



**Town of Chapel Hill
2019 Mayor & Council Retreat
January 25-26, 2019
DAY ONE, AGENDA**

Goals for the 2019 Retreat:

- To gain a broad overview of the current budget and budget planning process
- To clarify key interests for the 2019 budget planning process
- To affirm current goals/work plan priorities

Friday, January 25, 2019

4:00 to 7:30 pm

Launch Chapel Hill

306 W. Franklin St., Suite F

4:00 pm	Opening Remarks	Mayor Pam Hemminger
4:15 pm	Debt, Capital and Financial Policy Overview	Davenport Associates Staff
6:15 pm	DINNER & Celebration of 2018 Accomplishments	
7:30 pm	Adjourn	

(continued)

**Town of Chapel Hill
2019 Mayor & Council Retreat
January 25-26, 2019
DAY TWO, AGENDA**

**Saturday, January 26
8:30am to 3:00 pm
Center for School Leadership Development
140 Friday Center Drive**

8:30 am	Breakfast	
9:00 am	Opening Remarks	Mayor Hemminger Manager Maurice Jones
9:15 am	Role of Facilitator & Expectations for Working Together	Anne Davidson
9:30 am	Operating Budget Overview	Mayor & Staff
10:30 am	BREAK	
10:45 am	Expectations for 2019 Budget Process	Manager, Mayor & Council Discussion
12:00 pm	LUNCH	
12:30 pm	Goal Overview & Prioritization	Staff Mayor/Council Discussion
2:00 pm	BREAK	
2:15 pm	Additional Questions or Requests for Work Plan	Mayor/Council
2:45	Next Steps Group Critique of Retreat	
3:00pm	Adjourn	

Discussion Materials

Town of Chapel Hill, North Carolina





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Topics for Discussion

- Davenport History with the Town.
- Current Credit Ratings and Rating Peers.
- General Fund Operations and Fund Balance.
- Existing Tax Supported Debt and Financial Profile.
 - Key Financial Ratios.
 - Peer Comparatives.
 - Debt Affordability.
 - Debt Capacity.
- Capital Planning.
- Observations.
- Financial Policies.



Davenport History with the Town



Role of a Financial Advisor Scope

As Financial Advisor to the Town, Davenport has a Fiduciary Duty to the Town and as such provides the Town with guidance and assistance to ensure that the Town's interests are protected throughout the issuance process – from the planning stages through post-issuance decisions.

Planning and Pre-Transaction Related Services

- Long Term Capital Planning Strategy
- Financial Policy Development
- Peer Comparative Analysis
- Debt Capacity Analysis
- Debt Affordability Analysis
- Debt Service Structuring Options
- Plan of Finance Development
- Rating Agency Strategy
- Rating Agency Surveillance
- Refunding Opportunity Monitoring
- Investment Management Services

Transaction Related Services

- Rating Agency Coordination including:
 - Schedule the rating agency meetings / calls
 - Provide each rating agency with the required background information on the Town
 - Draft a comprehensive rating agency presentation
 - Prepare Town participants for rating interactions
 - Coordinate any required follow-up correspondence
 - Coordinate the drafting and publication of the Town's official rating reports
- LGC coordination / due diligence process
- Development / review of Bond Documents
 - Assist in preparation of the POS and NOS
 - Provide insight / guidance on NOS bid parameters that maximize bidder participation while meeting the Town's objectives
- Assistance in researching and disclosing prior 15c2-12 Disclosure Compliance.
- Provide Pricing Oversight:
 - Monitor bidder registration to maximize the competitive bids
 - Analyze bids received to ensure accuracy of the bid process
 - Provide preliminary and final bond sizing models on day of sale
- Coordinate the closing process
- Investment of Bond Proceeds

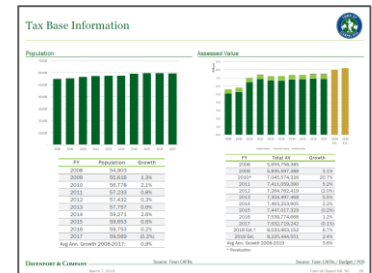
Davenport History with Chapel Hill



- Davenport has served as Financial Advisor to Chapel Hill since 2009 and has assisted the Town with the following services:
 - Bond Issuances
 - Refunding Strategies
 - Capital Planning
 - Debt Capacity
 - Debt Affordability
 - Monitoring of Peer Rating Medians
 - Rating Agency Strategies / Interactions
 - Town Council Education / Interaction
 - General Obligation Referendum Analysis
- Davenport works with the Town to document all pertinent information regarding the Town's debt issuances, including debt service schedules, call dates, call premiums, and refunding eligibility.
 - This includes monitoring the Town's Existing Debt Portfolio, identifying opportunities to lower Debt Service Costs through a variety of strategies, and updating the Town on a regular basis on its ability to Refinance / Refund debt for savings purposes. Davenport has assisted the Town in identifying and executing the following transactions:

Transactions Completed

Issue	Size	Method of Sale	Debt Service Savings	% Net Present Value Savings
General Obligation Public Improvement Bonds, Series 2018	\$12,500,000	Public Issuance – Competitive	-	-
Installment Purchase Contract, Series 2017	\$6,408,000	Direct Bank Loan	-	-
General Obligation Public Improvement Bonds, Series 2017	\$9,000,000	Public Issuance – Competitive	-	-
General Obligation Public Safety Bonds, Series 2017	\$1,460,000	Public Issuance – Competitive	-	-
Installment Financing Contract, Series 2016	\$7,984,000	Direct Bank Loan	-	-
Installment Financing Contract, Series 2015	\$2,395,000	Direct Bank Loan	-	-
General Obligation Refunding Bond, Series 2013	\$3,050,000	Direct Bank Loan	\$178,820	5.88%
Limited Obligation Bonds, Series 2012	\$28,800,000	Public Issuance – Negotiated	\$812,572	3.17%
General Obligation Refunding Bonds, Series 2012	\$4,655,000	Public Issuance – Competitive	\$466,077	9.15%
General Obligation Public Improvement Bonds, Series 2012	\$1,700,000	Public Issuance – Competitive	-	-
General Obligation Public Improvement Bonds, Series 2010B (BABs)	\$12,250,000	Public Issuance – Competitive	-	-
General Obligation Public Improvement Bonds, Series 2010A	\$8,160,000	Public Issuance – Competitive	-	-
Total	\$98,362,000		\$1,457,469	



Potential Future Debt Issuances

- The Team is considering funding capital projects with future debt issuances. In order to demonstrate the impact of scheduled and potential future debt issuances on the team's debt profile and value, the following forecasts have been analyzed:

Project Name	A	B	C	D
	Size	Year of Issuance	Amount	
1. Scheduled debt issuances				
Average Issuance	60 (thousand)	2018	6,000,000	
Debt & Stock Payoffs	60 (thousand)	2018	6,000,000	
Market Interest Rates (2015)	3.00 (thousand)	2015	300,000	
Waterbury Debt	60	2015	6,000,000	
Debt & Stock Payoffs	60	2015	6,000,000	
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Debt & Stock Payoffs	60	2015	6,000,000	
Debt & Stock Payoffs	60			



Credit Rating Overview and Peer Comparatives



Credit Rating Overview and Peer Comparatives

Peer Comparative Introduction

- The Town is currently rated Aaa by Moody's Investors Service (March 2018) and AAA by Standard and Poor's (March 2018).
 - The Town received its Aaa rating from Moody's in 1998 and its AAA rating from S&P in 2006.

- The following pages contain peer comparatives based on the below Moody's rating categories.
 - National Cities and Towns
 - Aaa 228 Credits
 - Aa1 289 Credits
 - Aa2 736 Credits

 - Moody's North Carolina Cities and Towns
 - Aaa 12 Credits
 - Apex, Asheville, Cary, Chapel Hill, Charlotte, Durham, Greensboro, Huntersville, Morrisville, Raleigh, Wilmington, Winston-Salem
 - Aa1 9 Credits
 - Carrboro, Concord, Fayetteville, Fuquay-Varina, Garner, High Point, Indian Trail, Matthews, Wake Forest
 - Aa2 15 Credits
 - Burlington, Clayton, Gastonia, Goldsboro, Greenville, Hickory, Holly Springs, Jacksonville, Kannapolis, Mint Hill, Monroe, Mooresville, Mount Holly, Rocky Mount, Wilson

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

Note: The data shown in the peer comparatives is from Moody's Municipal Financial Ratio Analysis database. The figures shown are derived from the most recent financial statement available as of January 9, 2019 (FY 2017 figures in most cases).



Moody's Methodology Update

Quantitative Scoring Factors

- On January 15, 2014, Moody's updated its US Local Governments General Obligation Debt methodology and assumptions. Under the new methodology, an initial indicative rating is calculated from a weighted average of four key factors. Below the line qualitative adjustments can be made after the initial indicative rating.

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

Qualitative Scoring Factors

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

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

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

Moody's FY 2017 Scorecard Results



	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
Chapel Hill, NC																	
		Very Strong (Aaa)		Strong (Aa)		Moderate (A)		Weak (Baa)		Poor (Ba)		Very Poor (B & Below)					
Numerical Score		0.50	1.49	1.50	2.49	2.50	3.49	3.50	4.49	4.50	5.49	5.50	6.50	Input	Weight	Score	Weighted Score
1 Economy / Tax Base (30%)																	
2 Total Full Value (\$000)		> \$12B		\$12B >	> \$1.4B	\$1.4B >	> \$240M	\$240M >	> \$120M	\$120M >	> \$60M	< \$60M		7,532,719	10%	1.91	0.19
3 Full Value Per Capita (\$)		> \$150,000		\$150,000 >	> \$65,000	\$65,000 >	> \$35,000	\$35,000 >	> \$20,000	\$20,000 >	> \$10,000	< \$10,000		126,454	10%	1.77	0.18
4 Median Family Income as % of U.S. (2010 Census)		> 150%		150% >	> 90%	90% >	> 75%	75% >	> 50%	50% >	> 40%	< 40%		158.50%	10%	1.32	0.13
5 Finances (30%)																	
6 Available Op Fund Balance as % of Revenue		> 30.0%		30.0% >	> 15.0%	15.0% >	> 5.0%	5.0% >	> 0.0%	0.0% >	> -2.5%	< -2.5%		46.80%	10%	0.93	0.09
7 5-Year Dollar Change in Fund Balance as % of Revenues		> 25.0%		25.0% >	> 10.0%	10.0% >	> 0.0%	0.0% >	> -10.0%	-10.0% >	> -18.0%	< -18.0%		11.00%	5%	2.42	0.12
8 Operating Net Cash as % of Operating Revenues		> 25.0%		25.0% >	> 10.0%	10.0% >	> 5.0%	5.0% >	> 0.0%	0.0% >	> -2.5%	< -2.5%		39.30%	10%	0.54	0.05
9 5-Year Dollar Change in Cash Balance as % of Revenues		> 25.0%		25.0% >	> 10.0%	10.0% >	> 0.0%	0.0% >	> -10.0%	-10.0% >	> -18.0%	< -18.0%		5.90%	5%	2.90	0.15
10 Management (20%)																	
11 Institutional Framework		Very strong legal ability to match resources with spending		Strong legal ability to match resources with spending		Moderate legal ability to match resources with spending		Limited legal ability to match resources with spending		Poor legal ability to match resources with spending		Very Poor or no legal ability to match resources with spending		Aaa	10%	1.00	0.10
12 Operating History: (5 Year Average of Operating Revenues / Operating Expenditures)		> 1.05x		1.05x >	> 1.02x	1.02x >	> 0.98x	0.98x >	> 0.95x	0.95x >	> 0.92x	< 0.92x		1.00	10%	2.99	0.30
13 Debt / Pensions (20%)																	
14 Direct Net Debt as % of Full Value		< 0.75%		0.75% <	< 1.75%	1.75% <	< 4.00%	4.00% <	< 10.00%	10.00% <	< 15.00%	> 15.00%		0.90%	5%	1.64	0.08
15 Net Direct Debt / Operating Revenues (x)		< 0.33x		0.33x <	< 0.67x	0.67x <	< 3.00x	3.00x <	< 5.00x	5.00x <	< 7.00x	> 7.00x		0.99	5%	2.63	0.13
16 3-Year Avg of Moody's ANPL / Full Value		< 0.90%		0.90% <	< 2.10%	2.10% <	< 4.80%	4.80% <	< 12.00%	12.00% <	< 18.00%	> 18.00%		1.00%	5%	1.57	0.08
17 3-Year Avg of Moody's ANPL / Operating Revenues		< 0.40x		0.40x <	< 0.80x	0.80x <	< 3.60x	3.60x <	< 6.00x	6.00x <	< 8.40x	> 8.40x		1.13	5%	2.61	0.13
18																	
19 Total Score																	1.73
20 Unadjusted Rating																	Aa1

Moody's Rating Scorecard: Indicative Ratings

HI	LO	Rating
0.50	1.50	Aaa
1.50	1.83	Aa1
1.83	2.17	Aa2



Rating Agency Commentary – Moody's (3/23/2018)

U.S. PUBLIC FINANCE

CREDIT OPINION
23 March 2018

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EMEA	44-20-7772-5454

Chapel Hill (Town of) NC
Update to credit analysis

Summary
The town of Chapel Hill (Aaa, stable) benefits from a sound financial position. Following 14 years of General Fund surpluses, officials had a planned draw down on reserves for various pay-go capital improvements including parks and affordable housing as well as transfer to OBEB trust. The town's tax base continues to grow largely due to its advantageous location in the burgeoning Research Triangle region and is anchored by the strong institutional presence of the flagship campus of the University of North Carolina. Income and wealth levels are well above average despite the large student population. Lastly, the town's fixed costs will remain affordable despite future borrowing plans due to a conservatively constructed CIP and an average pension position.

Credit strengths

- » Sound financial position with healthy reserves
- » Stable economy with strong institutional presence
- » Affordable debt profile

Credit challenges

- » Relatively high cost of living

Rating outlook
The stable outlook reflects the economic strength of the tax base as well as the town's sound financial position.

Factors that could lead to an upgrade

- » Not applicable

Factors that could lead to a downgrade

- » Multi-year trend of structural budget imbalance
- » Reduction of General Fund balance and other available reserves
- » Deterioration of the town's tax base

- Credit Strengths
 - Sound financial position with healthy reserves
 - Stable economy with strong institutional presence
 - Affordable debt profile
- Credit Challenges
 - Relatively high cost of living
- Factors that could lead to an upgrade
 - Not applicable
- Factors that could lead to a downgrade
 - Multi-year trend of structural budget imbalance
 - Reduction of General Fund balance and other available reserves
 - Deterioration of the town's tax base



S&P Methodology Update & Scorecard

Methodology Update

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

US Local Governments General Obligation Ratings Methodology

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

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

Sample S&P Scorecard

Town of Chapel Hill, NC 2018 S&P Scorecard - As Calculated by Davenport

Factor	Weight	Score	Weighted Score
Economy	30%	1.00	0.30
Budgetary flexibility	10%	1.00	0.10
Budgetary performance	10%	3.00	0.30
Liquidity	10%	1.00	0.10
Management	20%	1.00	0.20
Debt and contingent liabilities	10%	2.00	0.20
Institutional framework	10%	1.00	0.10
Weighted Average			1.30

Indicative Rating

1.00 – 1.64	AAA
1.65 – 1.94	AA+
1.95 – 2.34	AA
2.35 – 2.84	AA-

S&P affirmed the Town's 'AAA' rating in its March 21, 2018 Report and assigned a Stable Outlook.



Rating Agency Commentary – S&P (3/21/2018)

Summary:

Chapel Hill, North Carolina; Appropriations; General Obligation

Credit Profile

US\$12.5 mil GO pub imp bnds ser 2018 due 05/01/2038

Long Term Rating	AAA/Stable	New
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Chapel Hill GO

Long Term Rating	AAA/Stable	Affirmed
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Rationale

S&P Global Ratings assigned its 'AAA' long-term rating to Chapel Hill, N.C.'s series 2018 general obligation (GO) public improvement bonds. At the same time, we affirmed our 'AAA' long-term rating on the town's GO debt outstanding, and our 'AA+' long-term rating on the town's appropriation-backed debt. The outlook is stable.

The bonds constitute GOs, secured by the town's full faith and credit, and represent the second installment issued from the town's November 2015 authorization. Proceeds will be used to finance stormwater improvements, as well as streets, sidewalks, and recreation facilities.

We rate Chapel Hill's GO debt higher than the sovereign because we believe the town can maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria, titled "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions," published Nov. 19, 2013 on RatingsDirect, the town primarily has a locally derived revenue base with roughly 72% of total governmental revenue derived from property taxes in fiscal 2017. Intergovernmental revenue from the federal government accounted for 3%.

The ratings reflect our opinion of the town's:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA) and a local stabilizing institutional influence;
- Very strong management, with "strong" financial policies and practices under our Financial Management Assessment methodology;
- Adequate budgetary performance, with operating results that we expect could improve in the near term relative to fiscal 2017, which closed with operating deficits in the general fund and at the total governmental fund level in fiscal 2017;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2017 of 27% of operating expenditures;
- Very strong liquidity, with total government available cash at 69.2% of total governmental fund expenditures and 7.1x governmental debt service, and access to external liquidity we consider strong;
- Strong debt and contingent liability position, with debt service carrying charges at 9.7% of expenditures and net

- The 'AAA' rating reflects S&P's opinion of the Town's:

- Very strong economy
- Very strong management
- Adequate budgetary performance
- Very strong budgetary flexibility
- Very strong liquidity
- Strong debt and contingent liability position
- Very strong institutional framework score

- Outlook

- The stable outlook reflects our view of the town's maintenance of very strong reserves despite fiscal 2017's adequate budgetary performance resulting from a large planned drawdown, and a broad and diverse economy, which is anchored by a strong institutional presence. Furthermore, it reflects our expectation that the town's very strong management practices will contribute to a likely return to strong budgetary performance in the near term. For these reasons, we do not expect to change the rating over the two-year outlook period. Holding all other factors equal, if performance were to deteriorate significantly—potentially stemming from fixed cost pressure related to large pension and OPEB liabilities—causing a substantial weakening of reserves and liquidity, we could lower the rating.



General Fund Operations and Fund Balance

General Fund Operations



	2013 Audited	2014 Audited	2015 Audited	2016 Audited	2017 Audited	2018 Audited
1 Revenues						
2 Taxes	38,698,385	40,696,859	41,622,075	42,647,872	43,212,056	45,006,529
3 Licenses and Permits	2,369,155	2,683,188	2,392,108	2,710,159	2,485,929	3,322,598
4 Fines and Forfeitures	36,477	19,943	74,682	55,304	61,116	36,913
5 Intergovernmental Revenues						
6 Federal Government	55,228	323,673	-	8,222	-	-
7 State Government	6,581,625	6,622,235	8,045,678	8,066,013	7,895,891	7,813,736
8 Other	503,004	1,228,933	669,968	671,834	661,399	684,899
9 Charges for Services	3,134,170	3,435,270	3,475,157	3,632,627	4,190,130	3,990,342
10 Interest on Investments	19,293	25,553	29,780	30,070	39,099	72,812
11 Donations	308,325	108,423	107,249	83,493	58,906	62,498
12 Revenue in Lieu	13,905	262,629	109,082	117,261	44,491	85,511
13 Other	239,554	277,446	491,958	294,728	209,706	259,155
14 Mutual Aid Reimbursements	518,489	486,784	11,978	529,106	539,310	497,427
15 Insurance Recovery	-	44,340	319,605	16,574	55,356	17,792
16 Total Revenues	52,477,610	56,215,276	57,349,320	58,863,263	59,453,389	61,850,212
18 Expenditures						
19 General Government	9,493,289	9,541,046	9,589,280	10,729,883	14,147,529	12,898,095
20 Environment and Development	12,586,543	13,585,175	14,132,526	14,689,024	17,076,637	16,485,199
21 Public Safety	19,516,889	19,875,998	20,318,420	20,281,922	20,546,434	21,001,429
22 Leisure Activities	8,001,159	8,277,168	8,671,427	9,070,159	9,799,053	10,044,146
23 Total Expenditures	49,597,880	51,279,387	52,711,653	54,770,988	61,569,653	60,428,869
25 Revenues over (under) expenditures	2,879,730	4,935,889	4,637,667	4,092,275	(2,116,264)	1,421,343
27 Other Sources (Uses)						
28 Transfers from Other Funds	175,137	170,424	45,000	2,245,000	45,000	45,000
29 Transfers to Other Funds	(1,781,386)	(2,494,604)	(2,998,110)	(1,417,543)	(6,162,544)	(1,294,818)
30 Total other sources (uses)	(1,606,249)	(2,324,180)	(2,953,110)	827,457	(6,117,544)	(1,249,818)
32 Change in Fund Balance	1,273,481	2,611,709	1,684,557	4,919,732	(8,233,808)	171,525
34 Fund Balance Beginning	22,254,301	23,527,782	26,139,491	27,824,048	32,743,780	24,509,972
35 Fund Balance Ending	23,527,782	26,139,491	27,824,048	32,743,780	24,509,972	24,681,497

Includes a \$2.7 million OPEB Trust deposit

Includes the following transfers for one time projects:

- \$3.6 million for American Legion property
- \$1,645,000 Affordable Housing transfer



General Fund Balance

General Fund Balance

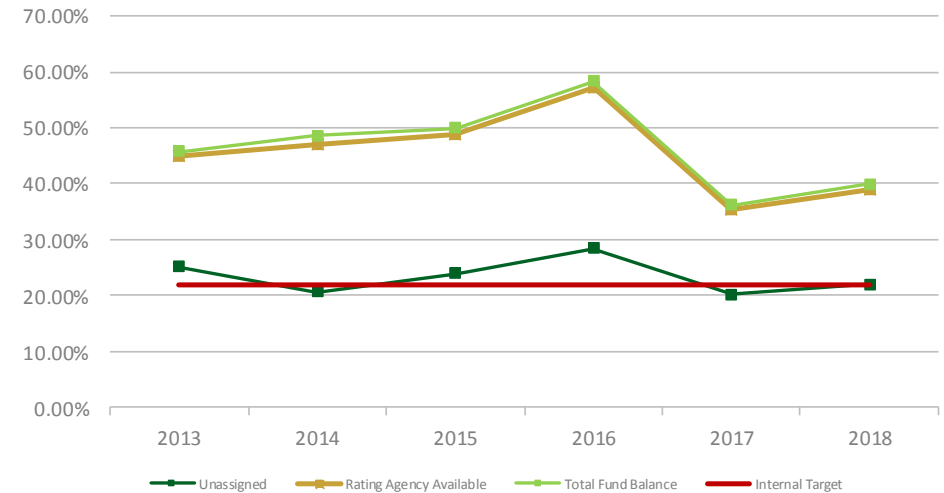
	2013	2014	2015	2016	2017	2018
1 General Fund Budget						
2 Revenues	52,477,610	56,215,276	57,349,320	58,863,263	59,453,389	61,850,212
3 Expenditures (Including Transfers Out)	51,379,266	53,773,991	55,709,763	56,188,531	67,732,197	61,723,687
4						
5 General Fund Balance						
6 Nonspendable	22,561	3,020	50,956	8,391	77,818	100,955
7 Restricted - Other	428,261	820,632	633,449	653,154	577,200	573,464
8 Restricted - Stabilization for State Statute	6,697,509	9,994,453	8,825,428	10,706,650	7,234,759	6,955,024
9 Committed	121,811	72,513	-	-	-	-
10 Assigned	3,373,643	4,105,066	4,939,269	5,385,390	2,958,533	3,430,129
11 Unassigned	12,883,997	11,143,807	13,374,946	15,990,195	13,661,662	13,621,925
12 Total	23,527,782	26,139,491	27,824,048	32,743,780	24,509,972	24,681,497
13						
14 Rating Agency Available ¹	23,076,960	25,315,839	27,139,643	32,082,235	23,854,954	24,007,078
15						
16 General Fund Balance Ratios						
17 Unassigned as a % of Revenues	24.55%	19.82%	23.32%	27.16%	22.98%	22.02%
18 Unassigned as a % of Expenditures	25.08%	20.72%	24.01%	28.46%	20.17%	22.07%
19 Rating Agency Available as a % of Revenues	43.97%	45.03%	47.32%	54.50%	40.12%	38.81%
20 Rating Agency Available as a % of Expenditures	44.91%	47.08%	48.72%	57.10%	35.22%	38.89%
21 Total General Fund Balance as a % of Revenues	44.83%	46.50%	48.52%	55.63%	41.23%	39.91%
22 Total General Fund Balance as a % of Expenditures	45.79%	48.61%	49.94%	58.27%	36.19%	39.99%
23						
24 Debt Service Fund Balance	5,340,180	4,803,926	5,452,410	6,615,510	7,048,523	7,189,658
25						
24 Affordable Housing Fund Balance	-	-	-	-	1,060,385	830,452

¹ Includes Stabilization by State Statute, Committed, Assigned, and Unassigned Fund Balance

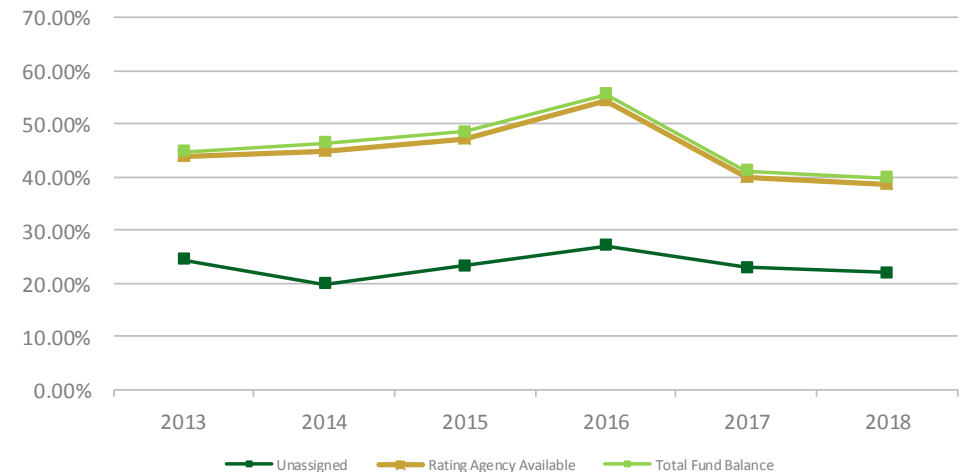
- The Town maintains an internal Unassigned Fund Balance target of 22% or higher of General Fund Expenditures. Any Unassigned Fund Balance above the 22% target is made available for one time capital expenditures.

The Town may want to consider adopting a formal General Fund Unassigned Fund Balance Policy.

General Fund Balance as a % of Expenditures



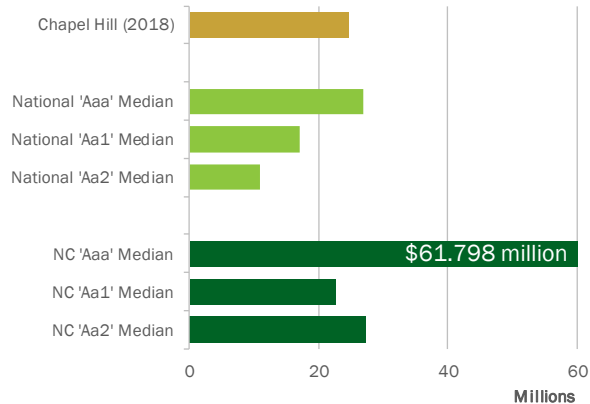
General Fund Balance as a % of Revenues





General Fund Balance – Peer Comparatives

Total General Fund Balance

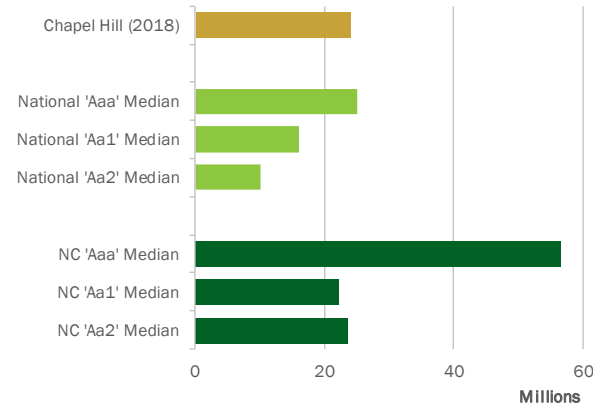


Dollars (\$)

	NC Aaa	NC Aa1	NC Aa2
Max	274,517	65,761	47,253
Min	24,510	9,506	7,219

Note: Thousands

Rating Agency Available General Fund Balance¹

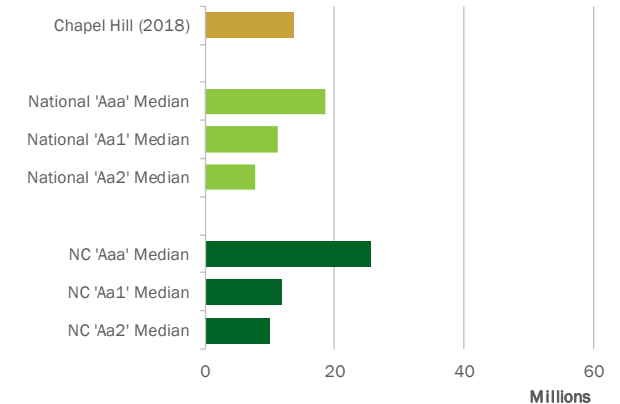


Dollars (\$)

	NC Aaa	NC Aa1	NC Aa2
Max	267,111	61,341	46,352
Min	23,855	8,516	6,842

Note: Thousands

Unassigned General Fund Balance

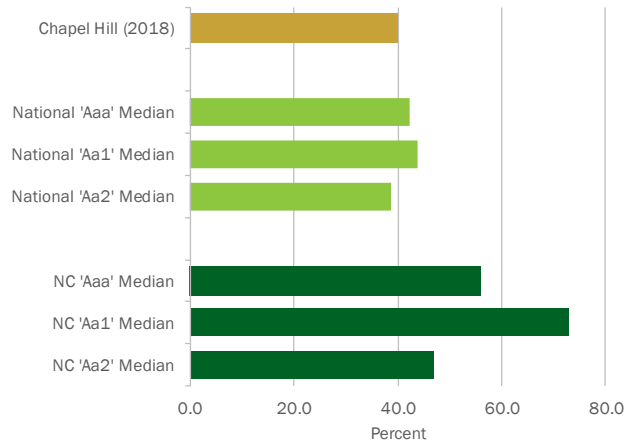


Dollars (\$)

	NC Aaa	NC Aa1	NC Aa2
Max	107,014	46,911	20,158
Min	9,413	5,940	4,569

Note: Thousands

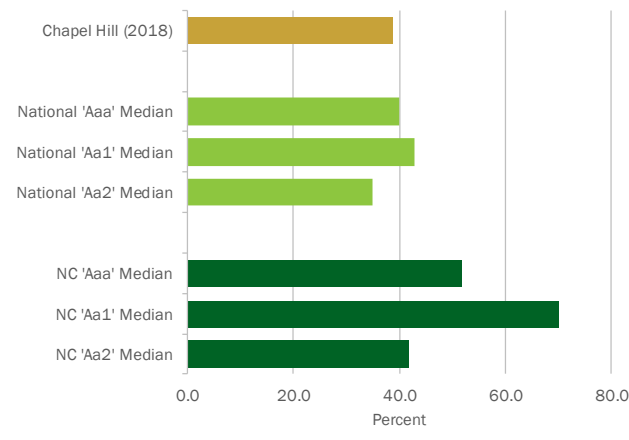
Total General Fund Balance as a % of Revenues



Percent

	NC Aaa	NC Aa1	NC Aa2
Max	128.90%	126.40%	83.30%
Min	25.60%	28.10%	35.80%

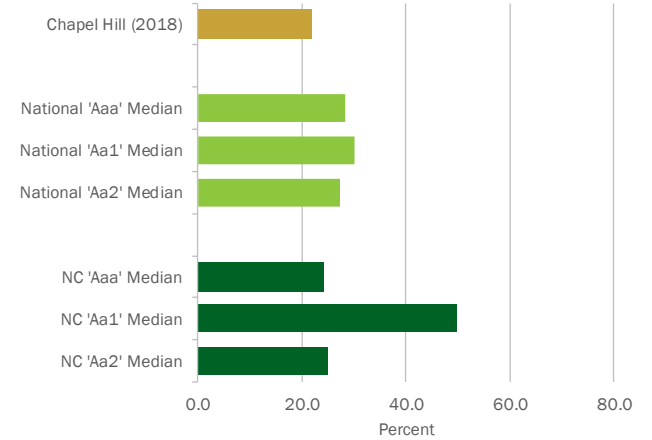
Rating Agency Available Fund Balance as a % of Revenues¹



Percent

	NC Aaa	NC Aa1	NC Aa2
Max	96.70%	110.10%	75.60%
Min	25.00%	27.40%	28.40%

Unassigned Fund Balance as a % of Revenues



Percent

	NC Aaa	NC Aa1	NC Aa2
Max	50.20%	94.30%	62.20%
Min	9.60%	11.30%	14.00%

¹ Includes Restricted – Stabilization by State Statute, Committed, Assigned, and Unassigned Fund Balances.

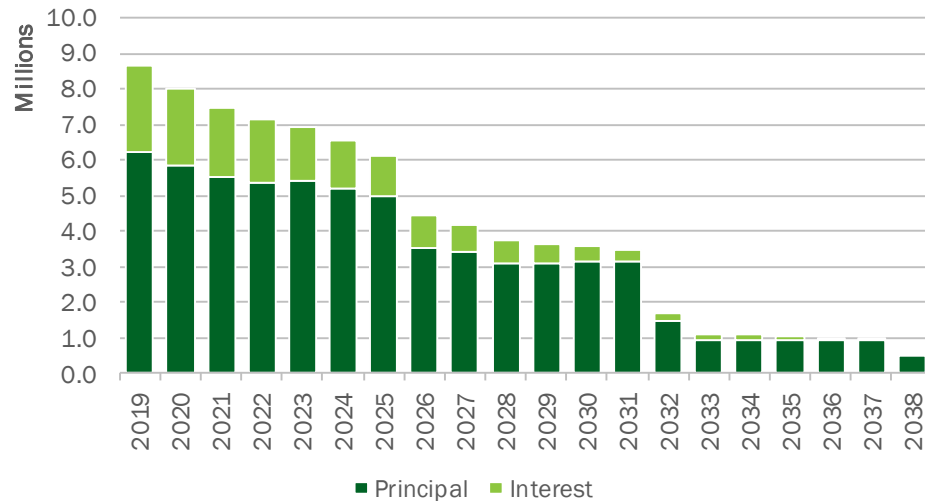


Existing Tax Supported Debt Profile



Existing Tax Supported Debt

Tax Supported Debt Service



Tax Supported Debt Service

FY	Principal	Interest	Total	10-yr Payout
Total	64,669,414	16,732,896	81,402,310	
2019	6,235,117	2,422,825	8,657,942	75.1%
2020	5,832,742	2,193,912	8,026,655	77.8%
2021	5,514,555	1,977,185	7,491,740	81.3%
2022	5,371,000	1,762,360	7,133,360	85.9%
2023	5,402,000	1,543,762	6,945,762	87.6%
2024	5,198,000	1,327,089	6,525,089	88.3%
2025	5,006,000	1,110,234	6,116,234	89.4%
2026	3,526,000	904,982	4,430,982	90.9%
2027	3,410,000	774,671	4,184,671	93.7%
2028	3,090,000	657,251	3,747,251	97.4%
2029	3,113,000	547,499	3,660,499	100.0%
2030	3,141,000	433,450	3,574,450	100.0%
2031	3,170,000	322,937	3,492,937	100.0%
2032	1,470,000	211,615	1,681,615	100.0%
2033	940,000	163,363	1,103,363	100.0%
2034	940,000	135,163	1,075,163	100.0%
2035	940,000	105,788	1,045,788	100.0%
2036	940,000	76,413	1,016,413	100.0%
2037	940,000	46,475	986,475	100.0%
2038	490,000	15,925	505,925	100.0%

Par Outstanding – Estimated as of 6/30/2018

Type	Par Amount
General Obligation Bonds	\$38,770,000
Limited Obligation Bonds	\$16,155,000
IPCs (Debt Fund)	\$9,028,000
IPCs (Vehicle Replacement Fund)	\$716,414
Total	\$64,669,414

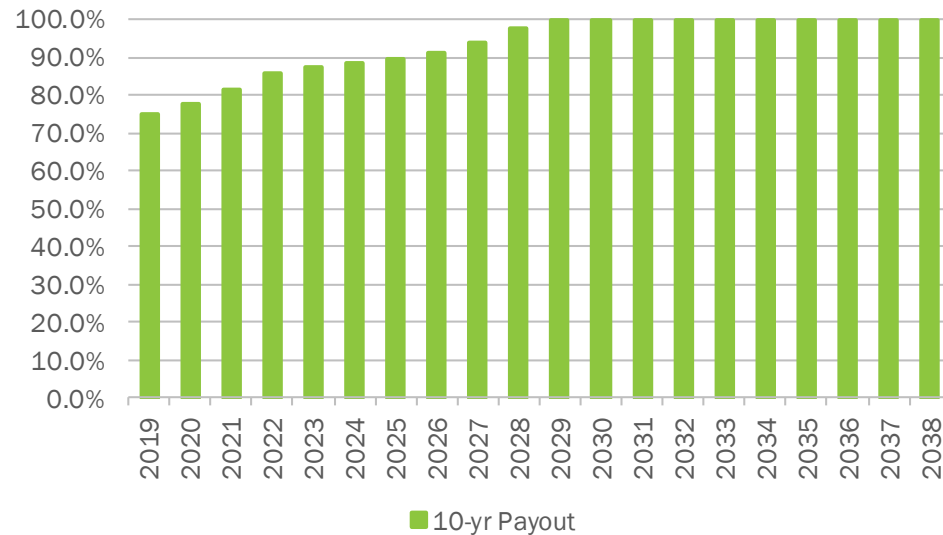
Note:

- Includes debt obligations accounted for in the Debt Fund, Parking Fund, and Vehicle Replacement Fund.
- 2010B GO debt service shown gross of BAB subsidy.
- Excludes debt obligations accounted for in the Stormwater Management Fund, Transit Fund, and American Legion Property Installment Payments.



Key Debt Ratio: Tax Supported Payout Ratio

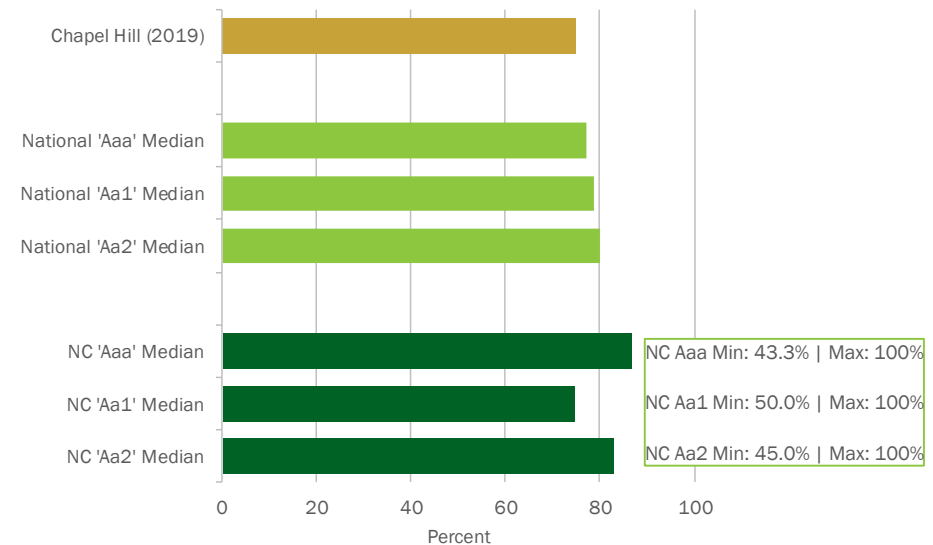
10-Year Payout Ratio



- Existing 10-year Payout Ratio
 - FY 2019: 75.1%
- The 10-Year Payout Ratio measures the amount of principal to be retired in the next 10 years.
- This ratio is an important metric that indicates whether or not a locality is back-loading its debt.

The Town may want to consider adopting a policy setting a minimum 10-Year Payout Ratio.

10-year Payout Ratio Peer Comparative

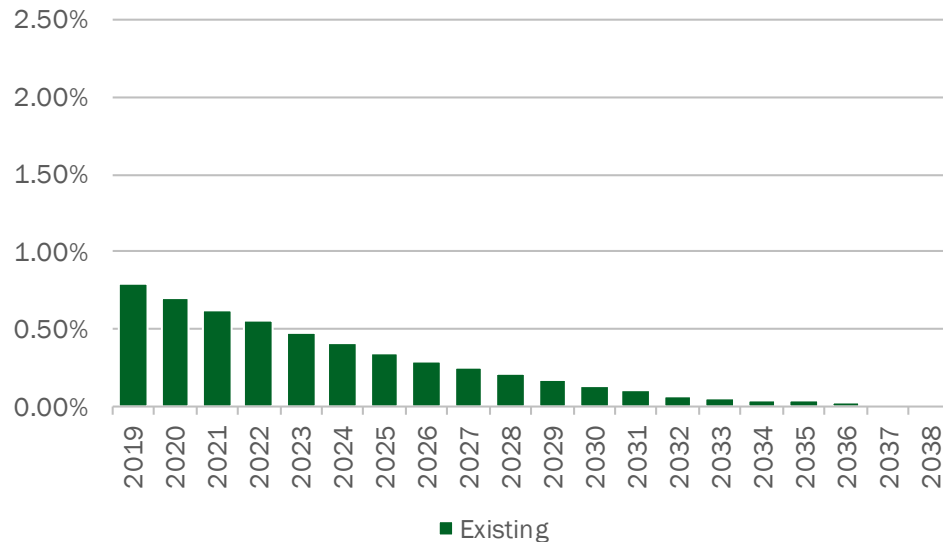


- Rating Considerations:
 - Moody's: Moody's rating criteria for General Obligation credits allows for a scorecard adjustment if an issuer has unusually slow or rapid amortization of debt principal.
 - S&P: A payout ratio greater than 65% results in a one point positive qualitative adjustment to the Debt & Contingent Liabilities section of S&P's General Obligation rating methodology.



Key Debt Ratio: Debt to Assessed Value

Debt to Assessed Value



■ Existing Debt to Assessed Value

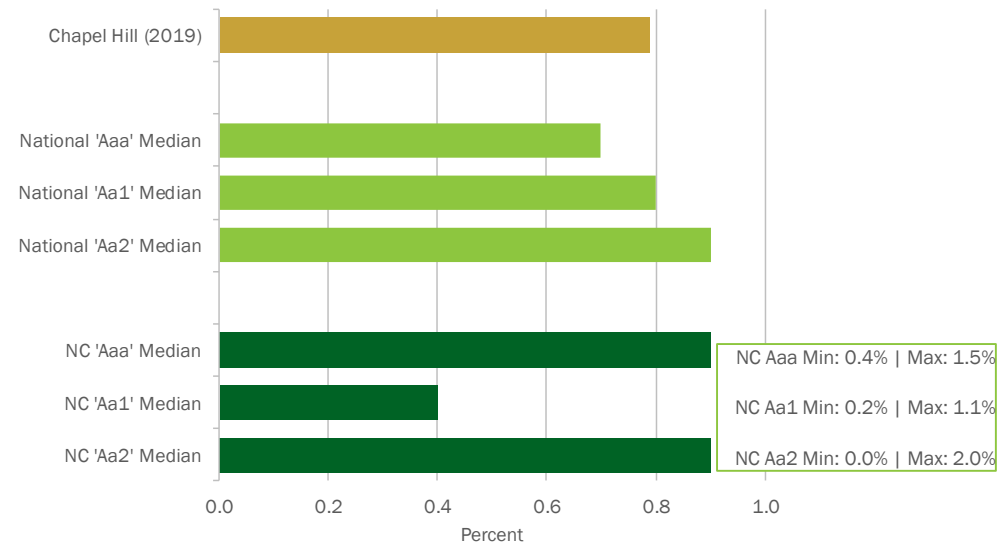
— FY 2019: 0.79%

■ Assumed Future Growth Rates

— 2018 Assessed Value: \$8,034,649,409
 — 2019 Estimated Assessed Value: \$8,225,444,551
 — 2020 & Beyond: 1.50%

The Town may want to consider adopting a policy setting a maximum Debt to Assessed Value Ratio.

Debt to Assessed Value Peer Comparative



■ Rating Considerations:

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

— Very Strong (Aaa): < 0.75%

— **Strong (Aa): 0.75% - 1.75%**

— Moderate (A): 1.75% - 4.00%

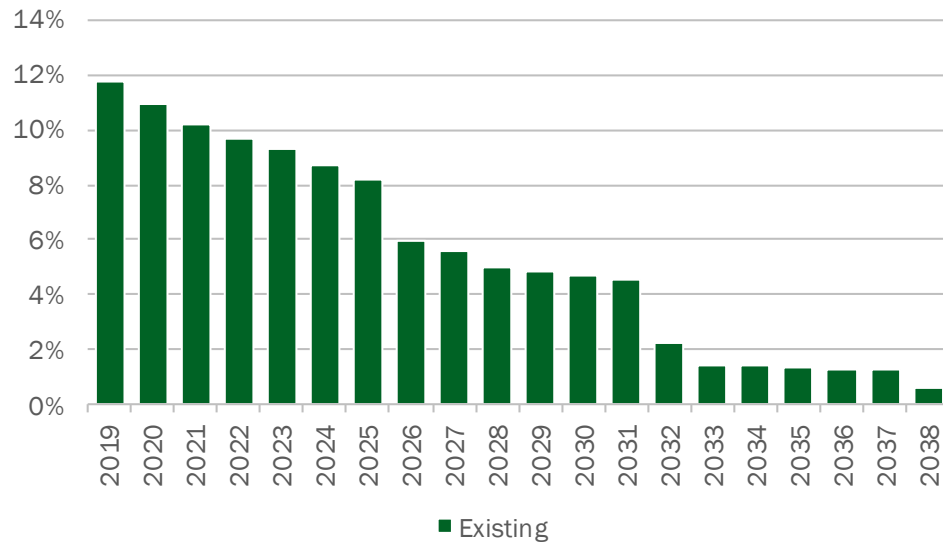
— Weak – Very Poor (Baa and below): > 4.00%

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



Key Debt Ratio: Debt Service vs. Expenditures

Debt Service vs. Governmental Expenditures



Existing Debt Service vs. Expenditures

– FY 2019: 11.85%

Assumed Future Growth Rates

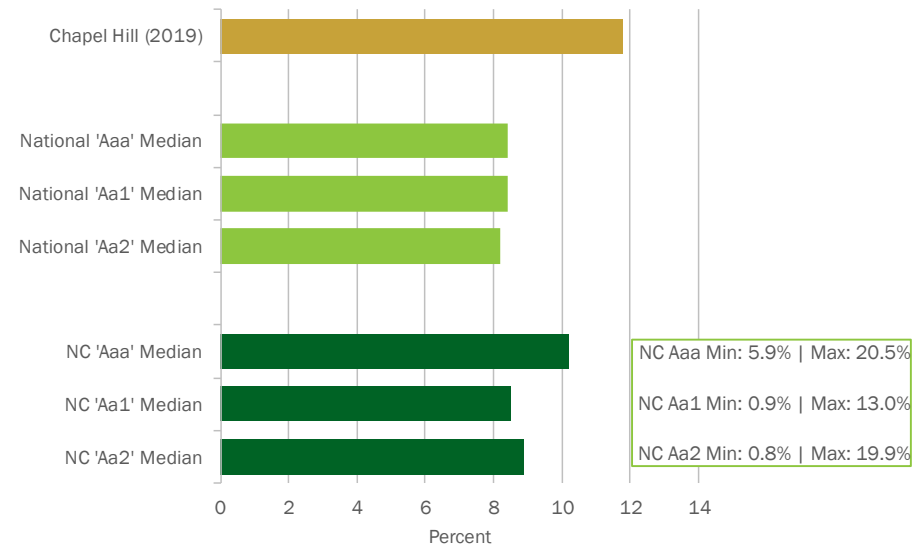
– 2018 Adjusted Expenditures: \$63,436,563

– 2019 and Beyond: 1.50%

The Town may want to consider adopting a policy setting a maximum Debt Service to Expenditures Ratio.

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

Debt Service vs. Expenditures Peer Comparative



Rating Considerations:

– Moody's: Moody's criteria allows for a scorecard adjustment if an issuer has very high or low debt service relative to its budget Percent.

– S&P: The Debt and Contingent Liabilities section defines categories of Net Direct Debt as a % of Total Governmental Funds Expenditures as follows:

– Very Strong: <8%

– **Strong: 8% to 15%**

– Adequate: 15% - 25%

– Weak: 25% - 35%

– Very Weak: > 35%



Debt Fund Cash Flow Forecast



Town Repayment Plan – Existing Tax Supported Obligations

Debt Fund

- The Town has established a debt fund for the repayment of tax supported debt obligations.
- The Town has dedicated 8.2 cents on the tax rate to fund the Debt Fund.
 - 1 cent on the Town's property tax rate generates approximately \$821,098 in FY 2019.
 - An additional 1 cent is assumed to be implemented based on the approval of the Affordable Housing Bonds in FY 2020.
- In addition to the 8.2 cents on the tax rate, the Debt Fund also receives revenues from:
 - Transfers from the Parking Fund for repayment of parking related Debt Service
 - BABs Subsidy
 - Interest on Investments (assumed at 1% of prior year's ending Debt Fund Balance)
 - Blue Hill (Ephesus Fordham) TIF Reimbursement
- The Town's Debt Fund pays for debt service on the following obligations (see Appendix B for details):
 - 2009 General Obligation Refunding Bonds
 - 2010A General Obligation Public Improvement Bonds
 - 2010B General Obligation Public Improvement Bonds (BABs)
 - 2012 General Obligation Refunding Bonds
 - 2012 General Obligation Public Improvement Bonds
 - 2012 Limited Obligation Bonds
 - 2013 General Obligation Refunding Bond
 - 2015 Bank of North Carolina IPC
 - 2016 Raymond James IPC
 - 2017 General Obligation Public Improvement Bonds
 - 2018 General Obligation Public Improvement Bonds

Vehicle Replacement Fund & Other Funds

- The Town has a Vehicle replacement internal service fund that pays the debt service on certain vehicle related loans that are not paid by the debt fund.
 - The fund receives vehicle use fees from participating departments and also gets the proceeds of vehicle sales.
 - The Town has moved to a pay-go basis for most vehicles starting in FY15.
 - The Town's Vehicle Replacement Fund pays for debt service on the following obligations (see Appendix B for details):
 - 2012 BB&T IPC
 - 2012 SunTrust IPC
 - 2013 Wells Fargo IPC
 - 2013 SunTrust IPC
- Additionally, the Town operates both a Transit Fund (funded primarily by 5 cents on the tax rate) and Stormwater Management Fund (funded primarily by stormwater fees) that pays the debt service on certain transit and storm water related loans that are not paid by the debt fund.
 - Transit Fund:
 - 2017 Pinnacle Bank IFC
 - Stormwater Management Fund:
 - 2018 General Obligation Public Improvement Bonds



Debt Affordability Analysis

Existing Town Debt – Debt Fund and Vehicle Fund Obligations Only

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
	Debt Service Requirements							Revenue Available for DS							Debt Service Cash Flow Surplus (Deficit)						
	Debt Fund		Vehicle Fund	Debt Fund		Debt Fund							Vehicle Fund		Debt Service Cash Flow Surplus (Deficit)						
FY	Existing Debt Service - Debt Fund ¹	Existing Debt Service - Parking Fund	Existing Debt Service - Vehicle Replacement Fund	CIP Debt Service	CIP Pay-Go Cash	Service Charges	Total	Property Taxes (Grown at 1.50%)	Transfer from Parking for existing debt	BABs Subsidy ²	Interest on Investments ³	Blue Hill Incremental Tax Revenue	Affordable Housing Tax Increase (1c in FY 2020)	Vehicle Replacement Fund Revenues	Total Revenues Available	Surplus/ (Deficit)	Revenue From Prior Tax Impact	Debt Fund Balance Utilized	Adjusted Surplus/ (Deficit)	Estimated Incremental Tax Equivalent	Debt Fund Balance
2019	7,342,680	914,631	400,630	-	-	-	8,657,942	6,733,000	914,631	176,666	71,897	445,100	-	400,630	8,741,924	83,983	-	-	83,983	-	7,189,658
2020	6,855,732	905,331	265,591	-	-	-	8,026,655	6,833,995	905,331	176,666	72,736	434,572	833,414	265,591	9,522,306	1,495,652	-	-	1,495,652	-	8,769,292
2021	6,510,312	914,831	66,596	-	-	-	7,491,740	6,936,505	914,831	164,571	87,693	434,572	845,915	66,596	9,450,684	1,958,944	-	-	1,958,944	-	10,728,236
2022	6,216,529	916,831	-	-	-	-	7,133,360	7,040,552	916,831	151,785	107,282	434,572	858,604	-	9,509,627	2,376,267	-	-	2,376,267	-	13,104,503
2023	6,033,681	912,081	-	-	-	-	6,945,762	7,146,161	912,081	138,307	131,045	434,572	871,483	-	9,633,650	2,687,887	-	-	2,687,887	-	15,792,390
2024	5,844,257	680,831	-	-	-	-	6,525,089	7,253,353	680,831	124,484	157,924	434,572	884,555	-	9,535,720	3,010,631	-	-	3,010,631	-	18,803,022
2025	5,651,902	464,331	-	-	-	-	6,116,234	7,362,153	464,331	110,229	188,030	434,572	897,824	-	9,457,140	3,340,906	-	-	3,340,906	-	22,143,928
2026	3,968,650	462,331	-	-	-	-	4,430,982	7,472,586	462,331	95,715	221,439	434,572	911,291	-	9,597,935	5,166,953	-	-	5,166,953	-	27,310,881
2027	3,719,321	465,350	-	-	-	-	4,184,671	7,584,675	465,350	80,855	273,109	434,572	924,960	-	9,763,521	5,578,850	-	-	5,578,850	-	32,889,731
2028	3,284,851	462,400	-	-	-	-	3,747,251	7,698,445	462,400	65,650	328,897	434,572	938,835	-	9,928,799	6,181,548	-	-	6,181,548	-	39,071,279
2029	3,198,299	462,200	-	-	-	-	3,660,499	7,813,921	462,200	49,754	390,713	434,572	952,917	-	10,104,077	6,443,578	-	-	6,443,578	-	45,514,856
2030	3,113,050	461,400	-	-	-	-	3,574,450	7,931,130	461,400	33,512	455,149	434,572	967,211	-	10,282,973	6,708,524	-	-	6,708,524	-	52,223,380
2031	3,027,937	465,000	-	-	-	-	3,492,937	8,050,097	465,000	17,016	522,234	434,572	981,719	-	10,470,638	6,977,702	-	-	6,977,702	-	59,201,082
2032	1,218,815	462,800	-	-	-	-	1,681,615	8,170,849	462,800	-	592,011	434,572	996,445	-	10,656,676	8,975,061	-	-	8,975,061	-	68,176,143
2033	1,103,363	-	-	-	-	-	1,103,363	8,293,411	-	-	681,761	434,572	1,011,392	-	10,421,136	9,317,774	-	-	9,317,774	-	77,493,917
2034	1,075,163	-	-	-	-	-	1,075,163	8,417,813	-	-	774,939	434,572	1,026,563	-	10,653,886	9,578,724	-	-	9,578,724	-	87,072,641
2035	1,045,788	-	-	-	-	-	1,045,788	8,544,080	-	-	870,726	434,572	1,041,961	-	10,891,339	9,845,552	-	-	9,845,552	-	96,918,192
2036	1,016,413	-	-	-	-	-	1,016,413	8,672,241	-	-	969,182	434,572	1,057,590	-	11,133,585	10,117,173	-	-	10,117,173	-	107,035,365
2037	986,475	-	-	-	-	-	986,475	8,802,325	-	-	1,070,354	434,572	1,073,454	-	11,380,704	10,394,229	-	-	10,394,229	-	117,429,594
2038	505,925	-	-	-	-	-	505,925	8,934,359	-	-	1,174,296	434,572	1,089,556	-	11,632,783	11,126,858	-	-	11,126,858	-	128,556,453
2039	-	-	-	-	-	-	-	9,068,375	-	-	1,285,565	434,572	1,105,899	-	11,894,411	11,894,411	-	-	11,894,411	-	140,450,863
2040	-	-	-	-	-	-	-	9,204,400	-	-	1,404,509	434,572	1,122,488	-	12,165,969	12,165,969	-	-	12,165,969	-	152,616,832
2041	-	-	-	-	-	-	-	9,342,466	-	-	1,526,168	434,572	1,139,325	-	12,442,532	12,442,532	-	-	12,442,532	-	165,059,364
2042	-	-	-	-	-	-	-	9,482,603	-	-	1,650,594	434,572	1,156,415	-	12,724,184	12,724,184	-	-	12,724,184	-	177,783,548
2043	-	-	-	-	-	-	-	9,624,842	-	-	1,777,835	434,572	1,173,761	-	13,011,011	13,011,011	-	-	13,011,011	-	190,794,559
2044	-	-	-	-	-	-	-	9,769,215	-	-	1,907,946	434,572	1,191,368	-	13,303,100	13,303,100	-	-	13,303,100	-	204,097,659
Total	71,719,143	8,950,350	732,817	-	-	-	81,402,310									Total	-	-	Total Tax Effect	0.00%	

¹ 2010B GO debt service is shown gross of BAB subsidy. Excludes Parking Fund Debt Service.

² BABs subsidies are assumed to be reduced by 6.2% due to Federal Sequestration.

³ Assumed to be equal to 1.00% of prior years ending Debt Fund Balance.

- FY 2019 Value of a Penny: \$821,098
- FY 2020 & Beyond: 1.50% (consistent with Town planning model)



Capital Planning



2015 and 2018 General Obligation Bond Referendums

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

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

- The Town's GO Bond authorization will expire 7 years from the date of the Referendum. The Town would have the ability to extend the approval for 3 additional years, subject to LGC approval, for a total of up to 10 years from the date of the Referendum.

- The Town has issued \$21,500,000 of General Obligation Bonds to date and \$28,800,000 of the referendum authorization remains unissued:

A	B	C	D	E	F	G
Referendum Question	Authorized GO Bonds	2017 Issuance	2018 Issuance	Remaining Authorized / Unissued	Initial Expiration	Final Expiration (if extended)
1 Streets and Sidewalks	\$ 16,200,000	\$ 3,000,000	\$ 5,500,000	\$ 7,700,000	11/3/2022	11/3/2025
2 Trails & Greenways	5,000,000	5,000,000	-	-	11/3/2022	11/3/2025
3 Parks & Recreation	8,000,000	1,000,000	4,300,000	2,700,000	11/3/2022	11/3/2025
4 Solid Waste	5,200,000	-	-	5,200,000	11/3/2022	11/3/2025
5 Storm Water	5,900,000	-	2,700,000	3,200,000	11/3/2022	11/3/2025
6 Affordable Housing	10,000,000	-	-	10,000,000	11/6/2025	11/6/2028
7 Total	\$ 50,300,000	\$ 9,000,000	\$ 12,500,000	\$ 28,800,000		



Capital Projects Under Consideration

- The Town has identified the following Capital Projects that it is considering funding in the next few years. Following the issuance of the proposed General Obligation Bonds mentioned below, the Town will have \$8.4 million of remaining authorized but unissued General Obligation Bonds (\$5.2 million for Solid Waste and \$3.2 million for Storm Water). Solid Waste and Storm Water are not included in this analysis as they are repaid from dedicated funds.

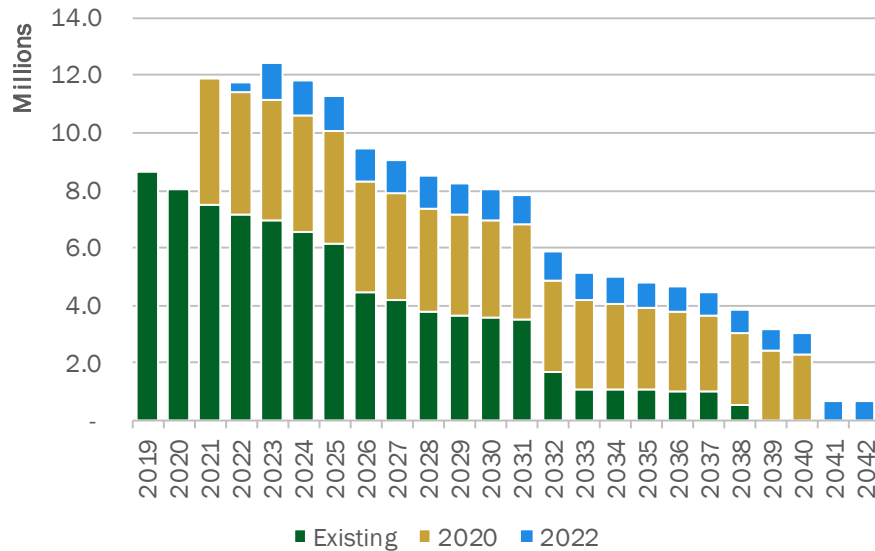
A	B	C	D	E	F	G	H	I	J
Project	GO Bonds	Issuance by Type LOBs / IFC	Cash on Hand	Total	Debt Source	Timing	Term	Interest Rate	Amortization
1 FY 2020 Projects									
2 Wallace Deck	\$ -	\$ 2,400,000	\$ -	\$ 2,400,000	LOBs / IFC	FY 2020	20 Years	5.00%	Level Principal
3 Blue Hill Phase II	-	2,600,000	1,600,000	4,200,000	LOBs / IFC	FY 2020	20 Years	5.00%	Level Principal
4 Municipal Services Center	2,700,000	31,300,000	-	34,000,000	GO / LOBs / IFC	FY 2020	20 Years	5.00%	Level Principal
5 Affordable Housing	5,000,000	-	-	5,000,000	GO Bonds	FY 2020	20 Years	5.00%	Level Principal
6 Total FY 2020 Projects	\$ 7,700,000	\$ 36,300,000	\$ 1,600,000	\$ 45,600,000					
7									
8									
9 FY 2022 Projects									
10 Affordable Housing	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000	GO Bonds	FY 2022	20 Years	5.00%	Level Principal
11 Streets & Sidewalks	7,700,000	-	-	7,700,000	GO Bonds	FY 2022	20 Years	5.00%	Level Principal
12 Total FY 2022 Projects	\$ 12,700,000	\$ -	\$ -	\$ 12,700,000					
13									
14									
15 Total Projects	\$ 20,400,000	\$ 36,300,000	\$ 1,600,000	\$ 58,300,000					

- The following debt assumptions have been included:
 - Term: 20 Years
 - Amortization: Level Principal
 - Interest Rate: 5.00%
 - First Interest:
 - FY 2020 Projects: FY Following Issuance
 - FY 2022 Projects: FY of Issuance
 - First Principal: FY Following Issuance

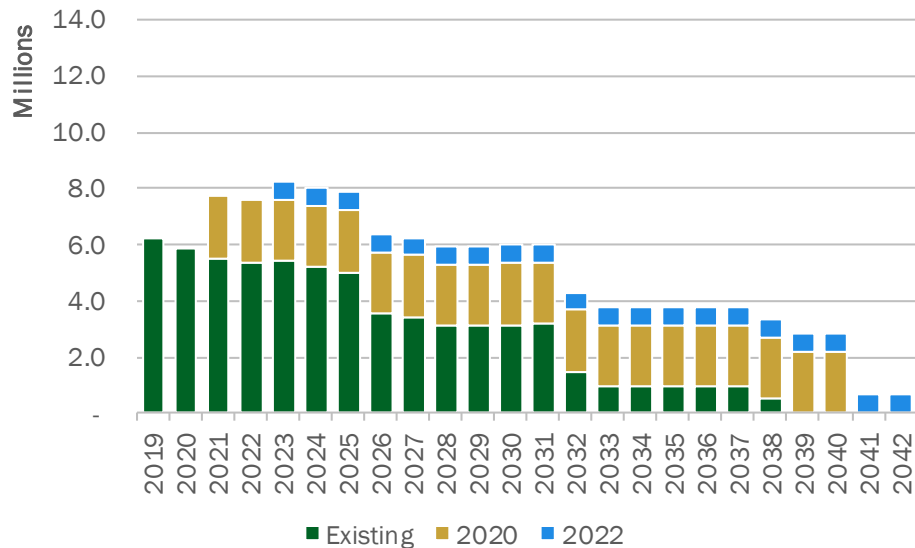


Existing and Proposed Debt Service

Existing and Proposed Debt Service



Existing and Proposed Principal



Assumptions

Financing Assumptions:

Amortization:	Level Principal
Term:	20 Years
Interest Rate:	5.00%
First Interest Payment	
FY 2020 Projects:	FY Following Issuance
FY 2022 Projects:	FY of Issuance
First Principal Payment:	FY Following Issuance

Proposed Debt Issuance by Fiscal Year:

FY 2020:	\$44,000,000
FY 2022:	\$12,700,000
Total:	\$56,700,000

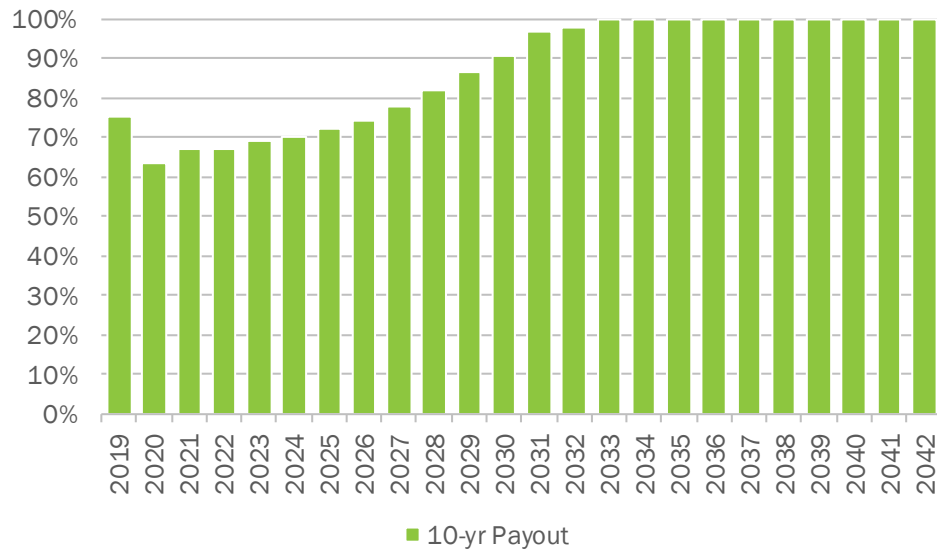
Proposed Debt Service by Fiscal Year:

FY 2020:	\$67,100,000
FY 2022:	\$19,685,000
Total:	\$86,785,000



Key Debt Ratios

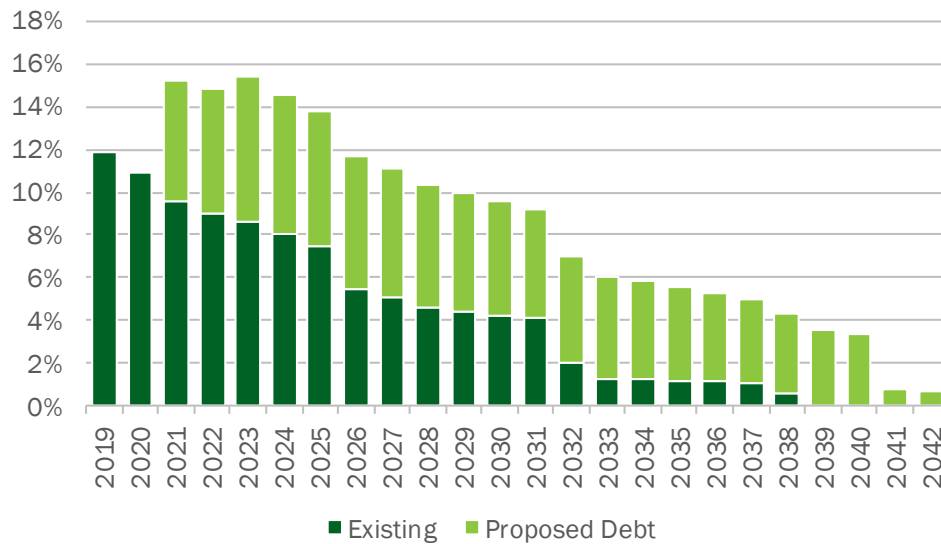
10-Year Payout



Debt to Assessed Value



Debt Service to Expenditures



The Town may want to consider adopting a series of formal debt related Financial Policies, including 10-Year Payout, Debt to Assessed Value, and Debt Service to Expenditures.



Debt Affordability Analysis

Existing and Proposed Town Debt

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
	Debt Service Requirements							Revenue Available for DS							Debt Service Cash Flow Surplus (Deficit)						
	Debt Fund		Vehicle Fund	Debt Fund				Debt Fund				Vehicle Fund									
	Existing Debt Service - Debt Fund ¹	Existing Debt Service - Parking Fund	Existing Debt Service - Vehicle Replacement Fund	CIP Debt Service	CIP Pay-Go Cash	Service Charges	Total	Property Taxes (Grown at 1.50%)	Transfer from Parking for existing debt	BABs Subsidy ²	Interest on Investments ³	Blue Hill Incremental Tax Revenue	Affordable Housing Tax Increase (1c in FY 2020)	Vehicle Replacement Fund Revenues	Total Revenues Available	Surplus/ (Deficit)	Revenue From Prior Tax Impact	Debt Fund Balance Utilized	Adjusted Surplus/ (Deficit)	Estimated Incremental Tax Equivalent	Debt Fund Balance
FY																					
2019	7,342,680	914,631	400,630	-	-	-	8,657,942	6,733,000	914,631	176,666	71,897	445,100	-	400,630	8,741,924	83,983	-	-	83,983	-	7,189,658
2020	6,855,732	905,331	265,591	-	-	-	8,026,655	6,833,995	905,331	176,666	72,736	434,572	833,414	265,591	9,522,306	1,495,652	-	-	1,495,652	-	8,769,292
2021	6,510,312	914,831	66,596	4,400,000	-	-	11,891,740	6,936,505	914,831	164,571	87,693	434,572	845,915	66,596	9,450,684	(2,441,056)	-	(2,441,056)	-	-	6,328,236
2022	6,216,529	916,831	-	4,607,500	-	-	11,740,860	7,040,552	916,831	151,785	63,282	434,572	858,604	-	9,465,627	(2,275,233)	-	(2,275,233)	-	-	4,053,003
2023	6,033,681	912,081	-	5,450,000	-	-	12,395,762	7,146,161	912,081	138,307	40,530	434,572	871,483	-	9,543,135	(2,852,628)	-	(2,852,628)	-	-	1,200,375
2024	5,844,257	680,831	-	5,308,250	-	-	11,833,339	7,253,353	680,831	124,484	12,004	434,572	884,555	-	9,389,800	(2,443,539)	-	(1,200,375)	(1,243,163)	1,414	-
2025	5,651,902	464,331	-	5,166,500	-	-	11,282,734	7,362,153	464,331	110,229	-	434,572	897,824	-	9,269,110	(2,013,624)	1,261,811	-	(751,813)	0,844	-
2026	3,968,650	462,331	-	5,024,750	-	-	9,455,732	7,472,586	462,331	95,715	-	434,572	911,291	-	9,376,495	(79,236)	2,043,828	-	1,964,592	-	1,964,592
2027	3,719,321	465,350	-	4,883,000	-	-	9,067,671	7,584,675	465,350	80,855	19,646	434,572	924,960	-	9,510,058	442,387	2,074,486	-	2,516,873	-	4,481,464
2028	3,284,851	462,400	-	4,741,250	-	-	8,488,501	7,698,445	462,400	65,650	44,815	434,572	938,835	-	9,644,716	1,156,215	2,105,603	-	3,261,818	-	7,743,282
2029	3,198,299	462,200	-	4,599,500	-	-	8,259,999	7,813,921	462,200	49,754	77,433	434,572	952,917	-	9,790,797	1,530,798	2,137,187	-	3,667,985	-	11,411,267
2030	3,113,050	461,400	-	4,457,750	-	-	8,032,200	7,931,130	461,400	33,512	114,113	434,572	967,211	-	9,941,937	1,909,738	2,169,245	-	4,078,983	-	15,490,250
2031	3,027,937	465,000	-	4,316,000	-	-	7,808,937	8,050,097	465,000	17,016	154,902	434,572	981,719	-	10,103,307	2,294,370	2,201,783	-	4,496,154	-	19,986,403
2032	1,218,815	462,800	-	4,174,250	-	-	5,855,865	8,170,849	462,800	-	199,864	434,572	996,445	-	10,264,530	4,408,665	2,234,810	-	6,643,475	-	26,629,878
2033	1,103,363	-	-	4,032,500	-	-	5,135,863	8,293,411	-	-	266,299	434,572	1,011,392	-	10,005,674	4,869,811	2,268,332	-	7,138,144	-	33,768,022
2034	1,075,163	-	-	3,890,750	-	-	4,965,913	8,417,813	-	-	337,680	434,572	1,026,563	-	10,216,627	5,250,715	2,302,357	-	7,553,072	-	41,321,094
2035	1,045,788	-	-	3,749,000	-	-	4,794,788	8,544,080	-	-	413,211	434,572	1,041,961	-	10,433,824	5,639,036	2,336,893	-	7,975,929	-	49,297,022
2036	1,016,413	-	-	3,607,250	-	-	4,623,663	8,672,241	-	-	492,970	434,572	1,057,590	-	10,657,373	6,033,711	2,371,946	-	8,405,657	-	57,702,679
2037	986,475	-	-	3,465,500	-	-	4,451,975	8,802,325	-	-	577,027	434,572	1,073,454	-	10,887,378	6,435,403	2,407,525	-	8,842,928	-	66,545,607
2038	505,925	-	-	3,323,750	-	-	3,829,675	8,934,359	-	-	665,456	434,572	1,089,556	-	11,123,943	7,294,268	2,443,638	-	9,737,907	-	76,283,514
2039	-	-	-	3,182,000	-	-	3,182,000	9,068,375	-	-	762,835	434,572	1,105,899	-	11,371,681	8,189,681	2,480,293	-	10,669,974	-	86,953,488
2040	-	-	-	3,040,250	-	-	3,040,250	9,204,400	-	-	869,535	434,572	1,122,488	-	11,630,995	8,590,745	2,517,497	-	11,108,242	-	98,061,730
2041	-	-	-	698,500	-	-	698,500	9,342,466	-	-	980,617	434,572	1,139,325	-	11,896,981	11,198,481	2,555,260	-	13,753,740	-	111,815,470
2042	-	-	-	666,750	-	-	666,750	9,482,603	-	-	1,118,155	434,572	1,156,415	-	12,191,745	11,524,995	2,593,588	-	14,118,584	-	125,934,054
2043	-	-	-	-	-	-	-	9,624,842	-	-	1,259,341	434,572	1,173,761	-	12,492,516	12,492,516	2,632,492	-	15,125,009	-	141,059,062
2044	-	-	-	-	-	-	-	9,769,215	-	-	1,410,591	434,572	1,191,368	-	12,805,745	12,805,745	2,671,980	-	15,477,725	-	156,536,788
Total	71,719,143	8,950,350	732,817	86,785,000	-	-	168,187,310									Total		(8,769,292)			
																			Total Tax Effect	2,244	

¹ 2010B GO debt service is shown gross of BAB subsidy. Excludes Parking Fund Debt Service.

² BABs subsidies are assumed to be reduced by 6.2% due to Federal Sequestration.

³ Assumed to be equal to 1.00% of prior years ending Debt Fund Balance.

- FY 2019 Value of a Penny: \$821,098
- FY 2020 & Beyond: 1.50% (consistent with Town planning model)

- Alternatively, the Town could utilize \$3,336,023 of additional revenues or reserves to offset the need for a future tax impact.
- The Town could also consider an additional 0.61¢ Upfront Tax Increase in FY 2020 in place of the use of additional revenues / reserves.



Observations



Observations

- The Town has a Aaa / AAA rating from both Moody's and S&P, which are the highest credit ratings a local government can achieve.
 - The Town received its Aaa rating from Moody's in 1998 and its AAA rating from S&P in 2006.
- The Town has managed its financial operations in a responsible manner, maintaining a structurally balanced Budget with Fund Balance levels commensurate with its rating category.
- The Town has managed its debt issuance activities in a responsible fashion and has a Debt Profile that compares favorably to other highly rated Cities and Towns.
- As measured by certain key Debt Ratios and rating agency guidelines, the Town has Debt Capacity to accommodate its current CIP through FY 2022.
 - Debt Capacity beyond FY 2022 is more limited by these same measures.
- The Town has well established and sustainable debt service budgeting practices which provide for some additional Debt Affordability beyond current debt levels.
 - Current debt modeling of the CIP through FY 2022 estimates a funding deficit will occur in FY 2024 – 2026, unless other sources of revenues are identified.
- Capital planning beyond the FY 2022 horizon will allow the Town to identify potential funding issues and work towards developing a responsible Plan of Finance.
 - As part of this process, Davenport would recommend that the Town Council consider reviewing and adopting a series of Financial Policy Guidelines, inclusive of Reserves, Debt, Investments, and other key management areas.



Appendix A

Financial Policy Discussion



Rating Agency Commentary on Management and Policies

Moody's

- "A local government's success in navigating the legal, political and practical environment in which it operates depends on a multitude of factors, including management's mastery in understanding its resources and managing its responsibilities, public and executive support for its plans, and its willingness to use the tools at its disposal."
- **"When evaluating a credit, we seek to understand the probable impact of fund balance policies, multi-year financial or capital planning, liquidity management, accuracy of budget forecasts, and willingness to make midyear adjustments.** Reliance on non-recurring, or "one-shot" revenues, such as proceeds from the sale of assets, windfall delinquent tax collections, or the use of fund balance as a revenue source, leaves the municipality vulnerable should these one-time revenues fail to materialize."

S&P

- "The rigor of a government's financial management practices is an important factor in Standard & Poor's Ratings Services analysis of that government's creditworthiness. Managerial decisions, policies, and practices apply directly to the government's financial position and operations, debt burden, and other key credit factors. A government's ability to implement timely and sound financial and operational decisions in response to economic and fiscal demands is a primary determinant of near-term changes in credit quality."
- S&P measures the strength of governmental financial management through seven key factors:
 - Revenue and expenditure assumptions
 - Budget amendments and updates
 - Long term financial planning
 - Long term capital planning
 - Investment management policies
 - Debt management policies
 - Reserve and liquidity policies



Financial Policy Overview

- Financial Policies that are adopted, adhered to, and regularly reviewed are recognized as a cornerstone of sound financial management.
- Effective Financial Policies:
 - Contribute to the Town's ability to insulate itself from fiscal crisis;
 - Enhance access to short term and long term financial credit by helping to achieve the highest credit ratings possible;
 - Promote long-term financial stability by establishing clear and consistent guidelines;
 - Direct attention to the total financial picture of the Town rather than single issue areas;
 - Promote the view of linking long-run financial planning with day-to-day operations, and;
 - Provide the Town Staff, the Town Council and the Town citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.
- Financial Policies should be reviewed periodically by Town staff and any recommended changes should be presented to the Governing Body for formal approval / adoption.
- Policy areas to consider:
 - Reserve Policies
 - Debt / Contingent Liabilities Policies
 - Cash Management / Investment Policies



Rating Agency / GFOA Guidance

■ S&P Views on Reserve and Liquidity Policies:

- “Has the organization established a formalized operating reserve policy, which takes into account the government’s cash flow/operating requirements and the historic volatility of revenues and expenditures through economic cycles?”
- **Strong:** A formal operating reserve policy is well defined. Reserve levels are clearly linked to the government’s cash flow needs and the historic volatility of revenues and expenditures throughout economic cycles. Management has historically adhered to it.
- **Standard:** A less defined policy exists, which has no actual basis but has been historically adhered to it.
- **Vulnerable:** Absence of basic policies or, if they exist, are not followed.

■ GFOA Reserve Commentary:

- “GFOA recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund. Such a guideline should be set by the appropriate policy body and should provide both a temporal framework and specific plans for increasing or decreasing the level of unrestricted fund balance, if it is inconsistent with that policy.”
- “The adequacy of unrestricted fund balance in the general fund should be assessed based upon a government's own specific circumstances. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances. Furthermore, a government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level. In any case, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time.”



General Fund Balance

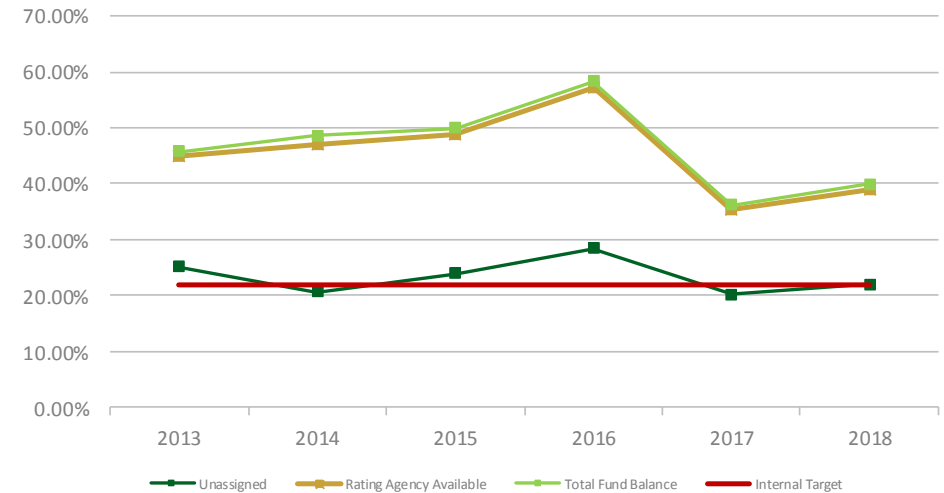
General Fund Balance

	2013	2014	2015	2016	2017	2018
1 General Fund Budget						
2 Revenues	52,477,610	56,215,276	57,349,320	58,863,263	59,453,389	61,850,212
3 Expenditures (Including Transfers Out)	51,379,266	53,773,991	55,709,763	56,188,531	67,732,197	61,723,687
4						
5 General Fund Balance						
6 Nonspendable	22,561	3,020	50,956	8,391	77,818	100,955
7 Restricted - Other	428,261	820,632	633,449	653,154	577,200	573,464
8 Restricted - Stabilization for State Statute	6,697,509	9,994,453	8,825,428	10,706,650	7,234,759	6,955,024
9 Committed	121,811	72,513	-	-	-	-
10 Assigned	3,373,643	4,105,066	4,939,269	5,385,390	2,958,533	3,430,129
11 Unassigned	12,883,997	11,143,807	13,374,946	15,990,195	13,661,662	13,621,925
12 Total	23,527,782	26,139,491	27,824,048	32,743,780	24,509,972	24,681,497
13						
14 Rating Agency Available ¹	23,076,960	25,315,839	27,139,643	32,082,235	23,854,954	24,007,078
15						
16 General Fund Balance Ratios						
17 Unassigned as a % of Revenues	24.55%	19.82%	23.32%	27.16%	22.98%	22.02%
18 Unassigned as a % of Expenditures	25.08%	20.72%	24.01%	28.46%	20.17%	22.07%
19 Rating Agency Available as a % of Revenues	43.97%	45.03%	47.32%	54.50%	40.12%	38.81%
20 Rating Agency Available as a % of Expenditures	44.91%	47.08%	48.72%	57.10%	35.22%	38.89%
21 Total General Fund Balance as a % of Revenues	44.83%	46.50%	48.52%	55.63%	41.23%	39.91%
22 Total General Fund Balance as a % of Expenditures	45.79%	48.61%	49.94%	58.27%	36.19%	39.99%
23						
24 Debt Service Fund Balance	5,340,180	4,803,926	5,452,410	6,615,510	7,048,523	7,189,658
25						
24 Affordable Housing Fund Balance	-	-	-	-	1,060,385	830,452

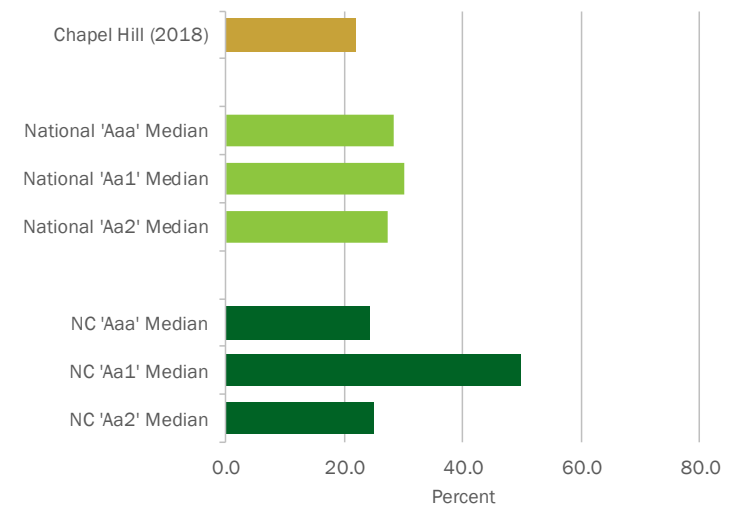
¹ Includes Stabilization by State Statute, Committed, Assigned, and Unassigned Fund Balance

- The Town maintains an internal Unassigned Fund Balance target of 22% or higher of General Fund Expenditures. Any Unassigned Fund Balance above the 22% target is made available for one time capital expenditures.

General Fund Balance as a % of Expenditures



Unassigned Fund Balance as a % of Revenues





Reserve Policies

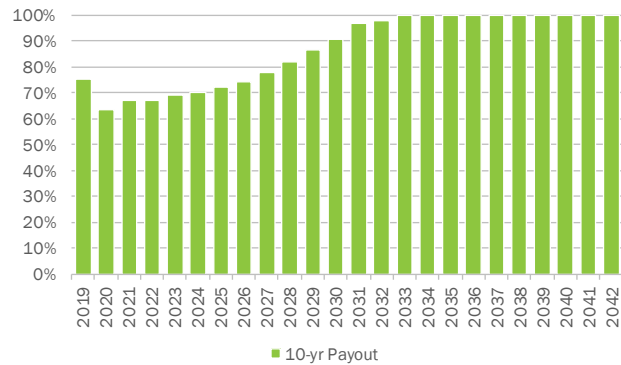
Potential Policy Recommendations

- Key Considerations:
 - Establish a minimum reserve level that provides ample liquidity based on historical expenditure levels and cash flows and that provides an allowance for unforeseen one time events.
 - Provide flexibility for the use of reserves in excess of the policy level, if justified. Provide flexibility for the use of reserves that may result in a breach of the policy limit provided that a plan is established to restore compliance within a specified period of time.
- Potential Policy Language:
 - In accordance with State statute, appropriated fund balance in any fund will not exceed the sum of cash and investments less the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts.
 - The Town will maintain a minimum General Fund Unassigned Fund Balance, as defined by the Governmental Accounting Standards Board, at the close of each fiscal year equal to __% of General Fund Revenues with a targeted Unassigned Fund Balance equal to __% of General Fund Revenues.
 - a) Purpose of Reserve: These funds will be used to avoid cash flow interruptions, generate interest income, eliminate the need for short term borrowing, assist in maintaining strong investment grade bond ratings, and sustain operations during unanticipated emergencies and disasters.
 - b) Reserve Drawdowns: The fund balance may be purposefully drawn down below the target percentage for emergencies. Fund balance percentages in excess of __% may be drawn down for nonrecurring expenditures, or major capital projects.
 - c) Reserve Replenishment: If the fund balance falls below the target percentage for two consecutive fiscal years, the Town will replenish funds by direct appropriation beginning in the following fiscal year. In that instance, the Town will annually appropriate __% of the difference between the target percentage level and the actual balance until the target level is met. In the event appropriating __% is not feasible, the Town will appropriate a lesser amount and shall reaffirm its commitment to fully replenish the fund balance over a longer period of time.



Key Debt Ratios and Peer Comparatives

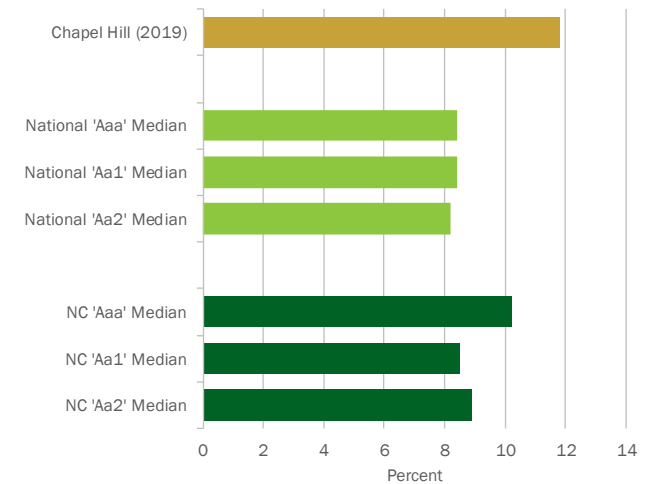
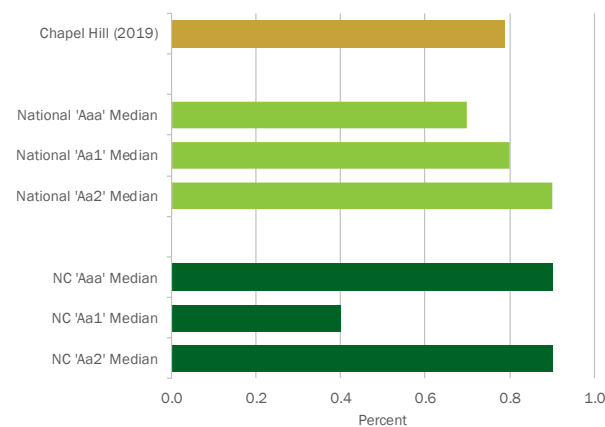
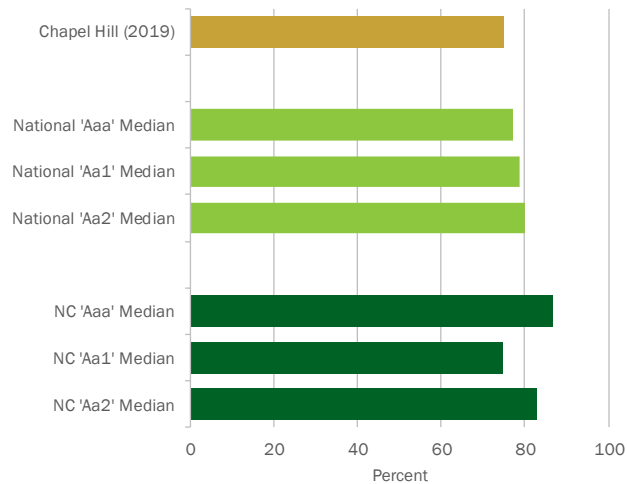
10-Year Payout Ratio



Debt to Assessed Value



Debt Service to Expenditures





Debt and Contingent Liability Policies

Potential Policy Recommendations

■ Key Considerations:

- Establish meaningful policy levels that provide the Town with the flexibility to fund future projects.
- Consider including language that allows the Town to breach policies for a period of time provided that the Governing Body is notified and approves of the non-compliance period.
- Establish a framework to monitor policy calculations on an annual basis and report findings to the Town Council.

■ Potential Policy Language:

– Debt to Assessed Value

- Net debt as a percentage of estimated market value of taxable property shall not exceed __%. Net debt is defined as any and all debt that is tax-supported. Should Debt to Assessed Value exceed __%, staff must request an exception from Town Council stating the justification and expected duration of the policy exception.

– 10 Year Payout Ratio

- “Payout of aggregate outstanding tax-supported debt principal shall be no less than __% repaid in 10 years. Should this be projected to fall below the minimum policy of __%, Staff must request an exception from Town Council stating the justification and expected duration of the policy exception.”

– Debt Service to Expenditures

- “Debt Service expenditures as a percent of total governmental fund expenditures shall not exceed __%. Should this ratio exceed __%, staff must request an exception from Town Council stating the justification and expected duration of the policy exception.”

– Other Debt and Contingent Liability Policies

- The Town will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues except where approved justification is provided.
- The Town will take a balanced approach to capital funding utilizing debt financing, capital reserves and pay-as-you-go funding that will provide the least financial impact on the taxpayer.
- When the Town finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project.
- Other Post Employment Benefits (“OPEB”) Liability Funding Policy.



Rating Agency / GFOA Guidance

■ S&P Views on Investment Management Policies

- “Has the organization established policies pertaining to investments, such as the selection of financial institutions for services and transactions; risk assessment; investment objectives; investment maturities and volatility; portfolio diversification; safekeeping and custody; and investment performance reporting, benchmarking, and disclosure?”
- **Strong:** Investment policies exist and are well defined; strong reporting and monitoring mechanisms exist and are functioning.
- **Standard:** Informal or non-published policies exist; policies are widely communicated and followed.
- **Vulnerable:** Absence of informal or non-published policies.

■ GFOA Investment Policy Commentary:

- “An investment policy should describe the most prudent primary objectives for a sound policy: safety, liquidity, and yield. It should also indicate the type of instruments eligible for purchase by a government entity, the investment process, and the management of a portfolio.”
- “The process of creating an investment policy should include:
 - Examination of state public funds investment statutes and collateral statutes
 - Establishment of written investment procedures. Topics should include: procedures for taking competitive bids, delivering and paying for purchases, recording transactions, and obtaining approval before buying or selling decisions.
 - Annual review of investment policy. The written investment policy should be a living document that is reviewed each year by a government entity's investment officials and modified as needed. The policy should be presented each year to the governing body for formal review and approval.”



Cash Management / Investment Policies

Potential Policy Recommendations

- It is the intent of the Town that public funds will be invested to the extent possible to reduce the dependence upon property tax revenues. Funds will be invested with the chief objectives of safety of principal, liquidity, and yield, in that order. All deposits and investments of Town funds will be in accordance with N.C.G.S. 159.
- Up to fifty percent **[50%]** of the appropriations to Non-Town Agencies and to non debt-supported capital outlays for Town Departments can be encumbered prior to December 31. Any additional authorization shall require the Town Manager's written approval upon justification. The balance of these appropriations may be encumbered after January 1, upon a finding by the Town Manager that there is a reasonable expectation that the Town's Budgeted Revenues will be realized.
- The Town will use a Central Depository to maximize the availability and mobility of cash for all funds that can be legally and practically combined.
- Liquidity: No less than **[20%]** of funds available for investment will be maintained in liquid investments at any point in time.
- Maturity: All investments will mature in no more than **[thirty-six [36]]** months from their purchase date.
- Custody: All investments will be purchased "payment-verses-delivery" and if certificated will be held by the Finance Officer in the name of the Town. All non-certificated investments will be held in book-entry form in the name of the Town with the Town's third party Custodian (Safekeeping Agent).
- Authorized Investments: The Town may deposit Town Funds into: Any Council approved Official Depository, if such funds are secured in accordance with NCGS-159 (31). The Town may invest Town Funds in: the North Carolina Capital Management Trust, US Treasury Securities, US Agency Securities specifically authorized in GS-159 and Commercial Paper meeting the requirements of NCGS-159 plus having at least one long term bond rating from a nationally recognized rating agency. Investment in Asset Backed Commercial Paper will not be permitted under this Policy unless an exception is granted by the Town Council.
- Diversification: No more than **[5%]** of the Town's investment funds may be invested in a specific company's commercial paper and no more than **[20%]** of the Town's investment funds may be invested in commercial paper. No more than **[25%]** of the Town's investments may be invested in any one US Agency's Securities.
- Allocation: Investment income will be allocated to each participating fund or account based on a fair and equitable formula determined by the Finance Director.



Appendix B

Existing Tax Supported Debt



Existing Tax Supported Debt

By Credit



Tax Supported Debt

Total Tax Supported Debt Service

FY	Principal	Interest	Total
Total	64,669,414	16,732,896	81,402,310
2019	6,235,117	2,422,825	8,657,942
2020	5,832,742	2,193,912	8,026,655
2021	5,514,555	1,977,185	7,491,740
2022	5,371,000	1,762,360	7,133,360
2023	5,402,000	1,543,762	6,945,762
2024	5,198,000	1,327,089	6,525,089
2025	5,006,000	1,110,234	6,116,234
2026	3,526,000	904,982	4,430,982
2027	3,410,000	774,671	4,184,671
2028	3,090,000	657,251	3,747,251
2029	3,113,000	547,499	3,660,499
2030	3,141,000	433,450	3,574,450
2031	3,170,000	322,937	3,492,937
2032	1,470,000	211,615	1,681,615
2033	940,000	163,363	1,103,363
2034	940,000	135,163	1,075,163
2035	940,000	105,788	1,045,788
2036	940,000	76,413	1,016,413
2037	940,000	46,475	986,475
2038	490,000	15,925	505,925

LOBs

FY	Principal	Interest	Total
Total	16,155,000	3,830,300	19,985,300
2019	1,920,000	772,331	2,692,331
2020	1,930,000	678,331	2,608,331
2021	1,980,000	583,331	2,563,331
2022	2,010,000	484,331	2,494,331
2023	2,040,000	383,831	2,423,831
2024	1,840,000	281,831	2,121,831
2025	1,650,000	189,831	1,839,831
2026	355,000	107,331	462,331
2027	370,000	95,350	465,350
2028	380,000	82,400	462,400
2029	395,000	67,200	462,200
2030	410,000	51,400	461,400
2031	430,000	35,000	465,000
2032	445,000	17,800	462,800
2033	-	-	-
2034	-	-	-
2035	-	-	-
2036	-	-	-
2037	-	-	-
2038	-	-	-

GO Bonds

FY	Principal	Interest	Total
Total	38,770,000	11,462,170	50,232,170
2019	3,242,000	1,434,003	4,676,003
2020	2,952,000	1,320,471	4,272,471
2021	2,772,000	1,218,429	3,990,429
2022	2,657,000	1,119,686	3,776,686
2023	2,651,000	1,017,792	3,668,792
2024	2,640,000	919,484	3,559,484
2025	2,630,000	811,157	3,441,157
2026	2,439,000	705,118	3,144,118
2027	2,382,000	603,631	2,985,631
2028	2,045,000	514,298	2,559,298
2029	2,045,000	435,045	2,480,045
2030	2,050,000	352,280	2,402,280
2031	2,050,000	273,838	2,323,838
2032	1,025,000	193,815	1,218,815
2033	940,000	163,363	1,103,363
2034	940,000	135,163	1,075,163
2035	940,000	105,788	1,045,788
2036	940,000	76,413	1,016,413
2037	940,000	46,475	986,475
2038	490,000	15,925	505,925

IPCs

FY	Principal	Interest	Total
Total	9,744,414	1,440,426	11,184,840
2019	1,073,117	216,491	1,289,608
2020	950,742	195,110	1,145,853
2021	762,555	175,424	937,979
2022	704,000	158,342	862,342
2023	711,000	142,139	853,139
2024	718,000	125,774	843,774
2025	726,000	109,246	835,246
2026	732,000	92,532	824,532
2027	658,000	75,690	733,690
2028	665,000	60,554	725,554
2029	673,000	45,254	718,254
2030	681,000	29,770	710,770
2031	690,000	14,099	704,099
2032	-	-	-
2033	-	-	-
2034	-	-	-
2035	-	-	-
2036	-	-	-
2037	-	-	-
2038	-	-	-



General Obligation Bonds

\$4,490,000

General Obligation Refunding Bonds, Series 2009

FY	Coupon	Principal	Interest	Total
Total		275,000	8,250	283,250
2019	3.000%	275,000	8,250	283,250
2020		-	-	-
2021		-	-	-
2022		-	-	-
2023		-	-	-
2024		-	-	-
2025		-	-	-
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: 12/22/2009 Next Call: Non-callable
 Purpose: Refunding Insurance: n/a
 Coupon Dates: Mar 1/ Sep 1 Maturity Date: Mar 1

\$8,160,000

General Obligation Public Improvement Bonds, Series 2010A

FY	Coupon	Principal	Interest	Total
Total		1,020,000	30,600	1,050,600
2019	3.000%	1,020,000	30,600	1,050,600
2020		-	-	-
2021		-	-	-
2022		-	-	-
2023		-	-	-
2024		-	-	-
2025		-	-	-
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: 10/12/2010 Next Call: 4/1/2020
 Purpose: Public Improvement Insurance: n/a
 Coupon Dates: Apr 1 / Oct 1 Maturity Date: Apr 1

\$12,250,000

General Obligation Public Improvement Bonds, Series 2010B (BABs)

FY	Coupon	Principal	Interest	Total
Total		12,250,000	4,088,585	16,338,585
2019	3.000%	-	521,448	521,448
2020	3.500%	1,020,000	521,448	1,541,448
2021	3.700%	1,020,000	485,748	1,505,748
2022	3.900%	1,020,000	448,008	1,468,008
2023	4.000%	1,020,000	408,228	1,428,228
2024	4.125%	1,020,000	367,428	1,387,428
2025	4.200%	1,020,000	325,353	1,345,353
2026	4.300%	1,020,000	282,513	1,302,513
2027	4.400%	1,020,000	238,653	1,258,653
2028	4.600%	1,020,000	193,773	1,213,773
2029	4.700%	1,020,000	146,853	1,166,853
2030	4.750%	1,025,000	98,913	1,123,913
2031	4.900%	1,025,000	50,225	1,075,225
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: 10/12/2010 Next Call: 4/1/2020
 Purpose: Public Improvement Insurance: n/a
 Coupon Dates: Apr 1 / Oct 1 Maturity Date: Apr 1
 Note: Interest shown gross of subsidy



General Obligation Bonds

\$4,655,000

General Obligation Refunding Bonds, Series 2012

FY	Coupon	Principal	Interest	Total
Total		2,035,000	196,500	2,231,500
2019	3.000%	485,000	61,050	546,050
2020	3.000%	480,000	46,500	526,500
2021	3.000%	305,000	32,100	337,100
2022	3.000%	195,000	22,950	217,950
2023	3.000%	195,000	17,100	212,100
2024	3.000%	190,000	11,250	201,250
2025	3.000%	185,000	5,550	190,550
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

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

Purpose: Refunding Insurance: n/a

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

\$1,700,000

General Obligation Public Improvement Bonds, Series 2012

FY	Coupon	Principal	Interest	Total
Total		1,190,000	211,225	1,401,225
2019	2.000%	85,000	26,648	111,648
2020	2.000%	85,000	24,948	109,948
2021	2.000%	85,000	23,248	108,248
2022	2.000%	85,000	21,548	106,548
2023	2.000%	85,000	19,848	104,848
2024	2.000%	85,000	18,148	103,148
2025	2.100%	85,000	16,448	101,448
2026	2.200%	85,000	14,663	99,663
2027	2.300%	85,000	12,793	97,793
2028	2.450%	85,000	10,838	95,838
2029	2.500%	85,000	8,755	93,755
2030	2.550%	85,000	6,630	91,630
2031	2.600%	85,000	4,463	89,463
2032	2.650%	85,000	2,253	87,253
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

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

Purpose: Public Improvement Insurance: n/a

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

\$3,050,000

General Obligation Refunding Bond, Series 2013 (SunTrust)

FY	Coupon	Principal	Interest	Total
Total		2,340,000	197,621	2,537,621
2019	1.770%	287,000	41,418	328,418
2020	1.770%	282,000	36,338	318,338
2021	1.770%	277,000	31,347	308,347
2022	1.770%	272,000	26,444	298,444
2023	1.770%	266,000	21,629	287,629
2024	1.770%	260,000	16,921	276,921
2025	1.770%	255,000	12,319	267,319
2026	1.770%	249,000	7,806	256,806
2027	1.770%	192,000	3,398	195,398
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

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

Purpose: Refunding Insurance: n/a

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



General Obligation Bonds

\$1,460,000

General Obligation Public Safety Bonds, Series 2017

FY	Coupon	Principal	Interest	Total
Total		1,310,000	256,900	1,566,900
2019	5.000%	150,000	56,800	206,800
2020	5.000%	145,000	49,300	194,300
2021	5.000%	145,000	42,050	187,050
2022	5.000%	145,000	34,800	179,800
2023	5.000%	145,000	27,550	172,550
2024	5.000%	145,000	20,300	165,300
2025	3.000%	145,000	13,050	158,050
2026	3.000%	145,000	8,700	153,700
2027	3.000%	145,000	4,350	149,350
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-

Dated Date: **2/21/2017** Next Call: **Noncallable**

Purpose: **Equipment** Insurance: **n/a**

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

\$9,000,000

General Obligation Public Improvement Bonds, Series 2017

FY	Coupon	Principal	Interest	Total
Total		8,550,000	3,003,188	11,553,188
2019	2.000%	450,000	304,875	754,875
2020	3.000%	450,000	295,875	745,875
2021	3.000%	450,000	282,375	732,375
2022	4.000%	450,000	268,875	718,875
2023	3.000%	450,000	250,875	700,875
2024	5.000%	450,000	237,375	687,375
2025	5.000%	450,000	214,875	664,875
2026	5.000%	450,000	192,375	642,375
2027	5.000%	450,000	169,875	619,875
2028	4.000%	450,000	147,375	597,375
2029	4.000%	450,000	129,375	579,375
2030	3.000%	450,000	111,375	561,375
2031	3.000%	450,000	97,875	547,875
2032	3.000%	450,000	84,375	534,375
2033	3.000%	450,000	70,875	520,875
2034	3.125%	450,000	57,375	507,375
2035	3.125%	450,000	43,313	493,313
2036	3.250%	450,000	29,250	479,250
2037	3.250%	450,000	14,625	464,625
2038	-	-	-	-
2039	-	-	-	-

Dated Date: **2/22/2017** Next Call: **2/1/2027**

Purpose: **Land, Streets, and Parks & Rec** Insurance: **n/a**

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

\$9,800,000

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

FY	Coupon	Principal	Interest	Total
Total		9,800,000	3,469,302	13,269,302
2019	5.000%	490,000	382,915	872,915
2020	5.000%	490,000	346,063	836,063
2021	5.000%	490,000	321,563	811,563
2022	5.000%	490,000	297,063	787,063
2023	5.000%	490,000	272,563	762,563
2024	5.000%	490,000	248,063	738,063
2025	5.000%	490,000	223,563	713,563
2026	5.000%	490,000	199,063	689,063
2027	2.500%	490,000	174,563	664,563
2028	2.500%	490,000	162,313	652,313
2029	3.000%	490,000	150,063	640,063
2030	2.875%	490,000	135,363	625,363
2031	2.875%	490,000	121,275	611,275
2032	3.000%	490,000	107,188	597,188
2033	3.000%	490,000	92,488	582,488
2034	3.125%	490,000	77,788	567,788
2035	3.125%	490,000	62,475	552,475
2036	3.125%	490,000	47,163	537,163
2037	3.250%	490,000	31,850	521,850
2038	3.250%	490,000	15,925	505,925
2039	-	-	-	-

Dated Date: **4/19/2018** Next Call: **5/1/2026**

Purpose: **Parks & Rec and Streets & Sidewalks Only** Insurance: **n/a**

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

Note: Excludes Stormwater Component of issuance.

LOBs



\$28,800,000

Limited Obligation Bonds, Series 2012

FY	Coupon	Principal	Interest	Total
Total		9,200,000	1,834,950	11,034,950
2019	5.000%	1,320,000	457,700	1,777,700
2020	5.000%	1,310,000	393,000	1,703,000
2021	5.000%	1,320,000	328,500	1,648,500
2022	5.000%	1,315,000	262,500	1,577,500
2023	5.000%	1,315,000	196,750	1,511,750
2024	5.000%	1,310,000	131,000	1,441,000
2025	5.000%	1,310,000	65,500	1,375,500
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: 6/27/2012 Next Call: 6/1/2022

Purpose: Refunding - Chapel Hill Portion Insurance: n/a

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

\$28,800,000

Limited Obligation Bonds, Series 2012

FY	Coupon	Principal	Interest	Total
Total		2,100,000	354,300	2,454,300
2019	5.000%	345,000	104,500	449,500
2020	5.000%	355,000	87,550	442,550
2021	5.000%	380,000	70,000	450,000
2022	5.000%	400,000	51,000	451,000
2023	5.000%	415,000	31,000	446,000
2024	5.000%	205,000	10,250	215,250
2025		-	-	-
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: 6/27/2012 Next Call: 6/1/2022

Purpose: Refunding - Parking Portion Insurance: n/a

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

\$28,800,000

Limited Obligation Bonds, Series 2012

FY	Coupon	Principal	Interest	Total
Total		4,855,000	1,641,050	6,496,050
2019	5.000%	255,000	210,131	465,131
2020	5.000%	265,000	197,781	462,781
2021	5.000%	280,000	184,831	464,831
2022	5.000%	295,000	170,831	465,831
2023	5.000%	310,000	156,081	466,081
2024	5.000%	325,000	140,581	465,581
2025	5.000%	340,000	124,331	464,331
2026	3.375%	355,000	107,331	462,331
2027	3.500%	370,000	95,350	465,350
2028	4.000%	380,000	82,400	462,400
2029	4.000%	395,000	67,200	462,200
2030	4.000%	410,000	51,400	461,400
2031	4.000%	430,000	35,000	465,000
2032	4.000%	445,000	17,800	462,800
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: 6/27/2012 Next Call: 6/1/2022

Purpose: New Money - 140 West Portion Insurance: n/a

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

IPCs



\$887,000 2012 IPC (BB&T)					\$431,200 2012 IPC (SunTrust)					\$445,000 2013 IPC (Wells Fargo)				
FY	Coupon	Principal	Interest	Total	FY	Coupon	Principal	Interest	Total	FY	Coupon	Principal	Interest	Total
Total		133,127	1,912	135,039	Total		127,748	2,542	130,290	Total		131,846	2,662	134,508
2019	1.720%	133,127	1,912	135,039	2019	1.510%	63,454	1,691	65,145	2019	1.520%	65,483	1,771	67,254
2020		-	-	-	2020	1.510%	64,294	851	65,145	2020	1.520%	66,363	891	67,254
2021		-	-	-	2021		-	-	-	2021		-	-	-
2022		-	-	-	2022		-	-	-	2022		-	-	-
2023		-	-	-	2023		-	-	-	2023		-	-	-
2024		-	-	-	2024		-	-	-	2024		-	-	-
2025		-	-	-	2025		-	-	-	2025		-	-	-
2026		-	-	-	2026		-	-	-	2026		-	-	-
2027		-	-	-	2027		-	-	-	2027		-	-	-
2028		-	-	-	2028		-	-	-	2028		-	-	-
2029		-	-	-	2029		-	-	-	2029		-	-	-
2030		-	-	-	2030		-	-	-	2030		-	-	-
2031		-	-	-	2031		-	-	-	2031		-	-	-
2032		-	-	-	2032		-	-	-	2032		-	-	-
2033		-	-	-	2033		-	-	-	2033		-	-	-
2034		-	-	-	2034		-	-	-	2034		-	-	-
2035		-	-	-	2035		-	-	-	2035		-	-	-
2036		-	-	-	2036		-	-	-	2036		-	-	-
2037		-	-	-	2037		-	-	-	2037		-	-	-
2038		-	-	-	2038		-	-	-	2038		-	-	-
2039		-	-	-	2039		-	-	-	2039		-	-	-

Dated Date:	Unknown	Next Call:	Unknown	Dated Date:	Unknown	Next Call:	Unknown	Dated Date:	Unknown	Next Call:	Unknown
Purpose:	Unknown	Insurance:	Unknown	Purpose:	Unknown	Insurance:	Unknown	Purpose:	Unknown	Insurance:	Unknown
Coupon Dates:	Annual	Maturity Date:	Annual	Coupon Dates:	Annual	Maturity Date:	Annual	Coupon Dates:	Annual	Maturity Date:	Annual
Note: Interpolated from FY 2017 CAFR				Note: Interpolated from FY 2017 CAFR				Note: Interpolated from FY 2017 CAFR			

IPCs



\$872,000

2013 IPC (SunTrust)

FY	Coupon	Principal	Interest	Total
Total		323,693	9,287	332,980
2019	1.810%	128,052	5,140	133,192
2020	1.810%	130,085	3,107	133,192
2021	1.810%	65,555	1,041	66,596
2022		-	-	-
2023		-	-	-
2024		-	-	-
2025		-	-	-
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: Unknown

Next Call: Unknown

Purpose: Unknown

Insurance: Unknown

Coupon Dates: Annual

Maturity Date: Annual

Note: Interpolated from FY 2017 CAFR

\$2,395,000

2015 IPC (Bank of NC)

FY	Coupon	Principal	Interest	Total
Total		2,075,000	301,537	2,376,537
2019	2.239%	160,000	44,668	204,668
2020	2.239%	160,000	41,086	201,086
2021	2.239%	160,000	37,503	197,503
2022	2.239%	160,000	33,921	193,921
2023	2.239%	160,000	30,338	190,338
2024	2.239%	160,000	26,756	186,756
2025	2.239%	160,000	23,174	183,174
2026	2.239%	160,000	19,591	179,591
2027	2.239%	159,000	16,020	175,020
2028	2.239%	159,000	12,460	171,460
2029	2.239%	159,000	8,900	167,900
2030	2.239%	159,000	5,340	164,340
2031	2.239%	159,000	1,780	160,780
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: 6/4/2015

Next Call: Current

Purpose: Equipment / Buildings

Insurance: n/a

Coupon Dates: Feb 1 / Aug 1

Maturity Date: Aug 1

\$7,984,000

2016 IPC (Raymond James)

FY	Coupon	Principal	Interest	Total
Total		6,953,000	1,122,486	8,075,486
2019	2.320%	523,000	161,310	684,310
2020	2.320%	530,000	149,176	679,176
2021	2.320%	537,000	136,880	673,880
2022	2.320%	544,000	124,422	668,422
2023	2.320%	551,000	111,801	662,801
2024	2.320%	558,000	99,018	657,018
2025	2.320%	566,000	86,072	652,072
2026	2.320%	572,000	72,941	644,941
2027	2.320%	499,000	59,670	558,670
2028	2.320%	506,000	48,094	554,094
2029	2.320%	514,000	36,354	550,354
2030	2.320%	522,000	24,430	546,430
2031	2.320%	531,000	12,319	543,319
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: 3/10/2016

Next Call: 3/1/2026

Purpose: Capital / Fire Station /
EF / Town Hall

Insurance: n/a

Coupon Dates: Mar 1 / Sep 1

Maturity Date: Mar 1



Existing Tax Supported Debt

By Fund



Tax Supported Debt

Total Tax Supported Debt Service

FY	Principal	Interest	Total
Total	64,669,414	16,732,896	81,402,310
2019	6,235,117	2,422,825	8,657,942
2020	5,832,742	2,193,912	8,026,655
2021	5,514,555	1,977,185	7,491,740
2022	5,371,000	1,762,360	7,133,360
2023	5,402,000	1,543,762	6,945,762
2024	5,198,000	1,327,089	6,525,089
2025	5,006,000	1,110,234	6,116,234
2026	3,526,000	904,982	4,430,982
2027	3,410,000	774,671	4,184,671
2028	3,090,000	657,251	3,747,251
2029	3,113,000	547,499	3,660,499
2030	3,141,000	433,450	3,574,450
2031	3,170,000	322,937	3,492,937
2032	1,470,000	211,615	1,681,615
2033	940,000	163,363	1,103,363
2034	940,000	135,163	1,075,163
2035	940,000	105,788	1,045,788
2036	940,000	76,413	1,016,413
2037	940,000	46,475	986,475
2038	490,000	15,925	505,925

Parking Fund

FY	Principal	Interest	Total
Total	6,955,000	1,995,350	8,950,350
2019	600,000	314,631	914,631
2020	620,000	285,331	905,331
2021	660,000	254,831	914,831
2022	695,000	221,831	916,831
2023	725,000	187,081	912,081
2024	530,000	150,831	680,831
2025	340,000	124,331	464,331
2026	355,000	107,331	462,331
2027	370,000	95,350	465,350
2028	380,000	82,400	462,400
2029	395,000	67,200	462,200
2030	410,000	51,400	461,400
2031	430,000	35,000	465,000
2032	445,000	17,800	462,800
2033	-	-	-
2034	-	-	-
2035	-	-	-
2036	-	-	-
2037	-	-	-
2038	-	-	-

Debt Fund (Excluding Parking Fund)

FY	Principal	Interest	Total
Total	56,998,000	14,721,143	71,719,143
2019	5,245,000	2,097,680	7,342,680
2020	4,952,000	1,903,732	6,855,732
2021	4,789,000	1,721,312	6,510,312
2022	4,676,000	1,540,529	6,216,529
2023	4,677,000	1,356,681	6,033,681
2024	4,668,000	1,176,257	5,844,257
2025	4,666,000	985,902	5,651,902
2026	3,171,000	797,650	3,968,650
2027	3,040,000	679,321	3,719,321
2028	2,710,000	574,851	3,284,851
2029	2,718,000	480,299	3,198,299
2030	2,731,000	382,050	3,113,050
2031	2,740,000	287,937	3,027,937
2032	1,025,000	193,815	1,218,815
2033	940,000	163,363	1,103,363
2034	940,000	135,163	1,075,163
2035	940,000	105,788	1,045,788
2036	940,000	76,413	1,016,413
2037	940,000	46,475	986,475
2038	490,000	15,925	505,925

Vehicle Replacement Fund

FY	Principal	Interest	Total
Total	716,414	16,403	732,817
2019	390,117	10,513	400,630
2020	260,742	4,849	265,591
2021	65,555	1,041	66,596
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030	-	-	-
2031	-	-	-
2032	-	-	-
2033	-	-	-
2034	-	-	-
2035	-	-	-
2036	-	-	-
2037	-	-	-
2038	-	-	-

Debt Fund



\$4,490,000

General Obligation Refunding Bonds, Series 2009

FY	Coupon	Principal	Interest	Total
Total		275,000	8,250	283,250
2019	3.000%	275,000	8,250	283,250
2020		-	-	-
2021		-	-	-
2022		-	-	-
2023		-	-	-
2024		-	-	-
2025		-	-	-
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: 12/22/2009

Next Call: Non-callable

Purpose: Refunding

Insurance: n/a

Coupon Dates: Mar 1/ Sep 1

Maturity Date: Mar 1

\$8,160,000

General Obligation Public Improvement Bonds, Series 2010A

FY	Coupon	Principal	Interest	Total
Total		1,020,000	30,600	1,050,600
2019	3.000%	1,020,000	30,600	1,050,600
2020		-	-	-
2021		-	-	-
2022		-	-	-
2023		-	-	-
2024		-	-	-
2025		-	-	-
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: 10/12/2010

Next Call: 4/1/2020

Purpose: Public Improvement

Insurance: n/a

Coupon Dates: Apr 1 / Oct 1

Maturity Date: Apr 1

\$12,250,000

General Obligation Public Improvement Bonds, Series 2010B (BABs)

FY	Coupon	Principal	Interest	Total
Total		12,250,000	4,088,585	16,338,585
2019	3.000%	-	521,448	521,448
2020	3.500%	1,020,000	521,448	1,541,448
2021	3.700%	1,020,000	485,748	1,505,748
2022	3.900%	1,020,000	448,008	1,468,008
2023	4.000%	1,020,000	408,228	1,428,228
2024	4.125%	1,020,000	367,428	1,387,428
2025	4.200%	1,020,000	325,353	1,345,353
2026	4.300%	1,020,000	282,513	1,302,513
2027	4.400%	1,020,000	238,653	1,258,653
2028	4.600%	1,020,000	193,773	1,213,773
2029	4.700%	1,020,000	146,853	1,166,853
2030	4.750%	1,025,000	98,913	1,123,913
2031	4.900%	1,025,000	50,225	1,075,225
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: 10/12/2010

Next Call: 4/1/2020

Purpose: Public Improvement

Insurance: n/a

Coupon Dates: Apr 1 / Oct 1

Maturity Date: Apr 1

Note: Interest shown gross of subsidy

Debt Fund



\$4,655,000

General Obligation Refunding Bonds, Series 2012

FY	Coupon	Principal	Interest	Total
Total		2,035,000	196,500	2,231,500
2019	3.000%	485,000	61,050	546,050
2020	3.000%	480,000	46,500	526,500
2021	3.000%	305,000	32,100	337,100
2022	3.000%	195,000	22,950	217,950
2023	3.000%	195,000	17,100	212,100
2024	3.000%	190,000	11,250	201,250
2025	3.000%	185,000	5,550	190,550
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: 6/5/2012

Next Call: 4/1/2022

Purpose: Refunding

Insurance: n/a

Coupon Dates: Apr 1 / Oct 1

Maturity Date: Apr 1

\$1,700,000

General Obligation Public Improvement Bonds, Series 2012

FY	Coupon	Principal	Interest	Total
Total		1,190,000	211,225	1,401,225
2019	2.000%	85,000	26,648	111,648
2020	2.000%	85,000	24,948	109,948
2021	2.000%	85,000	23,248	108,248
2022	2.000%	85,000	21,548	106,548
2023	2.000%	85,000	19,848	104,848
2024	2.000%	85,000	18,148	103,148
2025	2.100%	85,000	16,448	101,448
2026	2.200%	85,000	14,663	99,663
2027	2.300%	85,000	12,793	97,793
2028	2.450%	85,000	10,838	95,838
2029	2.500%	85,000	8,755	93,755
2030	2.550%	85,000	6,630	91,630
2031	2.600%	85,000	4,463	89,463
2032	2.650%	85,000	2,253	87,253
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: 7/3/2012

Next Call: 4/1/2022

Purpose: Public Improvement

Insurance: n/a

Coupon Dates: Apr 1 / Oct 1

Maturity Date: Apr 1

\$3,050,000

General Obligation Refunding Bond, Series 2013 (SunTrust)

FY	Coupon	Principal	Interest	Total
Total		2,340,000	197,621	2,537,621
2019	1.770%	287,000	41,418	328,418
2020	1.770%	282,000	36,338	318,338
2021	1.770%	277,000	31,347	308,347
2022	1.770%	272,000	26,444	298,444
2023	1.770%	266,000	21,629	287,629
2024	1.770%	260,000	16,921	276,921
2025	1.770%	255,000	12,319	267,319
2026	1.770%	249,000	7,806	256,806
2027	1.770%	192,000	3,398	195,398
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: 2/28/2013

Next Call: 2/28/2020

Purpose: Refunding

Insurance: n/a

Coupon Dates: May 1 / Nov 1

Maturity Date: May 1

Debt Fund



\$1,460,000

General Obligation Public Safety Bonds, Series 2017

FY	Coupon	Principal	Interest	Total
Total		1,310,000	256,900	1,566,900
2019	5.000%	150,000	56,800	206,800
2020	5.000%	145,000	49,300	194,300
2021	5.000%	145,000	42,050	187,050
2022	5.000%	145,000	34,800	179,800
2023	5.000%	145,000	27,550	172,550
2024	5.000%	145,000	20,300	165,300
2025	3.000%	145,000	13,050	158,050
2026	3.000%	145,000	8,700	153,700
2027	3.000%	145,000	4,350	149,350
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-

Dated Date: 2/21/2017 Next Call: Noncallable

Purpose: Equipment Insurance: n/a

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

\$9,000,000

General Obligation Public Improvement Bonds, Series 2017

FY	Coupon	Principal	Interest	Total
Total		8,550,000	3,003,188	11,553,188
2019	2.000%	450,000	304,875	754,875
2020	3.000%	450,000	295,875	745,875
2021	3.000%	450,000	282,375	732,375
2022	4.000%	450,000	268,875	718,875
2023	3.000%	450,000	250,875	700,875
2024	5.000%	450,000	237,375	687,375
2025	5.000%	450,000	214,875	664,875
2026	5.000%	450,000	192,375	642,375
2027	5.000%	450,000	169,875	619,875
2028	4.000%	450,000	147,375	597,375
2029	4.000%	450,000	129,375	579,375
2030	3.000%	450,000	111,375	561,375
2031	3.000%	450,000	97,875	547,875
2032	3.000%	450,000	84,375	534,375
2033	3.000%	450,000	70,875	520,875
2034	3.125%	450,000	57,375	507,375
2035	3.125%	450,000	43,313	493,313
2036	3.250%	450,000	29,250	479,250
2037	3.250%	450,000	14,625	464,625
2038	-	-	-	-
2039	-	-	-	-

Dated Date: 2/22/2017 Next Call: 2/1/2027

Purpose: Land, Streets, and Parks & Rec Insurance: n/a

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

\$9,800,000

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

FY	Coupon	Principal	Interest	Total
Total		9,800,000	3,469,302	13,269,302
2019	5.000%	490,000	382,915	872,915
2020	5.000%	490,000	346,063	836,063
2021	5.000%	490,000	321,563	811,563
2022	5.000%	490,000	297,063	787,063
2023	5.000%	490,000	272,563	762,563
2024	5.000%	490,000	248,063	738,063
2025	5.000%	490,000	223,563	713,563
2026	5.000%	490,000	199,063	689,063
2027	2.500%	490,000	174,563	664,563
2028	2.500%	490,000	162,313	652,313
2029	3.000%	490,000	150,063	640,063
2030	2.875%	490,000	135,363	625,363
2031	2.875%	490,000	121,275	611,275
2032	3.000%	490,000	107,188	597,188
2033	3.000%	490,000	92,488	582,488
2034	3.125%	490,000	77,788	567,788
2035	3.125%	490,000	62,475	552,475
2036	3.125%	490,000	47,163	537,163
2037	3.250%	490,000	31,850	521,850
2038	3.250%	490,000	15,925	505,925
2039	-	-	-	-

Dated Date: 4/19/2018 Next Call: 5/1/2026

Purpose: Parks & Rec and Streets & Sidewalks Only Insurance: n/a

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

Note: Excludes Stormwater Component of issuance.

Debt Fund



\$2,395,000

2015 IPC (Bank of NC)

FY	Coupon	Principal	Interest	Total
Total		2,075,000	301,537	2,376,537
2019	2.239%	160,000	44,668	204,668
2020	2.239%	160,000	41,086	201,086
2021	2.239%	160,000	37,503	197,503
2022	2.239%	160,000	33,921	193,921
2023	2.239%	160,000	30,338	190,338
2024	2.239%	160,000	26,756	186,756
2025	2.239%	160,000	23,174	183,174
2026	2.239%	160,000	19,591	179,591
2027	2.239%	159,000	16,020	175,020
2028	2.239%	159,000	12,460	171,460
2029	2.239%	159,000	8,900	167,900
2030	2.239%	159,000	5,340	164,340
2031	2.239%	159,000	1,780	160,780
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

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

Purpose: Equipment / Buildings Insurance: n/a

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

\$7,984,000

2016 IPC (Raymond James)

FY	Coupon	Principal	Interest	Total
Total		6,953,000	1,122,486	8,075,486
2019	2.320%	523,000	161,310	684,310
2020	2.320%	530,000	149,176	679,176
2021	2.320%	537,000	136,880	673,880
2022	2.320%	544,000	124,422	668,422
2023	2.320%	551,000	111,801	662,801
2024	2.320%	558,000	99,018	657,018
2025	2.320%	566,000	86,072	652,072
2026	2.320%	572,000	72,941	644,941
2027	2.320%	499,000	59,670	558,670
2028	2.320%	506,000	48,094	554,094
2029	2.320%	514,000	36,354	550,354
2030	2.320%	522,000	24,430	546,430
2031	2.320%	531,000	12,319	543,319
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

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

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

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



Parking Fund

\$28,800,000

Limited Obligation Bonds, Series 2012

FY	Coupon	Principal	Interest	Total
Total		2,100,000	354,300	2,454,300
2019	5.000%	345,000	104,500	449,500
2020	5.000%	355,000	87,550	442,550
2021	5.000%	380,000	70,000	450,000
2022	5.000%	400,000	51,000	451,000
2023	5.000%	415,000	31,000	446,000
2024	5.000%	205,000	10,250	215,250
2025		-	-	-
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: 6/27/2012

Next Call: 6/1/2022

Purpose: Refunding - Parking Portion

Insurance: n/a

Coupon Dates: Jun 1 / Dec 1

Maturity Date: Jun 1

\$28,800,000

Limited Obligation Bonds, Series 2012

FY	Coupon	Principal	Interest	Total
Total		4,855,000	1,641,050	6,496,050
2019	5.000%	255,000	210,131	465,131
2020	5.000%	265,000	197,781	462,781
2021	5.000%	280,000	184,831	464,831
2022	5.000%	295,000	170,831	465,831
2023	5.000%	310,000	156,081	466,081
2024	5.000%	325,000	140,581	465,581
2025	5.000%	340,000	124,331	464,331
2026	3.375%	355,000	107,331	462,331
2027	3.500%	370,000	95,350	465,350
2028	4.000%	380,000	82,400	462,400
2029	4.000%	395,000	67,200	462,200
2030	4.000%	410,000	51,400	461,400
2031	4.000%	430,000	35,000	465,000
2032	4.000%	445,000	17,800	462,800
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: 6/27/2012

Next Call: 6/1/2022

Purpose: New Money - 140 West Portion Insurance: n/a

Coupon Dates: Jun 1 / Dec 1

Maturity Date: Jun 1



Vehicle Replacement Fund

\$887,000

2012 IPC (BB&T)

FY	Coupon	Principal	Interest	Total
Total		133,127	1,912	135,039
2019	1.720%	133,127	1,912	135,039
2020		-	-	-
2021		-	-	-
2022		-	-	-
2023		-	-	-
2024		-	-	-
2025		-	-	-
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: Unknown

Next Call: Unknown

Purpose: Unknown

Insurance: Unknown

Coupon Dates: Annual

Maturity Date: Annual

Note: Interpolated from FY 2017 CAFR

\$431,200

2012 IPC (SunTrust)

FY	Coupon	Principal	Interest	Total
Total		127,748	2,542	130,290
2019	1.510%	63,454	1,691	65,145
2020	1.510%	64,294	851	65,145
2021		-	-	-
2022		-	-	-
2023		-	-	-
2024		-	-	-
2025		-	-	-
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: Unknown

Next Call: Unknown

Purpose: Unknown

Insurance: Unknown

Coupon Dates: Annual

Maturity Date: Annual

Note: Interpolated from FY 2017 CAFR



Vehicle Replacement Fund

\$445,000

2013 IPC (Wells Fargo)

FY	Coupon	Principal	Interest	Total
Total		131,846	2,662	134,508
2019	1.520%	65,483	1,771	67,254
2020	1.520%	66,363	891	67,254
2021		-	-	-
2022		-	-	-
2023		-	-	-
2024		-	-	-
2025		-	-	-
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: Unknown

Next Call: Unknown

Purpose: Unknown

Insurance: Unknown

Coupon Dates: Annual

Maturity Date: Annual

Note: Interpolated from FY 2017 CAFR

\$872,000

2013 IPC (SunTrust)

FY	Coupon	Principal	Interest	Total
Total		323,693	9,287	332,980
2019	1.810%	128,052	5,140	133,192
2020	1.810%	130,085	3,107	133,192
2021	1.810%	65,555	1,041	66,596
2022		-	-	-
2023		-	-	-
2024		-	-	-
2025		-	-	-
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-

Dated Date: Unknown

Next Call: Unknown

Purpose: Unknown

Insurance: Unknown

Coupon Dates: Annual

Maturity Date: Annual

Note: Interpolated from FY 2017 CAFR



Appendix C

Rating Reports



Rating Action: Moody's assigns Aaa to Chapel Hill, NC's \$12.5M GO Bonds 2018

Global Credit Research - 22 Mar 2018

Assignment of stable outlook

New York, March 22, 2018 -- Moody's Investors Service has assigned a Aaa rating to the Town of Chapel Hill, NC's \$12.5 million General Obligation Public Improvement Bonds, Series 2018. Concurrently, we have affirmed the Aaa rating on the town's \$31.7 million of outstanding general obligation debt and assigned a stable outlook.

RATINGS RATIONALE

The Aaa rating reflects the town's healthy financial position, its stable tax base anchored by the strong institutional presence of the flagship campus of the University of North Carolina, and manageable fixed costs.

RATING OUTLOOK

The assignment of the stable outlook reflects the economic strength of the tax base as well as the town's sound financial position.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Multi-year trend of structural budget imbalance
- Reduction of General Fund balance and other available reserves
- Deterioration of the town's tax base

LEGAL SECURITY

The bonds are secured by the unlimited general obligation tax pledge of the town.

USE OF PROCEEDS

Proceeds from the issuance will be used to finance various town-wide capital improvements including parks, stormwater and street projects.

PROFILE

Located in the central portion of the state, the town sits within Orange County (Aaa stable). The town covers a land area of 21.6 square miles and has a population estimated at 59,753.

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support

provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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CREDIT OPINION

23 March 2018

Rate this Research



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Chapel Hill (Town of) NC

Update to credit analysis

Summary

The town of Chapel Hill (Aaa, stable) benefits from a sound financial position. Following 14 years of General Fund surpluses, officials had a planned draw down on reserves for various pay-go capital improvements including parks and affordable housing as well as transfer to OBEB trust. The town's tax base continues to grow largely due to its advantageous location in the burgeoning Research Triangle region and is anchored by the strong institutional presence of the flagship campus of the University of North Carolina. Income and wealth levels are well above average despite the large student population. Lastly, the town's fixed costs will remain affordable despite future borrowing plans due to a conservatively constructed CIP and an average pension position.

Credit strengths

- » Sound financial position with healthy reserves
- » Stable economy with strong institutional presence
- » Affordable debt profile

Credit challenges

- » Relatively high cost of living

Rating outlook

The stable outlook reflects the economic strength of the tax base as well as the town's sound financial position.

Factors that could lead to an upgrade

- » Not applicable

Factors that could lead to a downgrade

- » Multi-year trend of structural budget imbalance
- » Reduction of General Fund balance and other available reserves
- » Deterioration of the town's tax base

Key indicators

Exhibit 1

Chapel Hill (Town of) NC	2013	2014	2015	2016	2017
Economy/Tax Base					
Total Full Value (\$000)	\$7,304,497	\$7,463,254	\$7,447,017	\$7,539,775	\$7,532,719
Population	58,058	58,379	58,766	59,753	59,569
Full Value Per Capita	\$125,814	\$127,841	\$126,723	\$126,182	\$126,454
Median Family Income (% of US Median)	174.8%	172.6%	174.2%	174.2%	174.2%
Finances					
Operating Revenue (\$000)	\$58,187	\$61,975	\$63,851	\$67,191	\$66,033
Fund Balance (\$000)	\$24,482	\$26,450	\$32,592	\$38,698	\$30,903
Cash Balance (\$000)	\$22,921	\$23,201	\$27,509	\$32,689	\$25,926
Fund Balance as a % of Revenues	42.1%	42.7%	51.0%	57.6%	46.8%
Cash Balance as a % of Revenues	39.4%	37.4%	43.1%	48.7%	39.3%
Debt/Pensions					
Net Direct Debt (\$000)	\$61,701	\$135,295	\$41,342	\$56,398	\$65,260
3-Year Average of Moody's ANPL (\$000)	\$55,834	\$63,568	\$59,919	\$55,610	\$74,843
Net Direct Debt / Operating Revenues (x)	1.1x	2.2x	0.6x	0.8x	1.0x
Net Direct Debt / Full Value (%)	0.8%	1.8%	0.6%	0.7%	0.9%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	1.0x	1.0x	0.9x	0.8x	1.1x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.8%	0.9%	0.8%	0.7%	1.0%

Source: Chapel Hill Comprehensive Annual Financial Reports, Moody's Investors Service, US Census

Profile

Located in the central portion of the state, the town sits within Orange County (Aaa stable). The town covers a land area of 21.6 square miles and has a population estimated at 59,569.

Detailed credit considerations

Economy and Tax Base: University and proximity to research triangle park support robust local economy

The town's tax base is expected to remain stable and healthy, given the stabilizing presence of the University of North Carolina (UNC) at Chapel Hill (Aaa stable) and the important role the town plays as one of the anchors of Research Triangle Park (RTP). The university enrolls over 29,000 students and employs approximately 20,000 people. UNC's footprint in the community is expected to increase substantially over the next 10 to 20 years with the construction of Carolina North, a major satellite research campus. The project will occupy over 250 acres in town and include new academic buildings, retail space, research facilities, businesses and public schools. At completion, the project is expected to include sizable employment and enrollment gains. Also of note, approximately half of the project is expected to be taxable. UNC Healthcare employs over 13,000 individuals. In addition to not-for-profit employment opportunities in surrounding communities including Duke University (Aa1 stable) and Duke University Health System (over 20,000 employees), the area is characterized by a robust and diverse private sector centered around RTP including several large employers including International Business Machines Corporation-IBM (A1 stable-11,500 employees), SAS (4,200 employees), and GlaxoSmithKline plc (A2 stable). Over 39,000 people are employed by RTP's various entities, producing an annual payroll of over \$2.8 billion.

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The town's \$7.5 billion tax base has grown at an average annual rate of 0.7% for the past five years. The relatively low growth rate is largely due to some major redevelopment projects downtown which temporarily lowered valuations in the interim. The high quality nature of the tax base is evidenced by a full value per capita of \$126,454. Despite the large student presence, wealth levels are well above those of the state and the U.S., as evidenced by the 2015 median family income of 174.2% of the US.

Financial Operations and Reserves: Maintenance of healthy reserves and liquidity despite active pay-go capital funding

The town's financial position will likely remain healthy given a solid track record of positive operating results, conservative budgeting practices, and sound reserve levels. Positive fiscal 2016 results marked town's 14th consecutive General Fund surplus, increasing total General Fund balance to a strong \$32.7 million (53.6% of revenues) with the unreserved portion at \$16 million (26.2% of General Fund revenues). In fiscal 2017, officials had a planned spend-down of reserves for pay-go projects including parks & recreation, land acquisition, affordable housing as well as \$2.7 million for OPEB trust funding. The total over-run was \$7.8 million in the combined (General and Debt Service) operating fund, bringing the combined fund balance down to \$31.6 million or a still healthy 47.8% of revenues. At these levels the town's reserve position remains in line with the national Aaa median and above the town's target minimum available General Fund balance of 22% of General Fund expenditures. Officials report year-to-date fiscal 2018 results are positive.

LIQUIDITY

The town continues to carry a healthy amount of cash and investments with \$25.9 million in fiscal 2017, representing 39.3% of combined operating fund revenues.

Debt and Pensions: Fixed costs expected to remain affordable

The town's debt position will remain manageable given a low direct debt burden of 0.9% of full value and debt service levels representing 9.6% of expenditure in fiscal 2017. Further, the town employs an average repayment schedule with 91% of principal repaid within 10 years. In addition to the planned \$20.2 million borrowing for various municipal purposes under the bond authorization, the CIP includes \$31 million of installment financing.

DEBT STRUCTURE

The town's debt profile consists entirely of fixed rate borrowing.

DEBT-RELATED DERIVATIVES

The town has not entered into any swap agreements.

PENSIONS AND OPEB

The town contributes to the North Carolina Local Government Employees Retirement System (NCLGERS), defined benefit retirement plan administered by the State of North Carolina. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the town's reported liability information, but to improve comparability with other rated entities. We determined the town's share of liability for the state-run plan in proportion to its contributions to the plan. In addition to participating in the state plan, the town has a separate plan for law enforcement and to which the town consistently makes over 100% of the annual required contribution. The three year average Moody's adjusted net pension liability (ANPL) for the town is an average 1.13 times operating revenues and 0.99% of full value.

The town also provides employees with Other Post employment Benefits (OPEB) and as of the last actuarial date (6/30/2016), had an unfunded actuarial liability of \$56.1 million. The town also set aside \$2.7 million from the General Fund for OPEB in an irrevocable trust.

Management and Governance

Chapel Hill's management has a long-standing history of conservative budgetary practice and prudent policies. The town maintains an Unassigned Fund Balance target of 22% of General Fund expenditures or higher and utilizes overages for one time pay-go capital projects. In preparation of the GO referendum in fiscal 2015, the Town Council increased the portion of the property tax dedicated to debt service from 7.5 cents to 8.5 cents and then to 8.2 cents after the revaluation.

North Carolina cities and towns have an institutional framework score of "Aaa," or very strong. Cities and towns have a large degree of revenue-raising flexibility primarily through the ability to increase property tax rates. Expenditures, which are largely for personnel, are predictable and towns have the legal ability to reduce expenditures if necessary, as it is a right to work state. Additionally, North Carolina cities benefit from strong state oversight by the Local Government Commission.

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Summary:

Chapel Hill, North Carolina; Appropriations; General Obligation

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Related Research

Summary:

Chapel Hill, North Carolina; Appropriations; General Obligation

Credit Profile		
US\$12.5 mil GO pub imp bnds ser 2018 due 05/01/2038		
<i>Long Term Rating</i>	AAA/Stable	New
Chapel Hill GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AAA' long-term rating to Chapel Hill, N.C.'s series 2018 general obligation (GO) public improvement bonds. At the same time, we affirmed our 'AAA' long-term rating on the town's GO debt outstanding, and our 'AA+' long-term rating on the town's appropriation-backed debt. The outlook is stable.

The bonds constitute GOs, secured by the town's full faith and credit, and represent the second installment issued from the town's November 2015 authorization. Proceeds will be used to finance stormwater improvements, as well as streets, sidewalks, and recreation facilities.

We rate Chapel Hill's GO debt higher than the sovereign because we believe the town can maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria, titled "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions," published Nov. 19, 2013 on RatingsDirect, the town primarily has a locally derived revenue base with roughly 72% of total governmental revenue derived from property taxes in fiscal 2017. Intergovernmental revenue from the federal government accounted for 3%.

The ratings reflect our opinion of the town's:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA) and a local stabilizing institutional influence;
- Very strong management, with "strong" financial policies and practices under our Financial Management Assessment methodology;
- Adequate budgetary performance, with operating results that we expect could improve in the near term relative to fiscal 2017, which closed with operating deficits in the general fund and at the total governmental fund level in fiscal 2017;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2017 of 27% of operating expenditures;
- Very strong liquidity, with total government available cash at 69.2% of total governmental fund expenditures and 7.1x governmental debt service, and access to external liquidity we consider strong;
- Strong debt and contingent liability position, with debt service carrying charges at 9.7% of expenditures and net

direct debt that is 111.6% of total governmental fund revenue, as well as low overall net debt at less than 3% of market value and rapid amortization, with 75.5% of debt scheduled to be retired in 10 years; and

- Very strong institutional framework score.

Very strong economy

We consider Chapel Hill's economy very strong. The town, with an estimated population of 60,812, is located in Durham and Orange counties in the Durham-Chapel Hill MSA, which we consider to be broad and diverse. The town also benefits, in our view, from a stabilizing institutional influence. The town has a projected per capita effective buying income of 135% of the national level and per capita market value of \$132,111. Overall, the town's market value grew by 6.7% over the past year to \$8 billion in 2018. The weight-averaged unemployment rate of the counties was 4.3% in 2016.

Spanning an area of 21.6 square miles, the town of Chapel Hill represents one of three communities anchoring the North Carolina Research Triangle, along with the cities of Raleigh and Durham. While the local economy is home to a diverse array of technology, electronics, pharmaceutical, biotech, and financial services employers, it is also benefits from the institutional presence of the University of North Carolina's (UNC) flagship campus, as well as UNC Medical Center--which function as the town's largest employers. With nearly 30,000 enrolled students and roughly 12,600 faculty and staff in fiscal 2018, UNC Chapel Hill represents a stabilizing presence for the town, in our view. We consider the tax base very diverse, with the top 10 payers representing only 4.28% of AV in 2017. And while total AV largely remained level from fiscal years 2011 to 2017, town officials report that AV markedly strengthened by an estimated 6.7% in fiscal 2018 (owing to both favorable revaluations and ongoing development), and is expect to grow an additional 2.4% in fiscal 2019 as development continues.

Given the town's favorable proximity to major employers, including UNC and those within the Research Triangle as well as the state capitol, the town has grown into a premier residential location, with several mixed-used developments recently completed or currently underway. One such development includes nearly 140 condominiums as well as 30,000 square feet of office and retail space. Additionally, Carolina Square is a 200,000 square foot redevelopment in downtown Chapel Hill that includes class A office space, a Target shopping center, and 246 apartments. Two new hotels also completed construction in recent months, and a Wegmans Food Market is anticipated to open in early 2019.

Finally, the town has recently focused on infrastructure development within the Ephesus Church-Fordham area. Once complete, the area will include additional commercial and residential opportunities, and will provide bike path and walkability features.

Very strong management

We view the town's management as very strong, with "strong" financial policies and practices under our Financial Management Assessment methodology, indicating financial practices are strong, well embedded, and likely sustainable.

Supporting our opinion of the town's very strong management profile are:

- Conservative budget practices that take into account historical and projected trends, which have contributed to the

maintenance of the town's strong reserve levels over the last three fiscal years;

- Monthly monitoring of its financial performance coupled with formal reports to the town board every quarter;
- Rolling, multiyear financial plan projecting out revenues and expenditures over a five-year period;
- Detailed 15-year capital improvement plan that is updated annually and identifies potential funding sources; and
- Formal reserve policy requiring unassigned general fund balance to be maintained at a minimum of 22% of general fund expenditures.

The towns currently lacks formal investment and debt management policies. However, investments adhere to state guidelines with quarterly reports given to the board that include holdings and performance. Additionally, the town follows an informal target of maintaining debt service between 10% and 12% of general fund expenditures.

Adequate budgetary performance

Chapel Hill's budgetary performance is adequate in our opinion. The town had operating deficits of negative 4.7% of expenditures in the general fund and of negative 2.4% across all governmental funds in fiscal 2017. Our assessment accounts for our expectation that budgetary results could improve from 2017 results in the near term.

In assessing the town's budgetary performance, we adjusted for annually recurring transfers into and out of the general fund, and for large one-time capital outlays with the use of debt proceeds across total governmental funds.

Chapel Hill has produced both strong and very strong budgetary performance results in recent years, due in part to conservative budgetary practices on behalf of management. While annual budgets often prescribe drawdowns and are balanced with fund balance appropriations, year-end results have consistently exceeded expectations. Following fiscal 2016's very strong surplus, however, the town budgeted for a much larger-than-usual general fund balance appropriation of roughly \$12.4 million in fiscal 2017, with large planned expenditures toward the creation of an OPEB trust, as well as transfers for the establishment of an Affordable Housing Development Reserve fund and the purchase of property from the local American Legion chapter. Despite intergovernmental revenues also falling short of expectations due to a state-wide reduction of utility franchise tax receipt disbursement, the town finished the year by drawing on fund balance by only \$8.2 million, as general fund expenditures far outperformed expectations by nearly \$5 million. Ad valorem property taxes comprised 49% of general fund revenue throughout the year, with local option sales taxes (21%) and intergovernmental revenues (14%) representing the next largest revenue sources. Both property and sales taxes have shown steady upward growth in recent years, and town officials expect these trends to continue--budgeting for 7.9% sales tax growth in fiscal 2018.

For fiscal 2018, Chapel Hill returned to its practice of conservatively budgeting for a drawdown of approximately \$2.7 million in general fund balance, with the assumption that year-end results will once again outperform budget and preclude the drawdown. Furthermore, the town budgeted for balanced operations across other governmental funds in the year, with the anticipation of another total government funds surplus net of capital expenditures. Town officials report that revenues and expenditures are trending ahead of expectations thus far, owing partly to persisting personnel vacancies, and therefore expect to finish the year with an operating surplus. If realized, this would constitute a structural improvement from fiscal 2017's planned drawdown result, and we therefore expect that budgetary performance will remain at least adequate in the near term.

Very strong budgetary flexibility

Chapel Hill's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2017 of 27% of operating expenditures, or \$16.6 million.

Chapel Hill has historically maintained very strong reserve levels, in our view, with available fund balance exceeding 26% of operating expenditures in each of the three most recent audited fiscal years. The town's formal reserve policy targets the maintenance of an unassigned general fund balance equal to 22% of operating expenditures, with any excess balance available for capital expenditures. While unassigned fund balance decreased by \$2.3 million in fiscal 2017 to 20.17% operating expenditures--corresponding with large planned expenditures and transfers for land purchases, Affordable Housing Development Reserve Fund establishment, and pay-go capital project financing--management currently anticipates adding to fund balance following the expected surplus in fiscal 2018, and reports no plans to materially spend down reserves in the next two years. Furthermore, town officials also indicated that the combined \$8 million of reserves held in the Debt Service and Affordable Housing Development Reserve funds are also available with the approval of council. Therefore, we expect the town's budgetary flexibility to remain very strong in the near term.

Very strong liquidity

In our opinion, Chapel Hill's liquidity is very strong, with total government available cash at 69.2% of total governmental fund expenditures and 7.1x governmental debt service in 2017. In our view, the town has strong access to external liquidity if necessary.

We believe the town's strong access to external liquidity is demonstrated by its frequent debt issuances of both GO- and appropriation-backed debt. It has historically maintained what we consider very strong cash balances, and given our expectation for fiscal years 2017 and 2018, we do not believe its cash position will materially weaken in the near term. While the state allows for what we view as permissive investments, we believe the town does not currently have any aggressive investments, with the majority of investments held in local government investment pools and mutual funds at the end of fiscal 2017. Additionally, we have not identified any contingent liabilities that could pose a material risk to the town's liquidity. Therefore, we do not expect Chapel Hill's liquidity position to deteriorate from its very strong position in the near term.

Strong debt and contingent liability profile

In our view, Chapel Hill's debt and contingent liability profile is strong. Total governmental fund debt service is 9.7% of total governmental fund expenditures, and net direct debt is 111.6% of total governmental fund revenue. Overall net debt is low at 1.3% of market value, and approximately 75.5% of the direct debt is scheduled to be repaid within 10 years, which are in our view positive credit factors.

The current transaction represents the second installment of bonds authorized in the town's November 2015 referendum; the remaining \$18.8 million is tentatively planned to be issued in several installments over the next three years. Additionally, the town expects to replace existing public safety facilities including its police headquarters and several fire stations, and is looking to address other space needs by combining public safety with other uses in a single multi-agency facility. While the total cost of the new facility is estimated between \$30 million and \$35 million, a portion of the anticipated debt may be offset with cash proceeds from the sale of the existing buildings. Despite the

plans for additional debt, we do not anticipate a substantial change in the town's debt profile due to its rapid amortization and steady growth in the assessed valuation.

Chapel Hill's combined required pension and actual other postemployment benefits (OPEB) contributions totaled 10.9% of total governmental fund expenditures in 2017. Of that amount, 4.4% represented required contributions to pension obligations, and 6.5% represented OPEB payments. The town made its full annual required pension contribution in 2017.

Chapel Hill participates in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer plan administered by the state. The town funds its annually required contribution at 100%, and reported a proportionate share of the net pension liability of \$12.7 million as of June 30, 2017. The LGERS plan was 91.4% funded at that time, calculated as fiduciary net position as a percentage of total pension liability. The town also maintains a single-employer, defined-benefit plan for qualified sworn law enforcement officers. The special separation allowance plan is funded on a pay-as-you-go basis with the town contributing \$296,694 in fiscal 2017. The plan reported a total pension liability of \$4.8 million at fiscal year-end 2017.

Additionally, the town provides other postemployment benefits through its Healthcare Benefits Plan--a single-employer, defined benefit plan--and has historically made contributions on a pay-as-you-go basis. The town pays all or a portion of the costs of coverage for the benefits based on years of service, and the plan is available to all qualified retirees until the age of 65 or until Medicare eligible. In fiscal 2017, the town transferred \$2.9 million of accumulated assets into its newly formed irrevocable trust for OPEB, which will help offset the unfunded liability that stood at \$64.2 million as of Dec. 31, 2014. The net OPEB liability totaled \$56 million as of June 30, 2017.

Very strong institutional framework

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

Outlook

The stable outlook reflects our view of the town's maintenance of very strong reserves despite fiscal 2017's adequate budgetary performance resulting from a large planned drawdown, and a broad and diverse economy, which is anchored by a strong institutional presence. Furthermore, it reflects our expectation that the town's very strong management practices will contribute to a likely return to strong budgetary performance in the near term. For these reasons, we do not expect to change the rating over the two-year outlook period. Holding all other factors equal, if performance were to deteriorate significantly--potentially stemming from fixed cost pressure related to large pension and OPEB liabilities--causing a substantial weakening of reserves and liquidity, we could lower the rating.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015

Summary: Chapel Hill, North Carolina; Appropriations; General Obligation

- Local Government Pension And Other Postemployment Benefits Analysis: A Closer Look, Nov.8, 2017

Ratings Detail (As Of March 21, 2018)		
Chapel Hill ltd oblig rfdg bnds		
<i>Long Term Rating</i>	AA+/Stable	Affirmed

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Celebrating Our Successes



The Town Council sets the vision for the Town and adopts goals to reflect that vision and guide decision making at all levels of Town government.

The goal setting process builds Council consensus on policies and projects that impact Town residents, businesses and the community as a whole.

The Town Manager uses the Town Council's vision and goals to set priorities, direct work activities, and allocate staffing and financial resources.



Successes by Council Goal Area



CONNECTED COMMUNITY

1. **Tanyard Branch Trail:** Completed a new trail that will allow pedestrians and bicyclists to travel from the Northside neighborhood to Umstead Park and the Bolin Creek Trail. The trail includes two public art projects, a tunnel mural created by a local artist in conjunction with community youth and an artist-designed bridge railing.
2. **Electric Buses:** Awarded a \$1.4 million federal grant for two zero-emission electric buses. Chapel Hill Transit's grant application was selected as one of 52 grants awarded nationwide through the Low or No Emission Bus Grant Program. Awarded another \$727,000 in state funds for bus replacements.
3. **Bye-Bye Old Buses!** Replaced 22 of our oldest fixed route Chapel Hill Transit buses and seven of our oldest demand response vehicles.
4. **Chapel Hill Transit Ridership:** Did you know that Chapel Hill Transit is the second largest transit system in North Carolina? And more people continue to choose our fare free buses every day. We saw a 7 percent increase in total ridership last year with 6.6 million rides.
5. **Short Range Transit Plan:** Kicked off the Short Range Transit Plan and continue to work with our funding partners and the community to reimagine the system.
6. **Chapel Hill Named Bicycle Friendly Community:** Named a Bicycle Friendly Community at the silver level, an improvement from bronze.
7. **Friday Center Drive:** Reconstructing the Town-maintained portion of Friday Center Drive from Highway 54 to the median. This includes ADA improvements and re-striping for a five-to-six-foot bike lane.





ECONOMIC & FINANCIAL SUSTAINABILITY

1. **Wegmans:** Deconstruction of the former Performance AutoMall is underway on U.S. 15-501 in Chapel Hill to prepare for a new 99,000-square-foot Wegmans, a \$30 million development with an opening date sometime in 2020.
2. **Blue Hill District:** Adopted new design guidelines and district regulations for the Blue Hill District that promote a walkable and 'green' character.
3. **Carraway Village:** Construction continues on this 55-acre development that will offer hotel, retail, office and housing in north Chapel Hill off of Eubanks Road. The property is uniquely located adjacent to a Town Transit Park and Ride giving strong connection to the rest of Chapel Hill.
4. **Eastowne Medical Office Park:** Approved redevelopment plans for UNC Health Care's 13-acre campus located at the eastern gateway of Chapel Hill. Future phases of the project will be part of a larger master plan process, including community input for the development of additional buildings, infrastructure and connections.
5. **Charting Our Future:** Community engagement to refine the Town's Land Use Plan included 68 public input opportunities, including a survey taken by more than 700 people. The process will eventually develop a Future Land Use Map that looks to the year 2049.
6. **Launch Reinvigoration:** Tracked successes from graduating startup companies from our publicly-supported incubator named Launch. By the Numbers: These startups raised nearly \$13 million from investors, and their revenues totaled \$20.6 million. Launch companies now employ 202 people in Orange County. Since 2013, 75 companies have graduated from the Launch program, and 25 still call Orange County home.
7. **Improving Parking Downtown:** Installed 60 new paystations in downtown and park and ride lots throughout the town. Launched #LotsToLove educational campaign and newly designed website www.parkonthehill.com. Payments also can be made directly from a smartphone through the Parkmobile app.
8. **Downtown Ambassadors:** Our new Downtown Ambassadors welcome people and provide assistance to ensure visitors feel welcome as they experience and explore downtown. Ambassadors share helpful advice and directional assistance with a passion for the community.





SAFE COMMUNITY

1. **Feeling Safe:** In the 2018 Community Survey, our residents reported the highest levels of satisfaction for the *overall feeling of safety in Chapel Hill* at 87 percent, an 11 percent increase since 2009. Satisfaction ratings in this area are 17 percentage points higher than regional comparisons.
2. **Emergency Response:** Returned the community to normal following hurricanes, winter storms, and an emergency water shortage. At the start of the year in January, Winter Storm Inga dropped 10 to 12 inches of snow. Later in September, Hurricane Florence brought more than 9 inches of rain over four days – followed by Hurricane Michael in October that caused downed trees and power lines due to heavy rain and high winds. In November, a broken water pipe left more than 80,000 OWASA customers in the Chapel Hill-Carrboro area with limited water and a boil water advisory for more than 24 hours. In December, Winter Storm Diego brought between 8 and 12 inches of snow and ice, and caused power outages for thousands. Throughout all the events, our public safety and public works teams responded around the clock to clear roadways and restore public safety.
3. **Community Safety:** Protected the rights of our residents to assemble peacefully at major events downtown including demonstrations, Festifall and the annual Halloween event that drew more than 16,000 people to Franklin Street. We are taking a comprehensive approach to emergency management with several initiatives including a new emergency management planner position and inter-departmental teamwork. Our public information is now provided for extreme events through a Call Center; social media; and translations in Spanish, Burmese and Karen.
4. **Firefighting Academy:** High school students interested in community safety careers have a new training opportunity, thanks to a partnership among the Chapel Hill Fire Department, Chapel Hill-Carrboro City Schools and Durham Technical Community College. The Firefighting Academy offers students from across the district classes beginning their sophomore year.
5. **Hamilton Road Fire Station:** Constructed a new fire station to replace a 60-year-old building. This was made possible through a public-private partnership with East West Partners as well as the Orange County Commissioners. This project provided a much-needed upgrade to a Town facility, as well as new office space, in support of the business tax base. The Town received a substantial financial contribution from the developer, East West Partners, toward the completion of the fire station.
6. **Making Roads Safer for Bicyclists:** Addressing the issue of vehicles parking in bike lanes, we added bollards and no parking signs at bike lanes on West Rosemary Street to help all people who travel on the road, regardless of their method, do so better together.





AFFORDABLE HOUSING

1. **Affordable Housing Bond Referendum:** Voters overwhelmingly supported a referendum in November 2018 that approves \$10 million in general obligation bonds to help the Town achieve its strategic plan for supporting the development of 400 new affordable housing units and preservation of 300 existing affordable units over the next five years.
2. **Development and Preservation:** The Town supported the development of 99 new affordable housing units – including 80 units in DHIC’s Greenfield Place Low Income Housing Tax Credit development – and the preservation of 23 existing affordable homes in fiscal year 2018. The development of 99 homes surpassed the Town’s annual goal of 80 new homes and brought the total number of subsidized affordable housing units to over 1,000. The Town also deployed \$1.7 million in Town funding (in fiscal year 2018) to support affordable housing projects in the community.
3. **Employee Housing Incentive Pilot Program:** Developed an innovative program to make progress toward Council’s goal of providing more Town employees with opportunities to live in Chapel Hill. The Town’s Employee Housing Incentive Program will provide rental and homeownership incentives to employees who meet income and other requirements.
4. **Affordable Housing Dashboard:** Created an interactive affordable housing dashboard to track the Town’s progress in creating new and preserving existing affordable housing in Chapel Hill. See the dashboard <https://www.chapelhillaffordablehousing.org/tracking-our-progress>
5. **Tiny Homes:** Provided support for the development of several tiny homes, including the Church of the Advocate project on Homestead Road, a tiny house duplex in Northside, and Grisham cottages relocated to Town-owned parcels in the Northside neighborhood. These projects will provide affordable rental housing to very low-income households in the community.
6. **Strengthening Public Housing Communities:** Successfully applied for and was approved for Rental Assistance Demonstration Conversion from US Housing and Urban Development (HUD) to help increase the number of Public Housing units. Also replaced 80 roofs; replaced siding, and improved concrete walkways in our 13 Public Housing Communities.





ENVIRONMENTAL STEWARDSHIP

1. **Solid Waste Planning:** Adopted an interlocal agreement with Orange County and towns of Chapel Hill, Carrboro and Hillsborough regarding the provision of services related to the disposition of solid waste and recyclables.
2. **Stormwater Infrastructure Improvements:** Repaired a large stormwater drainage culvert underneath the driving surface of Perry Creek Drive. The \$150,000 project was completed in October. Stormwater Management fees provide funding for the Town's Stormwater Management Department, including capital projects for bridge, culvert and drainage improvements.
3. **Protecting and Preserving Green Space:** The Town has preserved 786 acres or about 5 percent of the Town's total land area of 21 square miles in open space.
4. **New Lighting for Parking Areas:** Replaced all of the surface lighting at the Eubanks Road and Southern Village Park and Ride lots with more energy-efficient LEDs.
5. **Electric Vehicle Charging Stations:** Installed two new publicly available electric vehicle charging stations at the Town Aquatic Center.
6. **Green Building Ordinance:** Updated the Town's green building ordinance requiring that new Town facilities be both LEED Silver and meet the American Institute of Architects' 2030 Challenge for fossil fuel reduction.
7. **Explore More at Pritchard Park:** Focused on environmental education, outdoor play, and citizen science in a grant-funded, collaborative effort led by the Library. From bird counts and butterfly releases to weather stations and controlled burns, Explore More engages those already invested in environmental stewardship and sparks the interest of the next generation of Chapel Hillians.
8. **Sol Smart Gold:** Awarded gold status for installation of solar panels in our community. This is a national designation program recognizing that local governments have tremendous influence over the prospects for solar energy growth.





VIBRANT AND INCLUSIVE COMMUNITY

1. **The Peoples Academy:** Graduated 43 people from our inaugural five-week program in which participants learned about Town services and jobs, connected with Town leadership and neighbors, toured Town facilities, and built leadership and communication skills.
2. **Civil Rights Movement in Chapel Hill:** Created the Opening Our Future exhibit including a timeline that tells the story that Chapel Hill played in our nation's civil rights movement. The Historic Civil Rights Commemorations Task Force, created by Mayor Hemminger, also helped the community celebrate the original Chapel Hill Nine.
3. **Building Integrated Communities:** The Town was selected to work with UNC-Chapel Hill through a two-year collaborative planning process to assist the Town in developing strategies for being more inclusive and responsive to the needs and interest of immigrant and refugee community members. We completed the Community Assessment and Action Planning Phases of this project, which included extensive resident engagement. We held meetings in eight languages that were attended by more than 150 immigrant and refugee community members from 15 different countries.
4. **Third Graders at Town Hall:** Welcomed hundreds of third graders from Chapel Hill-Carrboro City Schools for a civics lesson with Mayor Hemminger, a fire safety demonstration, and program overview about the functions of local government.
5. **Soccer Fields at Homestead Park:** Installed new synthetic turf at soccer fields at Homestead Park. Previously, the only synthetic turf field was located at Cedar Falls Park. The \$1.2 million project benefited from a funding agreement by two local soccer groups.
6. **Cultural Opportunities:** Attracted residents of all ages and stages to a variety of community celebrations, from familiar favorites such as Festifall and July 4th to new events like Near & Far, a local celebration of global cultures. Developed new partnerships to expand arts programming, including Frederick Douglass at 200 events to the Red Ball Project, a partnership with the Ackland Art Museum to bring the world's longest-running public art project to Chapel Hill.
7. **Wireless Communications Facilities Master Plan and Ordinance:** Enacted new rules to support deployment of new wireless facilities in a community-friendly manner.
8. **Student and Youth Engagement:** Strengthened our efforts to engage youth and college students, including growing our electronic-newsletter, the Tar Heel Citizen Times, which is distributed to 23,000 college and graduate students of UNC-Chapel Hill living off campus in Chapel Hill, conducting extensive engagement of 160+ youth through focus groups aimed at learning about their lives and informing the Town's approach to serving youth going forward, and continuing the Good Neighbor Initiative partnership with UNC-Chapel Hill, the Jackson Center, empowerment, and other community agencies.





COLLABORATIVE & INNOVATIVE ORGANIZATION

1. **Maurice Jones Named New Town Manager:** Announced the appointment of Maurice Jones as the new town manager. Formerly, city manager of Charlottesville, Va. Charged with leading Charlottesville's community relations efforts, Jones was instrumental in conducting a community race dialogue initiative, establishing a robust workforce development program, developing affordable housing policies, and carrying out a government operations efficiency study.
2. **Intercity Visit to Lawrence, Kansas:** Gathered an impressive delegation of 80 local leaders including elected officials, business owners, nonprofit directors, and university officials, for this biennial learning opportunity to Lawrence, Kansas.
3. **Technology Improvements:** Launched See-Click-Fix, an app that allows residents to report non-emergency issues to the Town from their smartphone, tablet, or computer – and E-Builder, a capital project management software. A new multimedia library provides departments and media with easy access to photo and video resources <http://chapelhill.photoshelter.com>
4. **Chapel Hill Community Survey:** Received results from our fifth biennial survey conducted by ETC Institute. Chapel Hill ranks as a "high performing city" with 81 percent of residents reporting satisfaction with the overall quality of life in Chapel Hill.
5. **Employee engagement:** Received a record setting response rate of 66 percent on our third employee survey, which is designed to hear from employees about how well the Town is valuing, equipping and supporting them. 2018 results showed gains from previous surveys in the areas of teamwork, training, employee voice, supervisory trust, advancement and commitment.
6. **Employee Training:** Offered 2,300 hours of employee training opportunities including a specialized Diversity and Inclusion Program to provide employees with the tools, skills and opportunity to embrace diversity and equity, and live out our RESPECT values.



**AFFORDABLE
HOUSING**



**CONNECTED
COMMUNITY**



**ENVIRONMENTAL
STEWARDSHIP**



**COLLABORATIVE
& INNOVATIVE
ORGANIZATION**



**ECONOMIC &
FINANCIAL
SUSTAINABILITY**



**SAFE
COMMUNITY**

**VIBRANT AND
INCLUSIVE
COMMUNITY**

Draft Council and Mayor Expectations
Town of Chapel Hill
February 9, 2018

1. How I prefer you communicate with me:

- Identify topic or issue
- Look for facts, seek data
- Use transparency, compassion, curiosity, explanation of rationale with facts
- Recognize communication preferences
 - Hemminger: email, also text and phone; cell phone does not work at home, so call home number or contact Jeanne
 - Parker: phone preceded by text or email about the subject
 - Oates: phone, secondarily email;
 - Bell: text
 - Anderson: 1. Text 2. Email 3. phone
 - Buansi: 1. In person 2. Phone (not email)
 - Gu: 1. Text 2. Phone 3. email
 - Schaevitz: 1. Text 2. email
 - Stegman: 1. Text 2. Email 3. phone
 - Mayor can send group text to look at email; continue Friday emails; Council members to provide relevant information to be shared.
 - Copying Jeanne on communication to the Mayor is helpful because the Mayor is often in meetings and hard to reach
- Include relevant information in request, so response can try to be in a mutually convenient way.

2. Expectations for Council members

- Focus on topic
- Be prepared
- Act with integrity, compassion, respect
- Communicate clearly & concisely
- No "gotcha" moments-No Surprises
- Communications irrespective of medium may have public records implication
- Will not deliberate privately about the issues being discussed with each other during meetings
- During quasi-judicial proceedings do not communicate outside the Council Chamber
- For SUPs questions are provided in advance where possible and responses are included in the meeting materials and presented at the hearing, including ex parte conversation.
- No unfunded mandates-agree with Town Manager regarding priorities and the support for them.
- No Council Member should speak for another Council Member
- Don't enable bad behavior: refer questions to staff/website/other sources of information rather than becoming the source of information
- Speak to the press with one voice
- Email answers to press questions (so it's in writing) when possible
- Don't throw anyone under the bus; the Council meeting is not the place for personal disagreement
- Don't create "gotcha" moments by hoarding information that could be relevant/useful to the whole board

- No pressure to chime in on a topic

3. Expectations for Mayor

- Work with Manager and other partners
- Chief Political Officer (Chairman of the Board)
- Consensus builder (understand and can fully support the decision giving my role), and find common ground, as possible
- No Surprises
- Represent in local, state, national venues
- Two way communication, share needs and expectations, along with providing information to all.
- Mayor to articulate the process for setting expectations during the Council meetings.
- Mayor will summarize at the conclusion of her self-comment, and check for any missing aspects.
- Facilitate good working relationships among board members when they're having trouble doing so among each other
- Censor of inappropriate behavior (between Council Members and members of the public during Council meetings)
- Keep the board on task
- Mayor is open to hearing and responding to different viewpoints among Council Members
- Distinguish between Mayor's own perspective, what she thinks the Council would say, what she knows the Council says
- Find common ground, not necessarily build consensus
- Invite alternative points of view; give Council Members the opportunity to express alternative points of view

4. Expectations for Manager

- Provide information, options, discuss resources, legal relevance in association with Town Attorney
- Help Council members to see full picture
- Open for individual consultation and provide information equally
- Clarify questions
- Manage Town staff workload and clarify resources needed to meet council initiatives
- Post purpose of intended action (decision, receive information) on the screen during the council meeting.
- Keep Council members updated on major initiatives
- Present options/alternatives to Council
- Explain budgetary trade-offs
- Provide transparency as to why certain things are done or not done

5. How to address situations where we are not meeting an expectation

- One-on-one conversation with person(s) have concern about
- Compliment in public, criticize in private
- Include Mayor as resource
- Ok to disagree (with Council decision) publicly, but not ok to assign motivation to a specific Council member(s)
- Ok to criticize the position not the person.
- Don't involve staff in our disagreements

Other/Questions

- Interacting with developers/applicants?
- Interacting with advisory boards?

- Role as liaison to advisory board?
- Role as member of an external board?
- How to echo colleagues without actually speaking?
- For all: act with integrity, compassion, and respect

Eight Behaviors for Smarter Teams

Roger Schwarz



Roger Schwarz & Associates

Get to the heart of it.®

Eight Behaviors for Smarter Teams

Roger Schwarz

Why can some teams come together, tackle challenging issues, and produce excellent results, while others can't? Why is it that when smart leaders try to function as a team, the team so often gets stuck? Why does the team as a whole seem less smart than the sum of the talents of its individual members?

One reason is that many team interactions don't reflect a Mutual Learning approach, which includes the mindset and eight behaviors I describe in this article. This mindset and set of behaviors helps teams make better decisions and stick to them, decreases the time needed to implement those decisions effectively, improves working relationships, and increases team member well-being.

You and other leaders can use the Mutual Learning approach to work together more effectively, whether in one-on-one, executive team, board, network, project team, committee, task force, or union-management team interactions.¹



Roger Schwarz is a recognized thought leader in team leadership and improving team effectiveness. An organizational psychologist and President and CEO of Roger Schwarz & Associates, he is a sought-after advisor to global companies, federal government agencies and international non-profit organizations. He is author of *Smart Leaders, Smarter Teams: How You and Your Team Get Unstuck to Get Results* (Jossey-Bass, 2013), the seminal work *The Skilled Facilitator: A Comprehensive Resource for Consultants, Facilitators, Managers, Trainers and Coaches, New and Revised Edition* (Jossey-Bass, 2002), and co-author of *The Skilled Facilitator Fieldbook* (Jossey-Bass, 2005). Through his work and writing, Roger's mission is to help create teams and organizations that are innovative, successful, and that honor the best of who we are as human beings. He accomplishes this by enabling leaders to change the way they think and how they work so that they can raise and resolve the tough issues, work with their teams to get unstuck, and get better results. You can reach Roger at info@schwarzassociates.com or 919.932.3343. Follow Roger on Twitter [@LeadSmarter](https://twitter.com/LeadSmarter).

Start with Your Mindset: Core Values and Assumptions

The behaviors described in this article are simply skills. Your ability to use the skills effectively depends on the mindset you start with. By mindset, I mean the values and assumptions you use to put the behaviors into action. Practicing the behaviors successfully requires that you have a Mutual Learning mindset, reflecting particular core values and assumptions. The core values of this Mutual Learning mindset are:

- Transparency
- Curiosity
- Informed choice
- Accountability
- Compassion

When you're **transparent**, you share all relevant information, including your thoughts, feelings, and strategies. When you're **curious**, you are genuinely interested in others' views and seek them out so that you and others can learn. When you value **informed choice**, you act in ways that maximize your own and others' abilities to make decisions based on relevant information. When you're **accountable**, you take responsibility for your actions and their short- and long-term consequences. You expect to be asked to explain your beliefs, actions, and decisions to your team and others. When you're **compassionate**, you understand others' concerns and connect and respond to others. You suspend judgment temporarily so that you can appreciate other people's situations. When you act with compassion, you infuse the other core values with your intent to understand, empathize with, and help others.

Your core values and your assumptions generate your behaviors. The assumptions of the Mutual Learning mindset are:

- I have some information; so do other people.
- Each of us may see things that others don't.

- I may be contributing to the problem.
- Differences are opportunities for learning.
- People may disagree with me and have pure motives.

With these assumptions, you're curious about what others know that you don't, you're open to exploring and learning from conflicts instead of trying to control and win them, and you're more generous in thinking about what may motivate others to act differently from you.

Many of us operate from the Mutual Learning core values and assumptions, and we practice the eight behaviors with relative ease when we work with people who share our views and with whom we have strong working relationships. Unfortunately, we often don't practice the behaviors when they are most needed—with people who hold views different from our own and with whom we want to improve our relationship. That's because when the stakes are high we often aren't transparent, curious or compassionate, and we are not making the Mutual Learning assumptions. Even if you practice the eight behaviors for smarter teams without fail, if you are doing so without the underlying Mutual Learning core values and assumptions, you are just enacting another superficial technique or method, another fad-of-the-month that won't help your team become more effective. However, when you practice the eight behaviors *with* the core values and assumptions, you apply a powerful, values-based approach for significantly increasing team effectiveness. You generate higher performance, build better relationships and create greater well-being for you and your team.

The Eight Behaviors for Smarter Teams

These are specific behaviors that improve how team members work together. They provide more guidance than relatively abstract notions such as “Treat everyone with respect” and “Be constructive.” They are also less procedural than “Put your cell phones on vibrate” and “Start meetings on time, end on time.” Below, I describe what each behavior means, how to apply it, and what results the behavior will help you achieve. By making the eight behaviors explicit, you and your team members are able to apply them consistently. To learn more about the eight behaviors and the mindset that makes them work, see *Smart Leaders, Smarter Teams: How You and Your Team Get Unstuck to Get Results* by

The **Eight Behaviors** for **Smarter Teams** are:

- 1 State views and ask genuine questions
- 2 Share all relevant information
- 3 Use specific examples and agree on what important words mean
- 4 Explain reasoning and intent
- 5 Focus on interests, not positions
- 6 Test assumptions and inferences
- 7 Jointly design next steps
- 8 Discuss undiscussable issues

Roger Schwarz (Jossey-Bass, 2013).²

ONE: State Views and Ask Genuine Questions

Stating your views and asking genuine questions means sharing your thinking, including your reasoning and intent, **and** inviting others to comment. For example, you might say, “I think it would be helpful if we initially limit the program to about 20 key customers so that we can see how it works and eliminate any problems before scaling up. What are your thoughts about starting with a small group?”

For this behavior to be effective, your questions need to be genuine. A genuine question is one that stems from curiosity; you ask so that you may learn something you don't already know. In contrast, a rhetorical or leading question is one you ask to make your point of view known without explicitly stating it. For example, the question, “Do you really think that will work?” is not a genuine question because embedded in your question is your own view that you doubt it will work. However, you can easily convert it to a genuine question by first stating your views. You might say, “I'm not seeing how this will work because . . . What are you seeing that leads you to think it will work?”

Stating your views and asking genuine questions leads to better performance. It changes a meeting from a series of unconnected monologues in which people try to persuade one another, to a focused conversation

that generates increased understanding. When you follow your statements with genuine questions, you increase the chance that the next speaker will address your questions. If each person in the team asks genuine questions, the conversation will flow more easily and people will be responding to each other. As a result, relevant information is presented, issues are addressed more thoroughly, and better decisions are made.

Stating views and asking genuine questions also leads to better working relationships. When you express your views, including explaining how you arrived at your conclusions, your information and your thinking process are transparent. This helps others understand what you think and enables them to make more informed choices. By asking genuine questions, you reveal your curiosity and learn what others are thinking. As you learn others' reasoning, you may reach agreement on an issue that you had previously disagreed about. When you don't agree, you quickly identify where your information or reasoning differ from others'. This awareness allows the team to resolve differences and generate better solutions.

Behavior 1 is especially helpful when you're concerned that expressing your views or asking questions may shut down conversation or be seen as confrontational. Suppose you are talking with your team and you are concerned that the team's plans don't respond to stakeholder needs. Rather than ease into the conversation by saying, "How do you think this new plan responds to other stakeholders' needs?" you could start by stating your view: "I'd like to talk about my concerns that the plan doesn't address some of our stakeholders' needs. Let me give you a couple of examples of what I mean and get your reactions." After sharing your view, ask a genuine question, such as, "What, if anything, do you see differently or think I've missed?" By posing this question, you increase the chance that others on the team will share different views, if they have them.

However, if you only share your view without inviting differing opinions, others will likely push only their own views as well. This creates a discussion in which participants spend their time trying to persuade each other, ultimately resulting in a stalemate or a decision with winners and losers—with losers who are not committed to following through with the decision. If you only ask questions, you don't help others

understand your reasoning and they may become suspicious. Privately, they may wonder, *Why is he asking me these questions? Where is he going in this conversation?* As a result, they may be unwilling to give you complete or accurate answers.

Stating views and asking genuine questions is the foundation on which the other seven behaviors are based, because all the other behaviors require that you state your views and ask genuine questions. What information do you share when you are expressing your views? The next four behaviors address that question.

Two: Share All Relevant Information

This is the practice of presenting all information that might affect how your team solves a problem or makes a decision. It ensures that all team members have a common pool of knowledge from which to make informed choices.

When your team members are responsible for making decisions yet learn after a decision is made that you withheld relevant information from them, they will feel deprived of having made an informed choice. As a result, they may fail to follow through on the decision, may implement the decision half-heartedly, or may even withdraw their support.

Sharing relevant information includes presenting details that don't support your preferred solution. Suppose that you're a member of a leadership team deciding how to restructure your organization and move into a new facility. You are the leader of one particular manufacturing process and want to continue in your role. Yet you also see that in the new facility, several manufacturing processes could easily be merged for greater efficiency, which could mean losing your role. In this situation, sharing all relevant information requires that you tell the team about the increased efficiency opportunities you see, even though doing so may hurt your chances of retaining your role.

In challenging situations, there is usually a significant gap between what you say and what you think and feel. The example on the following page shows how people withhold relevant information. The right column shows a conversation between Paula and Ted; the left column shows Paula's thoughts and feelings as she talks with Ted. Paula doesn't share

with Ted all the relevant thoughts and feelings she has. For example, she doesn't say that others had concerns or that she believes the directors did not get answers to some basic questions. At the end of the conversation, Paula thinks to herself, *I've got to get you to understand what you've done!* Yet by withholding her concerns, Paula contributed to Ted's lack of understanding and increased her own frustration.

The point of this example is not that Paula should share her thoughts and feelings exactly as they appear in the left column. To be effective, Paula would

Withholding Relevant Information

Paula's Thoughts and Feelings

I thought the presentation was a disaster and so did three others I spoke with.

Do you really believe it went OK, or are you just trying to put a good face on it? Nit-picky! You couldn't answer some basic cost questions.

I don't understand why you didn't emphasize why we wanted to do the project. The directors won't approve a project like this if they can't get answers to some basic questions.

I don't want to wait while this project dies on the vine. Besides, my reputation is at stake here too.

I hope the directors don't think I'm responsible for your not having the answers to those questions. Why didn't you use the information I gave you? I've got to get you to understand what you've done!

The Conversation

Paula: How do you think your presentation to the directors went yesterday?

Ted: I think it went OK, although there were some rough spots. Some of the directors can really get nit-picky.

Paula: We've got some really important reasons for doing it. Do you think they will OK the project now, or do we need to give them more answers?

Ted: I think we're in OK shape. A couple of them came up to me after the meeting and said they appreciated the presentation. I think we should just wait and see.

Paula: Maybe, but I think we might want to give the members some more information.

need to shift her core values so that she is more transparent, more curious, and more accountable. Then she could share the relevant information she has (and also apply the other behaviors). She might begin by saying, "Ted, I am really concerned about the presentation you did yesterday. I'd like to give you some specific examples about what concerned me and get your reactions. How does that sound?"

THREE: Use Specific Examples and Agree on What Important Words Mean

When you state your views, it's essential to use specific examples and agree on what important words mean. When you give specific examples, you name people, places, things, events, and report what people said and did. This enables others to independently determine whether they agree with your information and reasoning.

For example, if you make the general statement, "I think some of us aren't following through on our project commitments," other team members don't have enough information to determine whether they agree with you. You haven't stated who "some of us" are or described what behaviors you have seen that led you to believe that others aren't "following through." As a result, the people you are referring to may incorrectly infer that you are not talking about them, and the people you *are not* talking about may incorrectly infer that you are talking about them and as a result feel resentful or unfairly judged.

In contrast, if you say, "Jay and Lily, I didn't receive your sections of the project report. Did you complete and email them to everyone on the team?" Jay and Lily can report whether they completed their assignment. If Jay and Lily agree that they did not complete the project report, then they and the team can talk about what led this to happen, its impact on the team, and what people will do differently in the future.

You may be concerned that by identifying specific people on the team, they or others may feel that you're putting them on the spot. This is another example of how the eight behaviors involve changing how you think. Instead of thinking that when you identify people you are putting them on the spot, you could view this step as being transparent,

accountable, curious, and compassionate—that is, reflecting Mutual Learning core values. With this new mindset you give people an opportunity to address your concerns, including whether they view the situation the same way as you do.

Using specific examples also helps you agree on what important words mean. Often, team members can use the same word in different ways and still assume that they agree when they really don't, or vice versa. For example, suppose your team agrees to treat each member with respect, which initially seems pretty straightforward and helpful. Now consider the following situation: You are in a meeting with several team members and people from other parts of your organization. During the meeting, Alan doesn't say much. Afterwards, he comes to you and says, "Out of respect, I didn't want to say anything to you in front of the other divisions, but I don't think your proposal will work." You respond, "I think it would have been more respectful to tell me in the meeting that my proposal had problems. Now, if you're right, I may have to call another meeting and take more of my own time and the team's time. To me, one sign of respect is that you're willing to tell me when you see a problem and assume I am more interested in serving the organization well than in trying to look good. How are you thinking about respect in this situation?"

One way to determine whether all team members are using a word or phrase to mean the same thing is to state your view and ask a genuine question (Behavior 1). You can say, "You used the word respect. If we are in situation X, and I'm acting with *respect* toward you, I would do Y. Does your definition of respect differ from mine, and if it does, how so?"

FOUR: Explain Reasoning and Intent

Think about the last time your formal leader's boss asked you to come to his or her office and didn't explain why. You probably wondered what the meeting was about and then thought up some possible explanations for why he or she wanted to talk with you. As human beings, we are hardwired to seek meaning in events. If people don't tell us what they are thinking, we make up our own stories, and

often those stories are wrong.

Explaining your reasoning and intent is another part of effectively stating your view. When you share your reasoning and intent, you reduce the chance that others will make up stories about why you are doing what you're doing. Let's assume that your team works relatively well together, but you think they can do even better. If you say to your team, "I'd like to introduce a set of behaviors that I think will make us more effective," team members may quickly start to think that you are dissatisfied with the team's performance or that they are dysfunctional. You reduce the chance of misinterpretation if you also say, "I want to be clear about why I'm suggesting this. I don't think we're dysfunctional. I think we perform well and that we can be more efficient and generate even better ideas with more support. I'm happy to give you examples of what I mean."

Reasoning and intent are similar but different. Your intent is your purpose for doing something. Your reasoning is the logical process you use to reach conclusions based on information, values, and assumptions. For example, your intent may be to get commitment to a decision. Your reasoning may be that you value different views and you know people have different opinions on this topic; you assume that if everyone participates, the decision will be better and people will be more committed to it.

When you share your reasoning and intent, you make your private thoughts public. This helps people understand what led you to make the comments you made, ask the questions you asked, or take the actions you took. When you share your reasoning and intent, others can ask you questions and explain how their views differ from yours. And you can do the same with them. This is exactly the conversation that teams must have in order to understand members' differing views and to move forward as one.

If you are trying to control the conversation so that your point of view will triumph, then fully explaining your reasoning will be risky: others might identify flaws in your reasoning, thus reducing the chance that you will prevail. But if you genuinely want to learn, explaining your reasoning and intent provides opportunities to learn where others have different views and where you may have missed something that others see.

FIVE: Focus on Interests, Not Positions

Chances are you have been in a team meeting where people try unsuccessfully to get buy-in to their solutions. The first person shares his solution and people tell him why it won't work. Then the second person speaks and her idea is shot down. When it's your turn, the same thing happens. The team either reaches an impasse, agrees on a compromise that pleases no one, or the formal leader takes the decision away from the team.

Why does this happen?

First, people are natural problem-solvers. Give team members a problem, and they will quickly generate solutions for it. Often they come to a meeting with solutions already in hand, or they quickly propose them.

Second, when people have strong feelings about the topic, they often think of the meeting as a contest where their view—which they see as the correct one—should prevail. That leads them to try to convince others that their solution is the right one. But that doesn't explain why one person's solution is often unacceptable to others on the team.

To understand this, we need to understand how we arrive at our preferred solutions. Basically, we generate a solution that meets *our* needs, because those are the needs we know about. When our solutions don't take into account other stakeholders' needs, the other stakeholders reject the solutions.

Positions are like solutions that people identify to address an issue. Interests are the underlying needs that people use to generate their solutions or positions.³ To illustrate with a very simple example, if you and I are sitting in a conference room, and I want the window open and you want it closed, those are our positions.⁴ If I asked you, "What leads you to want the window closed?" you might say that the wind is blowing your papers around and you want the papers together. If you asked what leads me to want the window open, I might say that I'm warm and I want to be cooler. These are our interests. My solution to open the window and your solution to shut it are simply ways for each of us to meet our interests. The problem here is that the window can't be open and closed at the same time. But if we focus on our interests, we can find a solution that meets both of our interests.

The difficulty with solving problems by focusing first on positions is that people's positions are often in conflict, even when their underlying interests are compatible. This happens because people tend to offer positions that meet their own interests but do not take into account other people's interests. In the conference room example, you would probably reject my solution, and I would probably reject yours, because neither solution meets the other's interests. Often leaders unknowingly encourage team members to focus on positions when they say to their team members, "Don't come to the team with a problem unless you have a solution." It's presumptuous to expect that a solution will work for others until their interests are known.

If instead we focus on interests, we could identify them and then ask the question, "How can we solve this problem in a way that meets these interests?" With a little thought and creativity, we might decide to open the top part of the window so that your papers were not being blown by the wind and I still got the benefit of cool air. Or we could switch places so that I was closer to the open window and you were away from it. When we focus on interests, we are being transparent by explaining the reasoning and intent underlying our preferences, and we are being curious by learning about others' interests.

These are the key steps for focusing on interests:

1. **Identify interests.** Ask team members to complete this or a similar sentence as many times as possible: "No matter what the specifics of the solution are, we need to do this in a way that . . ." If people keep identifying positions, ask them, "What is it about your solution that's important to you?" This helps identify their underlying interests.
2. **Clarify and agree on interests.** Make sure each team member understands what an expressed interest means (apply Behavior 3, "Agree on what important words mean") and that they consider it an interest that should be taken into account in the solution. This doesn't mean that the interest is one that each team member shares; it means only that they consider it relevant.
3. **Generate potential solutions that meet the interests.** If you can't find a solution that meets all the interests the team members have decided

should be taken into account, consider whether the proposed solutions have a common unnecessary assumption embedded in them. For example, if the proposed solutions assume that the work has to be performed in-house, try relaxing that assumption and see if the team can generate other solutions that will meet all the interests. If this does not help, then the team can prioritize or weight the different interests to find a solution that addresses the most important interests.

4. **Select a solution and implement it.** Using this approach does not guarantee that the team will reach a decision that meets all of everyone's interests. It does, however, increase the chance that you will find a solution that everyone can support.

SIX: Test Assumptions and Inferences

Remember I said that we are all hardwired to seek meaning in events? That includes you. For example, if your boss says, "You're doing a great job, but the project has been slowing your team down. I'm going to give the new project to Brenda's team," your mind immediately jumps into action. You may wonder, *What does he really mean when he says that? Why is he saying that?* Then you attempt to answer your own questions by telling yourself a story. You might tell yourself your boss is concerned about your team's performance and isn't telling you the truth. Or you may think he is afraid to confront Brenda with the fact that she keeps generating inaccurate cost projections that slow down the project. You're probably not even aware you're asking and answering these questions in your mind. However, your response to the situation will be based on the story you tell yourself. If this story is a negative one, you will likely respond in a negative way. For example, you might react defensively the next time your boss asks you about your team's performance.

When you draw a conclusion about things you don't know based on things you do know, you are making an inference. When you simply take something for granted, without any information, you are making an assumption. We naturally make inferences and assumptions all the time. You have to make inferences to get through the day. Also, you

can't test out every inference you make; if you did, you would drive people crazy and you wouldn't get anything accomplished. Still, the problem is that when you make inferences, you don't know whether your inferences are correct. And if you act on your inferences as if they were true when they are false, then you create problems for yourself and others. The only way you can determine if your inference is accurate is to test it with the person about whom you have made the inference. That's what this behavior encourages you to do.

To test your inference, you first need to be aware that you're making one. Then identify what the other person(s) said or did that led you to make your inference. Now you're ready to test it. "I think you said that you were going to give the project to Brenda's team instead of my team. Did I understand you correctly?" If your boss says yes, you continue, "I'm thinking that you're concerned about my team's ability to succeed with the project. Am I mistaken?"

When you apply this "test assumptions and interests" behavior, you practice transparency and accountability with your thinking and reveal a curiosity about what others think. Demonstrating the Mutual Learning core values of transparency, accountability, and curiosity can encourage others to do the same.

SEVEN: Jointly Design Next Steps

When you jointly design next steps, you make decisions about what to do next by involving others rather than deciding unilaterally. Joint design is yet another way to be transparent, curious, and enable others to make informed choices. Applying this behavior increases the likelihood that people will be committed to the next steps of your project. In practice, it involves applying the first behavior, "State views and ask genuine questions," to specific situations. Decide with others what topics to discuss, when and how to discuss them, and when to switch topics, as well as how to resolve certain kinds of disagreements.

Want to know what it feels like when you're not involved in jointly designing next steps? Think about a meeting you attended where the outcome was really important to you, yet the person calling the meeting

set the agenda, decided who talked and for how long, and determined what information attendees could share and what information was not relevant. If your views differed from that person's views, you probably quickly realized that you wouldn't influence the outcome because you couldn't influence the process. You probably felt that decisions weren't as good as they could have been because everyone didn't get to share their relevant information. As a result, you and others felt little commitment to follow through with the decisions. Now that you remember your own experience, imagine how others react when you unilaterally control a meeting or conversation.

Jointly designing a series of next steps can create much more effective meetings. For example, when developing the agenda for a meeting, write a draft of the agenda, explain your reasoning for the topics you included, and then ask others if they want to add items relevant to the purpose of the meeting. Then at the beginning of the meeting ask, "What changes, if any, do you think we need to make to the agenda?" This ensures that participants believe that the meeting will cover all the relevant topics.

In the meeting, when deciding how to discuss a particular agenda item, you might say, "For this next item, I suggest we first agree on the problem, then identify criteria for solving it, and then generate possible solutions before evaluating them. Does anyone have any questions or concerns about doing it this way?"

Before moving to the next agenda item, you might check in with your team members to make sure that everyone else is ready to go forward. Instead of simply announcing the next topic, you might say, "I think we're ready to move to the next item. Is there anything else on this item before we move on?"

If, during the meeting, you think that Roy is off track in the conversation, rather than unilaterally controlling the conversation by stating, "Let's get back on track" or "That's not what we're talking about today," try being more curious with Roy. Consider saying something like, "I don't see how your point about outsourcing is related to the topic of accomplishing this initiative. Am I missing something? Can you help me understand how you see them related?"

When Roy responds, you and other team members might learn about a connection between the two topics that you had not previously seen. For example, Roy might say that outsourcing will free up internal resources so that the team can accomplish the initiative in less time. If there is a connection, the team can decide whether it makes more sense to explore Roy's idea now or later. If it turns out that Roy's comment is not related, you can ask him to place it on a future agenda.

When the interaction is jointly designed, people have a larger common pool of information that can help them make better decisions, and they are more likely to commit to any decision made. The same holds true when you disagree with others.

Usually, when team members find themselves disagreeing, each member tries to convince the others that his or her own position is correct. The disagreement escalates as each person offers evidence to support his or her position and no one offers information that might weaken his or her own position. In the end, the "losers" still believe they are right.

Consider a situation in which you and your team members disagree about whether proposed changes to your customer service will lead to increased or decreased costs. Together, you and the team could develop a test to figure out how the proposed changes could potentially increase or decrease costs and by how much. Jointly designing the test includes agreeing on what data to collect and what process to use in collecting the data. Team members would decide together who to speak with, what questions to ask, what sources to use, and what statistical data to consider relevant. Whatever test method you use, it is critical that the team members involved agree to it and agree about how to use the information gathered.

As with all the other behaviors for smarter teams, to practice this seventh behavior effectively, you need to change your mindset. You need to shift from thinking that you are right and those who disagree are wrong, and instead assume that each of you may be missing something that the other sees. By jointly designing how you resolve disagreements, your team members make more informed choices, and they are more likely to commit to the outcome because they helped design the test and agreed to abide by its results.

This seventh behavior doesn't mean that teams must make decisions by consensus, or use any other particular decision-making rule. Leaders and teams can practice jointly designing next steps—and all the other behaviors—using a range of decision-making rules.

EIGHT: Discuss Undiscussable Issues

Think about the last time you were walking to a meeting while complaining to a fellow team member about how the meeting was going to be a waste of time. You might have complained that one team member is never prepared, or that one member dominates the conversation, or that everyone in the meeting acts as if they will meet the project deadline, when privately everyone knows they won't. In the meeting, the situation unfolded just as you predicted, but no one said anything about the problem, including you. Walking back to your office with your teammate, you may have again expressed frustration that the meeting wasn't a good use of time.

Is this a recent memory for you? If so, you're facing an undiscussable issue. Undiscussable issues are topics relevant to the team's work that team members don't address *in the team*, the one place where they can be resolved. Instead, undiscussable issues are usually discussed in other places, such as one-on-one with people you trust and who agree with you.

People usually don't raise undiscussable issues in the team because they're concerned that doing so will make some team members feel embarrassed or defensive. They try to save face for these team members as well as for themselves. In short, they see raising undiscussable issues as not being very compassionate. Another reason people don't like to raise undiscussable issues in the team is that they think it will generate conflict, and they don't like conflict.

Unfortunately, many people overestimate the risk of raising an undiscussable issue and underestimate the risk of not raising it. Specifically, they overlook the negative systemic—and often cruel—consequences they create by not raising undiscussable issues in the team.

Consider three team members—Heather, Carlos, and Stan—who are concerned about how the poor

performance of two other team members—Lynn and Jim—affects the ability of the rest of the team to excel. If Heather, Carlos, and Stan don't raise this issue directly with Lynn and Jim, they will likely continue to talk about Lynn and Jim behind their backs. Lynn and Jim won't know what the others' concerns are, and so will be unable to make an informed choice about whether to change their behavior. Because Lynn's and Jim's behavior remains unchanged, Heather, Carlos, and Stan will continue to privately complain about them while simultaneously withholding the very information that could change the situation. Heather, Carlos, and Stan will probably be unaware that they, too, may be contributing to the problem by not telling Jim and Lynn their concerns. They will also miss the opportunity to learn whether there are valid reasons Jim and Lynn behave as they do. Over time, the team's working relationships and its performance are likely to suffer. Avoiding the issue is clearly not compassionate behavior.

Why is it important for Heather, Carlos and Stan to raise the issue in the team? Why isn't it enough just to talk with Lynn alone? Or Jim alone? Because if you only raise the issue one-on-one with Lynn (or Jim), you unilaterally assume that your view about her behavior is accurate and that all the team members want Lynn's behavior to change, too. If you and Lynn arrive at a solution, and Lynn changes her behavior, other members will wonder what has happened, and you will have created another undiscussable issue on top of the original one. However, if you raise the issue in the team, you may find that your assumptions were in error; other team members may not see fault with Lynn. Instead they may believe her behavior results, in part, from other team members not following through on their tasks.

While undiscussable issues that involve the team need to be addressed in the team, you can start one-on-one. You might approach Lynn, saying that you have concerns about how her work is affecting you and the team in general. You can do the same with Jim. You can state with each of them that you didn't want to raise this issue initially in the team because you didn't want them to feel defensive. Instead, you want to jointly develop with them a way to raise the issue in the team that meets their needs and yours.

Although discussing undiscussable issues is emotionally more difficult to practice than the other eight behaviors, mechanically speaking there is nothing new in this behavior. To discuss undiscussable issues, you use all the previous behaviors. You state your views and ask genuine questions, share relevant information and give specific examples, test assumptions and inferences, jointly design next steps, and so on. Perhaps the most important element of discussing undiscussable issues is to approach them with the Mutual Learning core value of compassion and avoid making premature negative judgments about how others acted or why they acted that way.

Putting the Eight Behaviors into Use

Putting these eight behaviors into regular practice is often harder than it sounds. Because most people consider these behaviors just common sense, they mistakenly assume they should be easy. They are common sense, but they are not common practice—particularly when a challenge occurs, when you and your team are facing an important issue and have different views on the matter. That's why making the eight behaviors for smarter teams common practice requires a Mutual Learning mindset.

You can practice these eight behaviors, even if other people do not, in team and one-on-one interactions. Yet the impact on your team's results is most powerful when everyone understands the Mutual Learning mindset and the eight behaviors, agrees on their meanings, and commits to them.

When you introduce the eight behaviors for smarter teams to others, it is important that you do so in a manner consistent with the Mutual Learning core values. Explain how you believe the eight behaviors can help the team be more effective. Give specific examples of times when you and others might have applied one of the behaviors to reach a better decision. Invite others to share their views, including questions and concerns they have about the behaviors. Above all, people need to make an informed choice about adopting the eight behaviors.

People often ask me whether they can use a subset of the eight behaviors for smarter teams and still get the same results. Each of the eight behaviors helps the team in a different way, and together they support each other; omitting one of the behaviors reduces your ability to use the power of the set. Still, it is more effective to use some of the behaviors than none.

If you decide to use these behaviors for smarter teams, don't assume your team members will continue to respond to you in the same way that they always have. Behavior is interactive and systemic; if you have acted in ways that are inconsistent with these eight behaviors, you may have contributed to others reacting ineffectively and attributed their ineffective behavior solely to them, without recognizing that you also played a part. If this has happened, your information about the team is flawed. For example, if you think that team members are defensive, you may have unwittingly acted in ways that contributed to their defensiveness—perhaps by making assumptions about them without testing the assumptions, or by stating your views without asking genuine questions.

If you and your team use these eight behaviors together, you'll make better decisions, you'll increase team members' commitment to implementing those decisions, you'll get better performance faster, working relationships will improve and team member well-being will increase.

Examples of the **Eight Behaviors** for **Smarter Teams**

Eight Behaviors	Example
1 <i>State views and ask genuine questions</i>	“I think we should start the project with a small number of key customers so that we can identify the problems and fix them before we scale up the program. What concerns, if any, do you have with starting small?”
2 <i>Share all relevant information</i>	“Although I think we should delay the project until January because it will balance our workload, Maureen says that our costs will increase by 4 percent if we wait.”
3 <i>Use specific examples and agree on what important words mean</i>	<p>“Let me give you an example of what I mean by taking initiative. Yesterday in the team meeting, when I asked if the project figures had been updated since last week, you said no. I think if you had taken initiative, you would be updating them regularly without my asking.”</p> <p>“When I say consensus, I mean that everyone on this team can say they will support and implement the decision, given their roles and responsibilities.”</p>
4 <i>Explain reasoning and intent</i>	<p>“The reason I am asking is . . .”</p> <p>“Here’s how I reached my decision: . . .”</p> <p>“Here’s what led me to do this: . . .”</p>
5 <i>Focus on interests, not positions</i>	<p>To identify interests: “No matter what the specifics of the solution are, the solution needs to be one that . . .”</p> <p>To craft a solution: “Given the interests we’ve agreed on, what are some potential solutions that meet these interests?”</p> <p>When someone is focused on a position: “What is it about that solution that’s important to you? I’m asking because if we can identify this, we can help meet your needs.”</p>
6 <i>Test assumptions and inferences</i>	“I think you said that you were taking away the project from my team. Did I understand you correctly?” [If the answer is yes, continue] “I’m thinking that you’re concerned about my team’s performance on this. Am I mistaken?”
7 <i>Jointly design next steps</i>	<p>To jointly design the purpose of a meeting: “My understanding is that the purpose of this meeting is to agree on criteria for selection, but not to select candidates. Does anyone have a different understanding of the purpose?”</p> <p>To jointly design the process: “For this next item, I suggest we first agree on the problem, then identify criteria for solving it, and then generate possible solutions before evaluating them. Does anyone have any questions or concerns about doing it this way?”</p> <p>To move to the next agenda item: “I think we’re ready to move to the next item. Is anyone not ready to move on?”</p> <p>When you think someone is off the topic: “I don’t see how your point about outsourcing is related to the topic of our planning process. Can you help me understand how you think they are related? Or if it isn’t related, can we decide whether and when to address outsourcing?”</p>
8 <i>Discuss undiscussable issues</i>	“I want to raise what might be a difficult issue and get your reactions. I’m not trying to put anyone on the spot, but instead trying for us to work better as a team. Here is what I’ve seen and what I think the issue is. [State your relevant information]. How do others see this?”

Endnotes

1. The Mutual Learning approach draws from Chris Argyris and Don Schön's Model II work, as well as the work of Bob Putnam, Diana Smith and Phil McArthur at Action Design, who originally used the term Mutual Learning in this context.
2. I have also discussed these behaviors in my book *The Skilled Facilitator: A Comprehensive Resource for Consultants, Facilitators, Managers, Trainers and Coaches* (Jossey-Bass, 2002). In general these behaviors, which I previously referred to as Ground Rules for Effective Teams, build on the work of Chris Argyris and Don Schön
3. This behavior is from Roger Fisher, William Ury, and Bruce Patton's book *Getting to Yes* (Penguin, 1991). The idea was developed originally by Mary Parker Follett in the early 1900s.
4. I have adapted this story from one that originally appeared in Mary Parker Follett's 1925 paper "Constructive Conflict" and was published in *Dynamic Administration: The Collected Papers of Mary Parker Follett*, edited by Henry C. Metcalf and L. Urwick (HarperCollins, 1941). The story also appears in Fisher, Ury, and Patton's book *Getting To Yes*.

FY 2019 QUARTER 1 & 2 REVENUE AND EXPENDITURE ANALYSIS

The purpose of this analysis is to discuss the status of revenues and expenditures for the period July 1, 2018 – December 31, 2018. In some cases, such as personnel, 50% is a good baseline to determine if the Town is on track with the amounts budgeted. However, other items such as property taxes, stormwater fees, capital expenditures are seasonal or are not recurring. These items will be discussed below.

GENERAL FUND REVENUES:

Property Taxes

- Property tax collections are slightly lower than the prior year. However, as a result of tax law changes in 2018 (\$10,000 cap on deductible taxes – state, local and real), there was a rush to pre-pay property taxes before December 31st. In addition, it is too early to determine what this means for the year as a whole as this could just relate to the timing of taxpayer payment.

Other Taxes (Occupancy Tax)

- Represents five months of occupancy tax receipts due to timing of collections

Licenses & Permits

- Inspection revenues vary throughout the year based on the number and size of projects that are in progress at the time. Results through December 31, 2018 are consistent with the prior year revenues.

Intergovernmental Revenues

- Second quarter to-date numbers represent three months of sales tax collections and one quarter utility franchise tax (December). The total received to date represents entire Powell Bill allocation and two quarters county recreation and library support.

Charges for Services

- Planning revenues vary throughout the year based on the number and size of projects that are in progress at the time. FY 18 1st & 2nd quarter revenues are slightly compared to FY 17 1st & 2nd quarter revenues.
- The majority of revenues received to-date represent garbage collection revenues and parks and recreation revenues.

Miscellaneous

- FY 2018 revenues include \$210,000 from the sale of a fire truck.

GENERAL FUND EXPENSES:OVERALL

- The Town continues to maintain a consistent turnover rate of employees which leads to personnel savings.

Manager

- Personnel expenditures are high as a result of the previous Town Manager's payout at the time of his retirement.

HRD

- FY 2019 operating expenditures are higher than the prior year because UNC had yet to invoice the Town for clinic services for the period July – December 2017.

Police

- Operating expenditures are down from prior year as a result of many administrative expenditures not being of a recurring nature.

Non-Departmental

- In the prior year, personnel appears to be overbudget as a result of budgeting a negative \$1.25 million for lapsed salaries.
- FY 2018 operating included the \$630,000 OPEB contribution which was made in November 2017. The FY 2019 contribution was not made until January 2019 (Quarter 3)
- Transfers are not made until the end of the fiscal year.

PARKING FUND:

- Parking lot & meter revenues are slightly up compared to last year.
- Parking fines are down which could be a reflection of the new meters and ease of payment options.
- Miscellaneous revenues represent the sale of the old parking meters.
- Capital expenditures represent the final payment for the new parking meters.

HOUSING FUND:

- HUD grant allocation was slightly lower in FY 19 compared to prior year.
- Miscellaneous revenues represent the sale of two vehicles.

STORMWATER FUND:

- December stormwater revenues not received from Orange County until January 2019.
- Interest revenue is up as a result of bond proceeds from the sale of the 2018 bonds.
- Operating expenses are low due to projects pending completion.

TRANSIT FUND:

- Intergovernmental revenues are higher in the current year as a result of their annual federal allocation being received in the current year.
- Charges for services are low in the current year as UNC has only paid for 2 out of 6 months of their contract. We are following up with UNC to get this resolved.
- Capital appears to be negative because of a refund received from the overpayment on invoice.



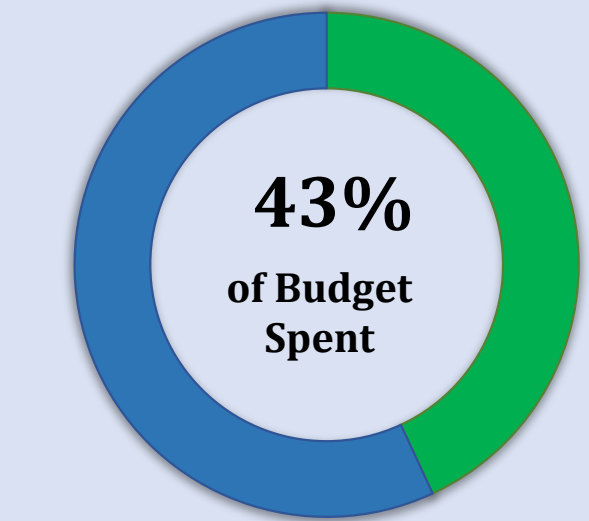
FY19 Q2 Budget-Actual Report | General Fund

General Fund, Budget-Actual

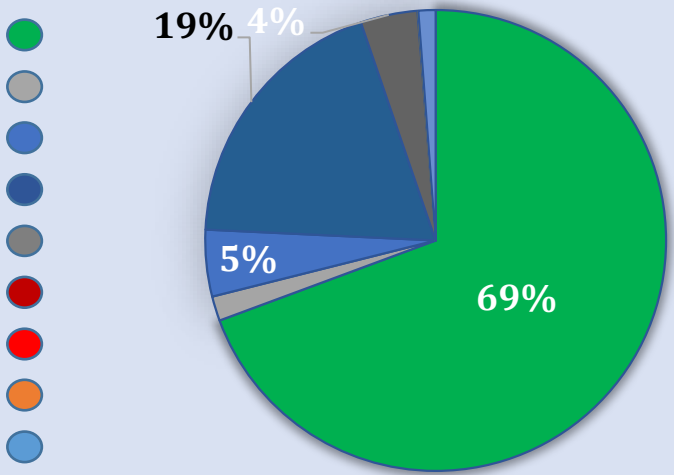
	FY19 Original Budget	FY19 Revised Budget	FY19 YTD Actuals
Revenues	\$ 66,357,000	\$ 67,797,650	\$ 35,109,700
Expenses	66,357,000	67,797,650	29,213,461
Revenues Over Expenses	\$ -	\$ -	\$ 5,896,239

Revenues

	FY19 Original Budget	FY19 Revised Budget	FY19 YTD Actuals	FY19 Q2 Percentage Collected	PFY Q2 Percentage Collected
Property Taxes	\$ 31,771,000	\$ 31,771,000	\$ 24,350,015	77%	80%
Other Taxes	1,357,500	1,357,500	606,924	45%	44%
Licenses and Permits	2,533,890	2,533,890	1,640,040	65%	64%
Intergovernmental Revenues	22,355,316	22,365,316	6,665,453	30%	26%
Charges for Service	4,748,808	4,748,808	1,403,658	30%	28%
Interest	50,000	50,000	21,453	43%	18%
Fund Balance Appropriation	3,096,886	4,474,633	-	0%	0%
Transfer	45,000	45,000	-	0%	0%
Miscellaneous	398,600	451,503	422,158	94%	50%
TOTAL	\$ 66,357,000	\$ 67,797,650	\$ 35,109,700	55%	54%



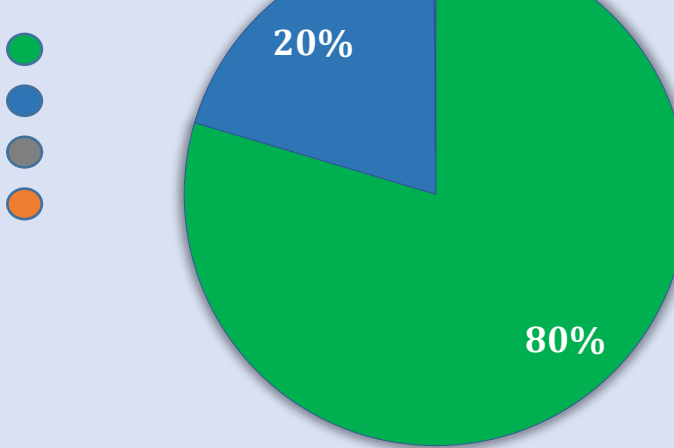
FY19 Revenue Actuals by Type



Expenses

	FY19 Original Budget	FY19 Revised Budget	FY19 YTD Actuals	FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$ 48,981,421	\$ 48,919,418	\$ 23,253,511	48%	50%
Operating	16,046,314	17,559,467	5,924,823	34%	41%
Capital	557,714	547,214	35,127	6%	49%
Transfer	771,551	771,551	-	0%	0%
TOTAL	\$ 66,357,000	\$ 67,797,650	\$ 29,213,461	43%	47%

FY19 Expense Actuals by Type





FY19 Q2 Budget-Actual Report | General Fund Expenses by Department

General Government

Mayor	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	83,794	\$	83,794	\$	41,136	49%	48%
Operating		25,556		25,806		5,178	20%	24%
Capital		-		-		-	-	-
TOTAL	\$	109,350	\$	109,600	\$	46,313	42%	43%
Council	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	187,440	\$	187,440	\$	92,181	49%	51%
Operating		130,178		130,178		95,669	73%	49%
Capital		-		-		-	-	-
TOTAL	\$	317,618	\$	317,618	\$	187,850	59%	50%
Manager	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	1,552,043	\$	1,552,043	\$	1,049,188	68%	49%
Operating		210,084		220,184		52,068	24%	30%
Capital		-		-		-	-	-
TOTAL	\$	1,762,127	\$	1,772,227	\$	1,101,256	62%	46%
Communications & Public Affairs	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	681,837	\$	681,937	\$	323,765	47%	48%
Operating		188,368		215,806		67,091	31%	39%
Capital	-	-	-	-	-	-	-	-
TOTAL	\$	870,205	\$	897,743	\$	390,856	44%	46%
Human Resource Development	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	990,551	\$	992,088	\$	451,048	45%	42%
Operating		778,402		989,264		352,150	36%	17%
Capital		-		-		-	-	-
TOTAL	\$	1,768,953	\$	1,981,352	\$	803,198	41%	29%
Business Management	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	1,698,450	\$	1,698,450	\$	772,924	46%	49%
Operating		556,499		556,499		218,067	39%	36%
Capital		-		-		-	-	-
TOTAL	\$	2,254,949	\$	2,254,949	\$	990,991	44%	45%
Technology Solutions	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	1,750,969	\$	1,750,969	\$	843,408	48%	43%
Operating		532,889		600,152		255,629	43%	59%
Capital		50,000		50,000		-	0%	41%
TOTAL	\$	2,333,858	\$	2,401,121	\$	1,099,037	46%	47%



FY19 Q2 Budget-Actual Report | General Fund Expenses by Department

General Government, continued

Town Attorney	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	339,877	\$	339,877	\$	179,759	53%	49%
Operating		11,502		11,502		3,684	32%	25%
Capital		-		-		-	-	-
TOTAL	\$	351,379	\$	351,379	\$	183,443	52%	48%

Non-Departmental	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	2,120,000	\$	2,120,000	\$	771,286	36%	178%
Operating		2,603,192		3,043,598		651,199	21%	26%
Transfer		771,551		771,551		-	0%	0%
TOTAL	\$	5,494,743	\$	5,935,149	\$	1,422,485	24%	49%

Environment & Development

Planning & Development Services	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	1,667,066	\$	1,673,101	\$	709,718	42%	47%
Operating		448,411		759,415		152,937	20%	31%
Capital		-		-		-	-	-
TOTAL	\$	2,115,477	\$	2,432,516	\$	862,655	35%	42%

Public Works	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	7,235,240	\$	7,202,740	\$	3,564,180	49%	48%
Operating		5,045,396		5,342,441		1,788,400	33%	49%
Capital		497,214		497,214		34,895	7%	82%
TOTAL	\$	12,777,850	\$	13,042,395	\$	5,387,475	41%	49%

Housing & Community	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	749,608	\$	759,608	\$	353,275	47%	51%
Operating		83,940		83,940		11,792	14%	11%
Capital	-	-	-	-	-	-	-	-
TOTAL	\$	833,548	\$	843,548	\$	365,067	43%	46%

Public Safety

Community Safety	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	13,462,290	\$	13,448,790	\$	6,113,795	45%	46%
Operating		1,743,787		1,777,757		596,182	34%	51%
Capital		-		-		-	-	-
TOTAL	\$	15,206,077	\$	15,226,547	\$	6,709,977	44%	46%

Fire	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	8,306,586	\$	8,306,586	\$	4,077,822	49%	49%
Operating		1,076,531		1,105,755		457,447	41%	37%
Capital		10,500		-		-	-	0%
TOTAL	\$	9,393,617	\$	9,412,341	\$	4,535,269	48%	48%



FY19 Q2 Budget-Actual Report | General Fund Expenses by Department

Leisure Activities

Parks & Recreation	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals	FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	5,507,882	\$	5,298,898	\$ 2,599,784	49%	50%
Operating		1,857,209		1,804,218	733,517	41%	41%
Capital		-		-	232		-
TOTAL	\$	7,365,091	\$	7,103,116	\$ 3,333,534	47%	48%

Library / Arts & Culture	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals	FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	2,647,788	\$	2,823,097	\$ 1,310,244	46%	50%
Operating		754,370		892,952	483,814	54%	60%
Capital		-		-	-	-	-
TOTAL	\$	3,402,158	\$	3,716,049	\$ 1,794,057	48%	52%

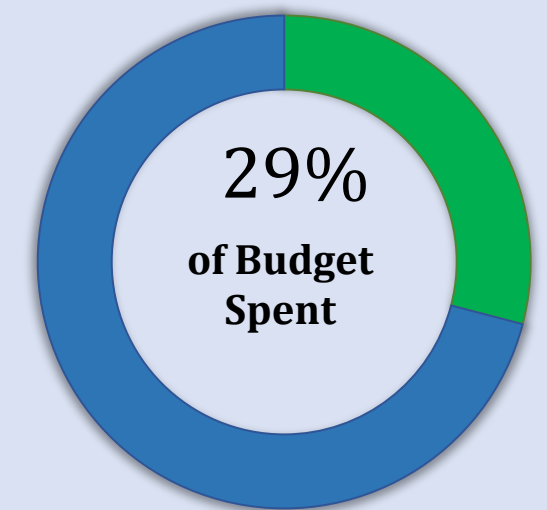
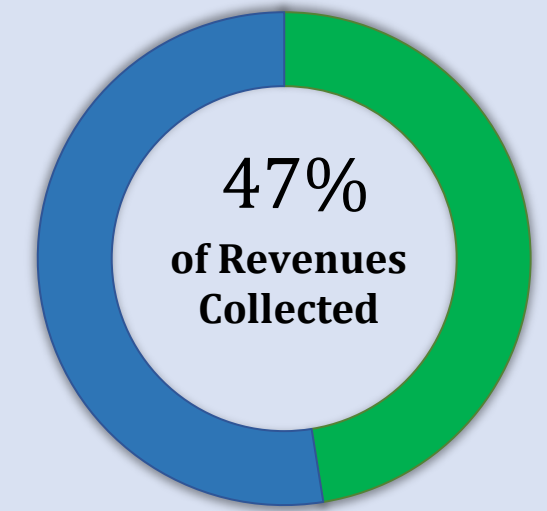


FY19 Q2 Budget-Actual Report | Enterprise Funds

Parking Services

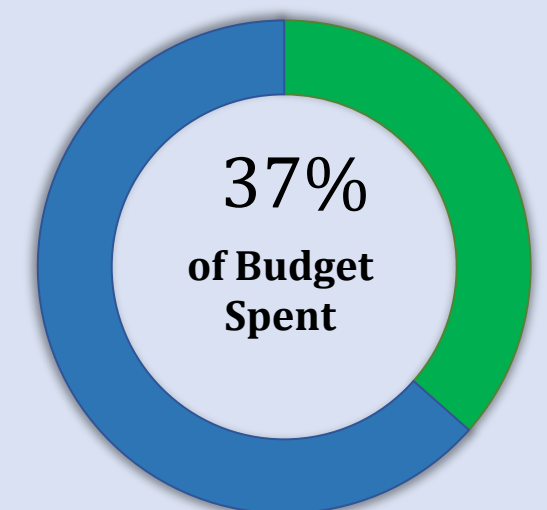
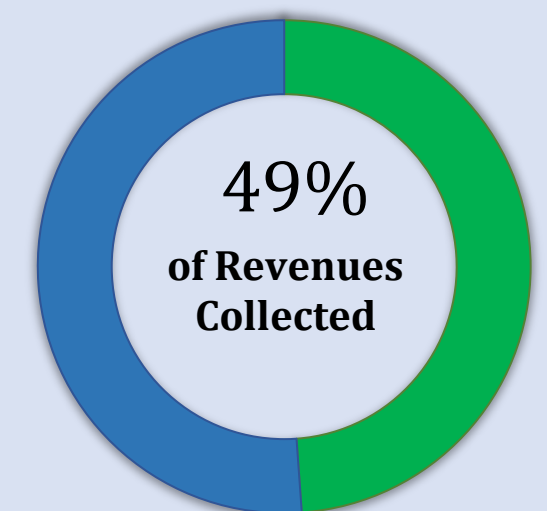
Revenues	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals	FY19 Q2 Percentage Collected	PFY Q2 Percentage Collected	
Licenses and Permits	\$	310,300	\$	310,300	\$	128,307	41%	53%
Charges for Service		2,367,190		2,367,190		1,139,385	48%	45%
Interest		1,750		1,750		91	5%	6%
Fund Balance Appropriation		-		463,409		-	0%	0%
Transfer		24,590		24,590		-	0%	0%
Miscellaneous		3,000		3,000		16,944	565%	4%
TOTAL	\$	2,706,830	\$	3,170,239	\$	1,284,727	47%	37%

Expenses	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals	FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent	
Personnel	\$	837,667	\$	837,667	\$	393,180	47%	47%
Operating		921,642		1,280,007		451,751	35%	36%
Capital		8,300		113,344		76,384	67%	0%
Transfer		939,221		939,221		-	0%	0%
TOTAL	\$	2,706,830	\$	3,170,239	\$	921,315	29%	22%



Public Housing

Revenues	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals	FY19 Q2 Percentage Collected	PFY Q2 Percentage Collected	
Intergovernmental Revenues	\$	1,072,644	\$	1,072,644	\$	480,146	45%	51%
Charges for Service		903,642		903,642		480,517	53%	53%
Interest		1,394		1,394		842	60%	36%
Fund Balance Appropriation		226,492		231,022		-	0%	0%
Miscellaneous		200		200		4,945	2473%	1029%
TOTAL	\$	2,204,372	\$	2,208,902	\$	966,450	49%	52%
Expenses	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals	FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent	
Personnel	\$	1,261,497	\$	1,261,497	\$	473,713	38%	41%
Operating		942,875		947,405		332,773	35%	36%
Capital		-		-		-	0%	0%
TOTAL	\$	2,204,372	\$	2,208,902	\$	806,486	37%	39%

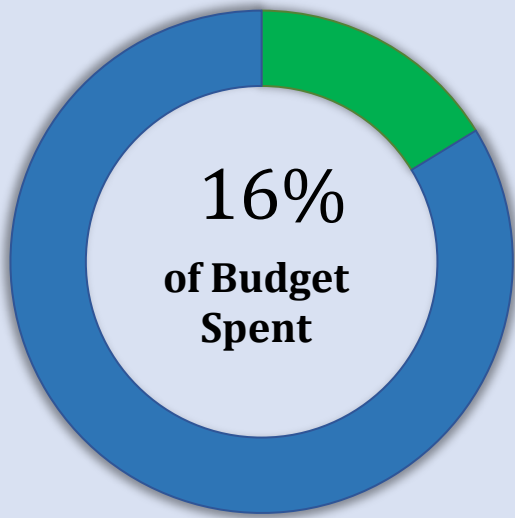
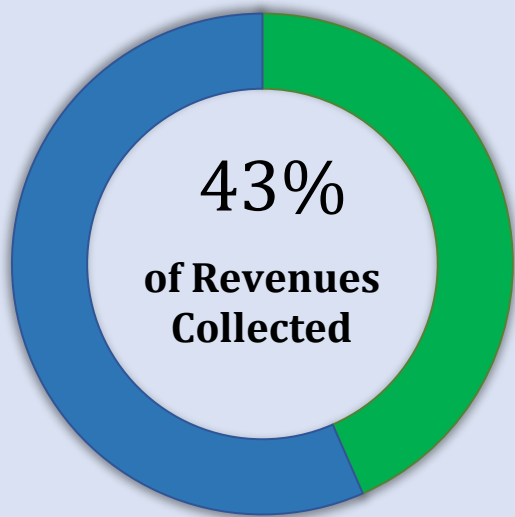




FY19 Q2 Budget-Actual Report | Enterprise Funds

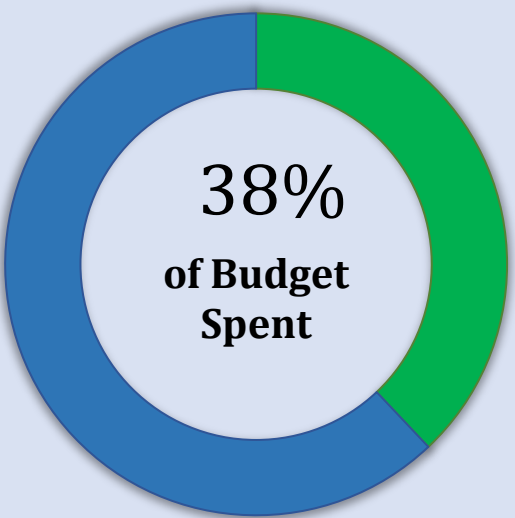
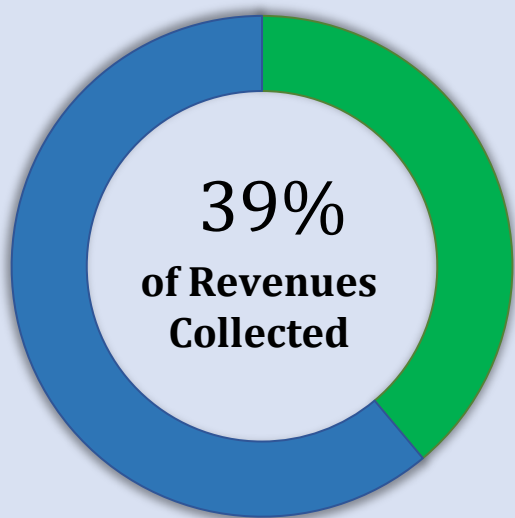
Stormwater

Revenues	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Collected	PFY Q2 Percentage Collected
Intergovernmental Revenues	\$	8,000	\$	8,000	\$	7,500	94%	100%
Charges for Service		2,706,000		2,706,000		1,146,877	42%	39%
Interest		3,000		3,000		29,053	968%	69%
Fund Balance Appropriation		-		3,743,250		-	0%	0%
Transfer		7,400		7,400		-	0%	0%
TOTAL	\$	2,724,400	\$	6,467,650	\$	1,183,430	43%	39%
Expenses	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	1,367,025	\$	1,367,025	\$	582,782	43%	48%
Operating		1,238,673		2,149,690		331,040	15%	19%
Capital		118,702		2,950,935		137,444	5%	41%
TOTAL	\$	2,724,400	\$	6,467,650	\$	1,051,267	16%	33%



Transit

Revenues	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Collected	PFY Q2 Percentage Collected
Property Taxes	\$	4,933,702	\$	4,933,702	\$	3,776,722	77%	80%
Licenses and Permits		454,350		454,350		192,926	42%	41%
Intergovernmental Revenues		8,787,433		9,081,032		4,323,600	48%	25%
Charges for Service		9,495,010		9,495,010		1,029,448	11%	42%
Interest		8,000		8,000		15,839	198%	80%
Fund Balance Appropriation		-		1,481,251		-	0%	0%
Transfer		-		-		-	0%	0%
Miscellaneous		89,800		89,800		21,614	24%	18%
TOTAL	\$	23,768,295	\$	25,543,145	\$	9,360,149	39%	41%
Expenses	FY19 Original Budget		FY19 Revised Budget		FY19 YTD Actuals		FY19 Q2 Percentage Spent	PFY Q2 Percentage Spent
Personnel	\$	15,341,852	\$	15,322,439	\$	6,862,896	45%	45%
Operating		8,063,637		9,947,793		2,868,608	29%	25%
Capital		20,000		22,023		(34,937)	-159%	0%
Transfer		250,890		250,890		-	0%	0%
TOTAL	\$	23,676,379	\$	25,543,145	\$	9,696,567	38%	36%



A RESOLUTION AUTHORIZING NEXT STEPS FOLLOWING THE ADOPTION OF THE FINAL 2018-2019 BUDGET AND RELATED ITEMS (2018-06-13/R-5.1)

WHEREAS, on May 2, 2018, the Town Manager presented a balanced recommended budget to the Council with a three cent tax increase that

- Maintains current service levels;
- Works toward achieving Council Goals;
- Maintains competitive employee compensation;
- Introduces a deductible for employee health insurance coverage for a more sustainable system of wellness and healthcare;
- Maintains Other Post Employment Benefit (OPEB) prefunding levels at FY18 levels rather than increasing by 20% as planned;
- Restores Fund Balance to targeted levels by reducing the amount of fund balance used to balance the budget with an increase in the property tax rate dedicated to the General Fund;
- Reduces funding for pay-as-you-go capital costs and a reduction in operating costs compared to previous years;
- Replenishes the Transit Fund balance to compensate for reductions in state and federal financial support for the purchase of buses with an increase in the property tax rate dedicated to the Transit Fund;
- Increases investment in maintenance of public facilities and infrastructure in order to avoid greater costs in the future for replacement and reconstruction of assets;
- Continues strategic investments in community priorities, such as affordable housing and public transit.

WHEREAS, the Council requested more information to understand the complexity of the budget, the recommended tax increase, and the trade-offs and options considered by the Manager to prepare his recommended budget; and

WHEREAS, the Council reduced the proposed tax increase to two cents by deferring consideration of the proposed tax increase for the debt management fund and reducing the proposed increase for the General Fund and seeks to establish an ongoing budget and financial forecasting process for budget development in the future; and

WHEREAS, the Council seeks to consider and review the foundational policies for budget development early in the process, including but not limited to:

- Investment in employee compensation to recruit, retain, and promote Town employees that carry out consistently excellent service to the community as well as the strategic priorities of the Town Council;
- Pre-funding contributions to Other Post-Employment Benefits (OPEB);
- Balancing growth in the property tax base and other revenue sources to cover the increasing costs of providing service;
- Targets for fund balance levels;
- Priorities for capital investments in infrastructure and facilities, including public transit rolling stock;
- Debt management;
- Operational trends, priorities and needs;

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill that the Council encourages and authorizes the Town Manager to develop a budget forecasting process that will keep the Council continuously informed and up to date on trends and

priorities that impact the Town's fiscal planning and future spending allocations. The Town Manager will return to Council with a recommended process in Fall 2018, to include the topics identified by the Council during the 2018-2019 budget development as requiring more information and consideration.

BE IT FURTHER RESOLVED that the Council authorizes the Town Manager to include the following items related to the topic of fiscal management strategy in the budget forecasting process:

- Establishment of a fund balance policy,
- Review of the capital investment plan,
- Debt fund management guidance, and
- Regularly scheduled financial forecasts.

BE IT FURTHER RESOLVED that the Council authorizes the Town Manager to include the following items related to the topic of employee compensation strategy in the budget forecasting process:

- Establishment of an updated employee compensation philosophy,
- Conducting a classification and compensation study,
- OPEB pre-funding contribution plan,
- Review of the longevity pay plan, and
- Consideration of a pay-for-value-added and/or pay for performance proposal.

BE IT FURTHER RESOLVED that the Council authorizes the Town Manager to include the following items related to the topic of program and service delivery in the budget forecasting process:

- Regularly scheduled updates on Town departments' business plans,
- Revisiting the Town's Solid Waste Study to analyze the costs and benefits of delivering services such as commercial solid waste pickup and curbside leaf collection.

BE IT FURTHER RESOLVED that the Council authorizes the Town Manager to

- Continue developing a strategic plan framework based on Council discussions at their retreat in February 2018 and
- Follow the model of the prototype for affordable housing to address the priorities of traffic and transportation in a Connected Community.

This the 13th day of June, 2018.

Goal Overview and Prioritization

Council Retreat
1-26-2019

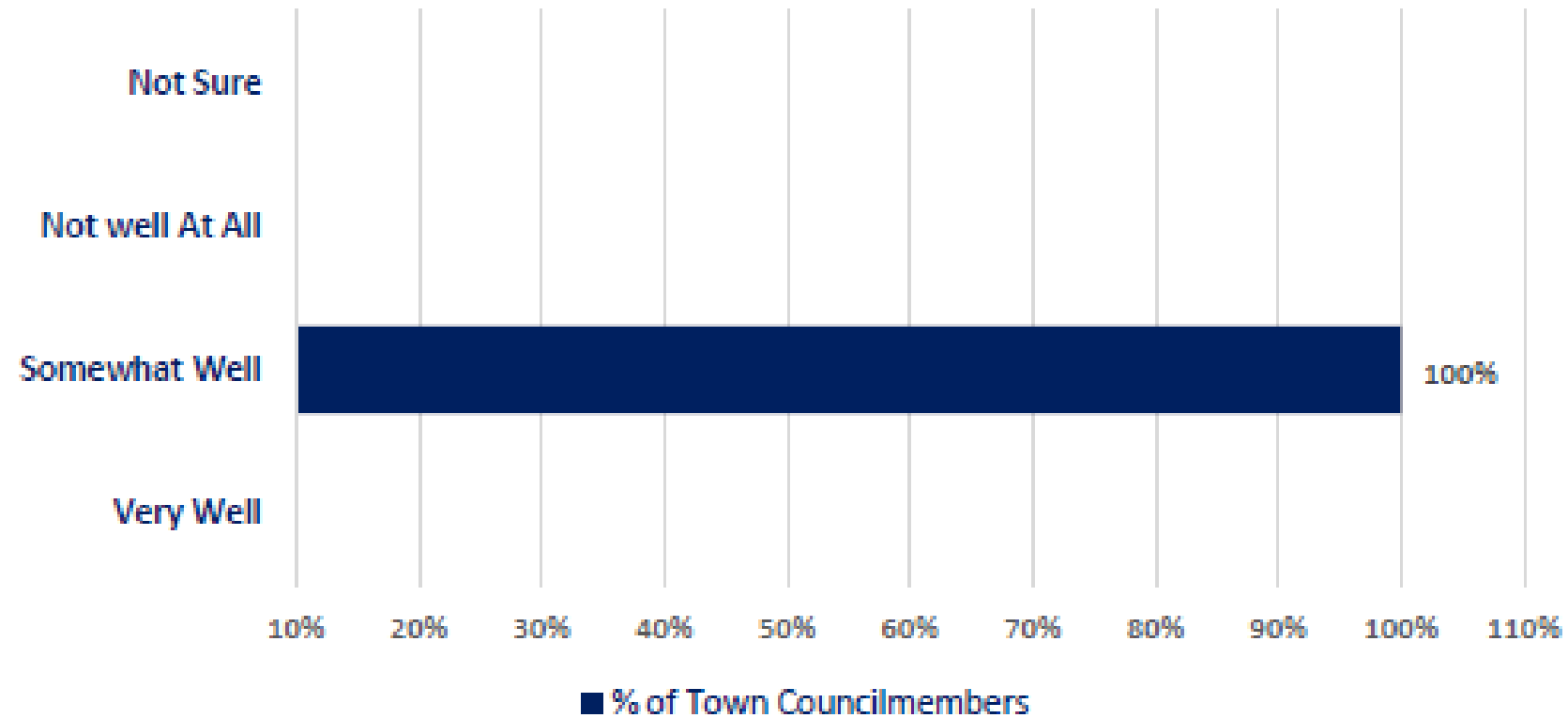
Session Goal: Confirm and prioritize the work plans.

How will this work be used? Input for strategic plan. Guidance for departmental work plans.

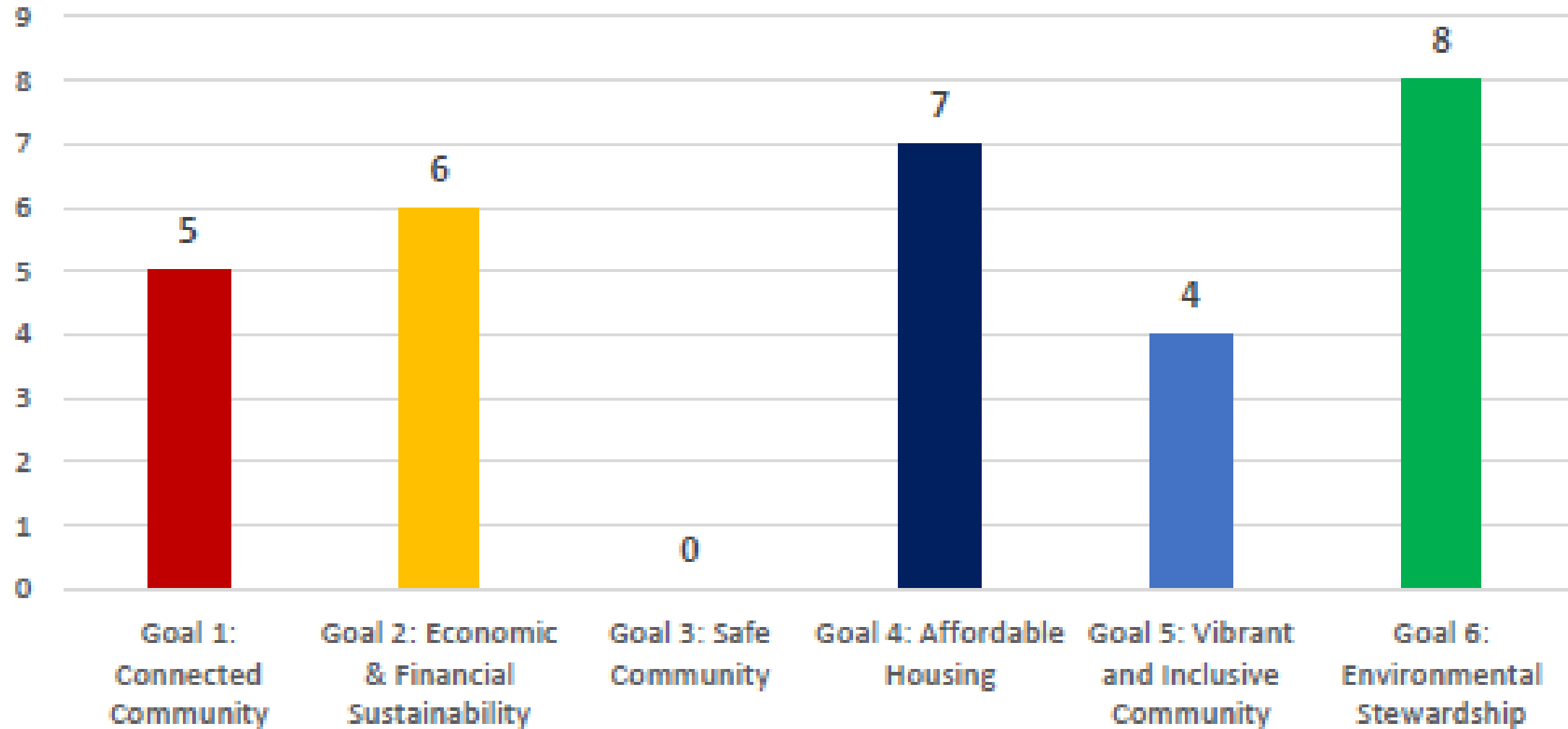
Strategic Plan Status: Incorporate Council input and survey feedback. Improve specific and measurable goals.

Survey Feedback: More specificity and role clarity.

How well do the draft goals capture the
strategic goals for Chapel Hill?












of Town Councilmembers That Selected the Goal as One of Their Top 4



Exercise and Facilitated Conversation: Dots and Dialogue.

GOAL OVERVIEW AND PRIORITIZATION




This document captures the current work plans for the Council's Goals, listing projects that staff are currently working on, petitions that staff have received, and future projects.









CONNECTED COMMUNITY WORK PLAN			Status
1.1	Town-wide Traffic Analysis	Synthesis and analysis of traffic data to build comprehensive and holistic decision making models. Includes Traffic Signal Study, DOT Data analysis, and TIA analysis.	
1.2	Transit Financial Sustainability	Continue to identify short and long range transit needs. Includes updating capital funding plan, finalizing short range transit plan and finalizing a Memorandum of Understanding with funding partners.	
1.3	Regional Transportation Planning	Participate in regional transit initiatives such as the Orange Durham Light Rail Transit project and plans for NC 54 and 15-501.	
1.4	Downtown Parking	Analyze and meet parking needs in Downtown. Includes smart city parking, ambassadors, Wallace deck repairs and parking payment-in-lieu policy.	
1.5	Multi-modal Infrastructure (See also major capital projects below)	Investment in bike, greenways, and sidewalk projects to increase multi-modal transportation. Also includes policy considerations of topics like scooters and electric vehicles.	
1.6	a) Estes Drive Bike/Ped	Design and construct bicycle and pedestrian facilities along Estes Drive from MLK Blvd. to Caswell Road.	
1.7	b) Elliot Road Extension	Elliott Road from the east side of Fordham Blvd. to Ephesus Church Road. The new intersection of Elliott Road and Ephesus Church Road will include a roundabout.	
1.8	c) North-South BRT Funding and Construction	Continue to design, fund and build the North-South Bus Rapid Transit infrastructure.	
1.9	d) Franklin Street Road Diet	Repurpose the right-of-way on Franklin Street to accommodate more parking and multi-modal use.	

Sources

- 2018 Council Retreat
- Special Planning Initiatives
- Departmental Business Plans
- Petition List
- FY19 Adopted Budget
- Community Survey

Status Key




-  : Current Project in a Departmental Business Plan
-  : Petition Received by Staff
-  : Future Project; not currently in Departmental Business Plan







ECONOMIC & FINANCIAL SUSTAINABILITY WORK PLAN			Status
2.1	Downtown Market Drivers	Continued research and investment in projects that drive traffic and engagement in downtown. This includes performance and recreation space, landmarks, and family-friendly facilities.	
2.2	Downtown Infrastructure Investment	Construct improvements to Post Office and Varsity Alleyways, coordinate a plan for improving North Alley and work with community to improve streetscape on Graham and North Roberson Street.	
2.3	UNC Town Gown Economic Development Partnerships	Managing partnerships and leveraging investments that focus on economic development for the community. This includes entrepreneurship, research and development opportunities, and parking.	
2.4	Telling our Story	Execute marketing plan to share defining characteristics of Chapel Hill to broad audience and to attract companies to approved space and to attract post-doc type residents for employees.	
2.5	Short Term Rental Policy	Regulations for short term rentals like Air B-n-B.	
2.6	Capital planning and bond spending	Administration of street, sidewalk, and stormwater projects and planning for repair of Wallace Parking Deck and Municipal Services Center.	
2.7	Facility Maintenance	Complete high-priority facilities projects using increased funding allocated to building maintenance in FY19. Track and communicate deferred maintenance needs.	
2.8	Community Technology Solutions	Operationalize Spotlight City projects to gather and process information and improve internet access for residents and businesses.	

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SAFE COMMUNITY WORK PLAN			Status
3.1	Municipal Service Center Design	Continue to design a building for multiple Town departments that are currently housed in outdated facilities. Includes Community Safety, Fire administration and Parks and Recreation administration.	
3.2	Fire Department Facilities Plan	Continue to evaluation facilities to prioritize infrastructure improvements and replacing or renovating existing facilities.	
3.3	Permitting and Inspections Process Improvements	Education and outreach to improve understanding of permitting and inspections and enhance the experience for customers and industry stakeholders.	
3.4	Data-driven safety initiatives	Using data and historical evidence related to injury crashes to inform and improve traffic enforcement.	
3.5	Emergency Management Program	Strengthen emergency management function through community risk reduction analysis.	
3.6	Road to Zero Plan	Develop a Pedestrian Safety Action Plan.	

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AFFORDABLE HOUSING WORK PLAN			Status
4.1	Bond project prioritization and funding	Develop and implement an allocation strategy for use of Bond funds. Return to Council with proposed timeline, application process, and allocation strategy.	
4.2	Performance Measurement and Reporting System	Continue to generate affordable housing quarterly and annual reports report on progress of meeting annual and 5-year goals and update the Affordable Housing Dashboard tool.	
4.3	Increase Partnerships	Identify new partners to create a variety of housing options; continue to strengthen partnerships with Carrboro, Hillsborough, and Orange County through the Orange County Local Government Affordable Housing Collaborative.	
4.4	Development of affordable housing on Town-owned properties	Continue to implement plans for 2200 Homestead Road; complete evaluation of 3 Town-owned properties that could be suitable for affordable housing development.	
4.5	Manage Funding Resources	Continue to manage the Affordable Housing Fund, Affordable Housing Development Reserve, and the Community Development Block Grant Program; Public Housing Capital Fund.	
4.6	Public Housing Master Plan	Refine and implement the Master Plan for development and redevelopment of public housing communities. Continue with implementation of RAD conversion for Trinity Court and Craig Gomains public housing communities.	
4.7	Affordable housing preservation	Develop a strategy to preserve Naturally Occurring Affordable Housing (NOAH); Implementation of Manufactured Home Communities Strategy; support acquisition and rehabilitation of properties for affordable housing preservation.	
4.8	Remove barriers to affordable housing	Implement pilot Employee Housing Incentive Program; implement Rental and Utility Assistance program; participate in the LUMO Rewrite process.	

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




VIBRANT & INCLUSIVE COMMUNITY WORK PLAN			Status
5.1	Downtown Work Plan	Planning, infrastructure, and safety projects like the alleyway and streetscape projects, removing regulatory barriers for businesses, property task forces, seasonal cleaning, public bathroom facilities, and Tanyard Branch Trail.	
5.2	Festivals and Events	Build shared understanding of cost and scope for Town events and facilitate event activity from external partners.	
5.3	Community Connections	Increase and leverage partnerships in the Town to build integrated solutions to community issues. Includes People's Academy, Building Integrated Communities, student and youth initiatives, immigrant and refugee populations, and faith community initiatives.	
5.4	Community History and Enrichment	Includes Community History Initiative, Centennial Celebration and Explore More at Pritchard Park.	
5.5	Community Arts and Culture	Focus on public art in the built community, non-traditional venues for experiencing art, and building external partnerships.	
5.6	Relocate teen center	A request to change the programs and facilities currently provided to Teens by the town.	
5.7	Historic Town Hall Development	Further design and renovate Historic Town Hall to be a space for history and culture.	
5.8	Urban Design	An initiative to enhance urban design review in the Town's development review process.	
5.9	Charting our Future	Refine the Future Land Use Map (FLUM) and conduct a rewrite of the Land Use Management Ordinance (LUMO).	
5.10	Rogers Road Community First Plan	Multi-jurisdictional effort to identify desired development and provide additional public facilities and services, including sewer service to help shape growth in the Rogers Road area.	
5.11	Station Area Planning	Multi-jurisdictional effort to plan for appropriate development in the future station areas along the proposed Orange Durham Light Rail project.	
5.12	Blue Hill Code Refinements	Includes refining the massing standards and conducting a parking study.	
5.13	Eastowne Master Planning	Partner with UNC Healthcare to develop a Master Plan for the Eastowne office park.	

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ENVIRONMENTAL STEWARDSHIP WORK PLAN			Status
6.1	Coal Ash Remediation	Continue to study and evaluate options for coal ash remediation and future use of the property at 828 Martin Luther King Jr. Blvd.	
6.2	Triangle Regional Resilience Assessment	Multi-jurisdictional effort to help the community better manage and mitigate the impacts of natural forces such as climate change and natural and human-induced hazards.	
6.3	Elliot Road Flood Storage	The top priority project in the Lower Booker Creek Subwatershed Study.	
6.4	Eastwood Lake Subwatershed Study	Develop a subwatershed study for Eastwood Lake, the next study in the Booker Creek Watershed Planning projects.	
6.5	Education and Marketing	Outreach and education about the Town of Chapel Hill as a community with high environmental standards and achievements. Includes obtaining designations and awards recognizing the Town's environmental standards and projects.	
6.6	Solar Infrastructure	Reduce barriers and focus on programming and funding to increase solar infrastructure.	
6.7	Tree Protection Ordinance	To provide greater protection to trees and prevent clear-cutting of lots.	
6.8	Climate Action Plan	Develop a comprehensive roadmap that outlines the specific activities that the Town will take to reduce greenhouse gas emissions.	

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

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COLLABORATIVE & INNOVATIVE ORGANIZATION WORK PLAN			Status
7.1	Employee Communication	Respond to the Employee Engagement survey findings that employees are not satisfied with communication levels.	
7.2	Wellness	Continue to build a wellness program that leads to better health outcomes for employees.	
7.3	Equity and Inclusion Program	Continue to build on equity and inclusion efforts. Conduct an Equity and Inclusion Assessment to understand the organization's status and develop an action plan to address the findings of the assessment.	
7.4	Performance Management	Continue to build out a strategic plan with the Town Council and provide robust data and reporting to support Council decision-making.	
7.5	Cyber Security	Includes expanded data encryption, password standards, and disaster recovery.	
7.6	Facilitation Training	Create a cohort of trained facilitators that would increase the effectiveness of internal and external meetings.	
7.7	Capital Project Management Training	Develop current and future project managers to carry out capital projects.	

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