a procedure with respect to the posting of continuing disclosure material. One staff member has 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.

CYBERSECURITY

The Town, like many large public and private organizations, depends on a sophisticated technology infrastructure to manage its operations and faces a variety of cybersecurity threats, such as hacking, phishing, viruses, malware, and other attacks on its digital networks and systems. Given its role in handling personal, private, or sensitive information, the Town is a potential target for cybersecurity incidents that could have serious repercussions, necessitating swift action to minimize damage.

Cybersecurity is a constant focus for the Town. The Chief Information Officer (CIO) oversees all digital services, including cybersecurity, while the Chief Information Security Officer (CISO) oversees planning and implementing cybersecurity measures. The CIO and CISO frequently collaborate with the Network and Operations Teams to address threats and vulnerabilities identified by the State, FBI, Homeland Security, Microsoft, and other vendors. They also monitor the operational status and effectiveness of the various layers of the Town's cybersecurity systems and discuss information security strategies and initiatives.

The Town employs a multilayered cybersecurity strategy to prevent, detect, and mitigate threats. These layers include:

- Information Security Awareness Training
- Firewalls that block unauthorized connections
- Virtual Private Networks (VPNs) for secure, encrypted connections
- Spam filtering to block and quarantine suspicious emails
- Multi-factor authentication for added security
- Multiple data centers and cloud-based offline backups to reduce the risk of encryption-based attacks
- Managed Security Service Provider for 24/7 monitoring and response

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, and (2) will be exempt from existing State of North Carolina income taxation. Interest on the Bonds is not a separate tax preference item for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the "Code," as defined below) for the purpose of computing the alternative minimum tax imposed on corporations for tax years that begin after December 31, 2022.

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 any of 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 of the Bonds, has advised the Local Government Commission of North Carolina that the initial public offering prices of the Bonds maturing on February 1, ____ to _____, inclusive, (the "Discount Bonds"), are less than the respective amounts payable at maturity.¹ 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 of the Bonds, has also advised the Local Government Commission of North Carolina that the initial public offering prices of the Bonds maturing on February 1, ____ to _____, inclusive, (the "Premium Bonds"), are greater than the amounts payable at maturity.¹ 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.

¹ Information provided by the underwriters of the Bonds.

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, for any of the Bonds.

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, Charlotte, North Carolina 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 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 _____.¹ The public offering prices or yields of the Bonds may be changed from time to time by the underwriters.

¹ Information provided by the underwriters of the Bonds.

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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

Jennifer Wimmer
Deputy Secretary of the Commission

TOWN OF CHAPEL HILL, NORTH CAROLINA

By

Jessica Anderson
Mayor

By

Mary Jane Nirdlinger
Interim Town Manager

By

Amy Oland
Director of Business Management