

From: Roger Stancil
Sent: Tuesday, March 20, 2018 10:55 AM
To: Allen Buansi; Donna Bell; Hongbin Gu; Jeanne Brown; Jess Anderson; Karen Stegman; Town Council; Michael Parker; Nancy Oates; Pam Hemminger; Rachel Schaevitz; Roger Stancil; Ross Tompkins
Cc: Ken Pennoyer; Amy Harvey; Beth Vazquez; Carolyn Worsley; Catherine Lazorko; Christina Strauch; Dwight Bassett; Flo Miller; Mary Jane Nirdlinger; Rae Buckley; Ralph Karpinos; Ran Northam; Roger Stancil; Sabrina Oliver
Subject: Council Question: capacity in the debt management fund

Council Question: Is it the case that if we work to "pay back" some of the AL funds - as the Council committed to doing - that we would have more room in the debt management fund?

Staff Response: *Yes. Creating more capacity in the debt fund can be accomplished by:*

- *Increasing the dedicated Debt Fund property tax, or*
- *Removing projects or reducing the cost of projects that are currently slated for funding, or*
- *Finding another revenue source, such as the sale of Town owner property, or*
- *Some combination of the above*

From: Roger Stancil
Sent: Tuesday, March 20, 2018 6:42 PM
To: Allen Buansi; Donna Bell; Hongbin Gu; Jeanne Brown; Jess Anderson; Karen Stegman; Town Council; Michael Parker; Nancy Oates; Pam Hemminger; Rachel Schaevitz; Roger Stancil; Ross Tompkins
Cc: Ken Pennoyer; Amy Harvey; Beth Vazquez; Carolyn Worsley; Catherine Lazorko; Christina Strauch; Dwight Bassett; Flo Miller; Mary Jane Nirdlinger; Rae Buckley; Ralph Karpinos; Ran Northam; Roger Stancil; Sabrina Oliver
Subject: Council Questions: Item 4: Sale of Bonds
Attachments: Chapel Hill POS_ v10 3-19-18.pdf

Council Question: When was the decision made for \$4.3 million of the Parks Facilities Bonds to be used for installment payments?

Staff Response: *In the fiscal impact section of the agenda item for the purchase of the American Legion property ([March 6, 2017 American Legion Agenda Item](#)) there were four potential funding sources mentioned. While each of these sources, or a combination of the four, were thought to be possibilities at the time. The sale of land and the use of fund balance options are not available as explained below. The remaining best option is the use of General Obligation Bonds. The Fiscal Impact Section of the Agenda Memo with the four options is shown below. The options are listed in their order of preference.*

Fiscal Impact

The first installment, due at closing, will be paid from fund balance. At FY16 year-end, the Town's General Fund fund balance was 28.5%, or \$3.6 million above the 22% target fund balance. This \$3.6 million is the source of funds for the first installment. The source of funding for the second and third installments, due on the first and second anniversary of the closing of the financing, has not been determined. Potential funding sources include the following:

- *Proceeds from the sale of a portion of the property for development, pending master planning of the property.*
 - *There is \$7.0 million of Parks & Recreation general obligation bond authority available for parks & recreation facilities. A portion of these funds could be used to finance the part of the property that will used for parks & recreation purposes.*
 - *Installment financing secured by the land to pay some or all of the cost of the land purchase. The attached resolution includes a reimbursement declaration that reserves the Town's ability to finance all or any portion of the total purchase price.*
 - *Fund balance over the 22% target as of June 30, 2017 and/or June 30, 2018 could be appropriated to pay future installments.*
 - *Any combination of the options listed above.*
1. *The sale of a portion of the land was listed as the first preference because it had the least impact on the capital program. That is, it did not use resources that are planned for other projects or use debt fund capacity that is needed to fund those projects. While this may not be ideal from a land-planning perspective, it is a practical way to minimize the impact of the purchase on the rest of the capital program. It is important to remember that initially the purchase of the American Legion property was rejected for lack of available funding. The subsequent availability of fund balance after the completion of the FY16 audit made it possible to fund a little less than one half of the total cost of the property using fund balance over our 22% target.*
 2. *Using Recreation facilities GO Bond authority is the lowest cost debt option. These funds were planned for Parks and Recreation administrative offices (\$3.6 million) and cultural arts/programming space (\$3.4 million). Using these bonds to fund the balance of the American Legion purchase cost requires delaying the cultural arts/programming space project and reducing the amount of funding available for the Parks & Recreation Administrative offices that will be part of the Municipal Services Center (MSC). It should be noted that the*

cultural arts/programming space project has yet to be defined and will need to go through a potentially lengthy design process involving significant public involvement. It is possible that design activities could be funded in the near-term while planning for funding construction can be addressed later as we pay-down existing debt and create additional capacity in the Debt Fund.

3. An installment financing has the same drawbacks as GO bonds debt, in that it uses capacity planned for other capital projects. In addition, an installment financing would be more costly than GO bonds, compounded by the fact that the land does not constitute an essential asset for collateral purposes. Combining this borrowing with another financing to improve the security would be difficult due to the timing. Payments are due March 2018 and March 2019 and the timing of the financing for the MSC is uncertain.

Historically, the Town has maintained fund balance levels above the designated target of 22%. This is due to conservative budgeting practices and strong financial performance. In most years, there has been some amount above the 22% target available for appropriation for one-time expenditures. For FY16 this amount was more than \$3.6 million, considerably more than previous years. There were a number of reasons that fund balance spiked at the end of FY16, the chief reason was the issuance of debt in FY16. The proceeds from debt issuance were used to pay-back the General Fund for inter-fund loans to capital accounts. These loans were used to start capital projects before the final financing was completed. This "cash-flowing" of projects through inter-fund loans makes it possible to complete projects sooner and to be more accurate in sizing our borrowing. It also depletes the fund balance and when the financings are completed those funds come back to the General Fund and increase the fund balance. The \$3.6 million consisted largely of reimbursements from bond proceeds. Unfortunately, this is not a situation that is repeated annually. In fact, for FY17 we are in a very different situation as we continue to borrow from fund balance for capital projects pending the next issuance of GO bonds planned for the 3rd quarter of FY18. Fund balance at the end of FY17 was actually below the 22% target.

Council Question: Assuming Council adopts resolution approving the issuance of these referendum bonds, what would be the timetable for (1) the various projects "including Downtown streetscapes, bike and pedestrian amenities, Bolinwood Drive bridge replacement, Mobility Plan projects and street infrastructure improvements, (2) the installment payments on the purchase of American Legion Road Property, and (3) the construction of the Elliott Road Flood Storage Project?

Staff Response: The start date and estimated place in service dates for the various projects are shown in the following table:

Recreation Facilities	Start Date	Place in Service
Purchase of American Legion property (36.2 acres open space)	3/30/2017	3/30/2018
Stormwater Improvements	Start Date	Place in Service
Elliott Road Flood Storage	Aug-17	Dec-18
Streets & Sidewalks	Start Date	Place in Service
Sidewalk Construction	10/31/2016	Dec-18
Bicycle & Pedestrian Improvements	6/30/2016	Summer 17
Street Infrastructure	6/1/2018	Fall 2018
Downtown Streetscape	6/1/2018	Fall 2018

Council Question: Exhibit A is the official statement, correct?

Staff Response: *Exhibit A is the form of the bonds. The Draft Preliminary Official Statement is on file in the Town Clerks Office and a PDF version is attached.*

Council Question: When the vote on the Parks & Rec bond was originally held, purchase of the American Legion property was not envisioned. Could you please clarify what was communicated to voters regarding the purpose/investments to be made using those bond funds at the time? Following the approval of the bond by voters, was a plan made for use of those funds and what is the current status of those plans/investments? Assuming Council approves the \$4.3 million issuance, has there been any work done yet on planning for the use(s) for the remaining \$2.7 million parks bond funds?

Staff Response: *The current plan is for the remaining \$2.7 million of Parks Facilities Bonds to be used for the Municipal Services Center project which will house the Parks & Recreation Administrative Offices.*

General Obligation bonds are authorized through a vote on a "bond order" the bond order is a very general description of how the bonds will be used based on the statutory authority to issue general obligation bonds for that purpose. The Parks Facilities Bond Order approved in November of 2015 reads as follows:

"There are hereby ordered to be issued general obligation bonds to pay capital costs of providing recreational facilities, including without limitation athletic fields, parks, playgrounds, recreation centers, shelters, stadiums, arenas, permanent and temporary stands, golf courses, swimming pools, wading pools, marinas, and lighting, buildings for recreation purposes and buildings for the administration of recreational programs, along with the acquisition of land and interests in land for these and related purposes, together with related financing and other necessary or incidental costs."

Because bond orders and ballot questions are too vague to give voters an idea of how the proposed bonds will be spent, we provide information about how we plan on spending bond funds based on the best available information at the time of the referendum. This pre-referendum information represents the intended use of the bonds at that time, however because the authority to issue bonds lasts 7-10 years, sometimes plans change due to unforeseen circumstances. In this case, the American Legion property unexpectedly came up for sale. Because the property is in a location designated as a priority in the Parks Masterplan for park space and Council expressed a desire to purchase the property, we moved forward with a financing plan for purchase of the property. Unfortunately, as described above, the best available option to pay for the balance of the cost of the land was to use Parks Facility Bonds. This may delay plans for a cultural arts/program space facility, however since there are no specific plans or consensus regarding what that facility will be, it is difficult to assess the impact of this change in financing strategy.

The pre-referendum information regarding the intended use of the bonds is as follows:

"Recreation Facilities"

This category includes a new Parks and Recreation administration building to replace the facility at Plant Road, a new cultural arts building, and renovations to various parks. The administration building and the cultural arts facilities could potentially be combined into one facility. Total planned square footage for a combined facility would be 24,000 square feet. There is also potential for combining the new Parks and Recreation facilities with other planned Town facilities such as Police Headquarters. These projects are priorities in the Parks Master Plan.

• Parks & Recreation Admin Building	\$ 3,600,000
• Cultural Arts Building	3,400,000
• Park Renovations	<u>1,000,000</u>
Total	\$ 8,000,000



OUR COMMUNITY OUR FUTURE

Bond Referendum 2015 • Chapel Hill, NC
ELECTION DAY is Tuesday, Nov. 3, 2015

VOTING INFORMATION

The last day to register to vote is Friday, October 9, 2015. For more information, contact the Orange County Board of Elections at 919-245-2000 or orange.boe@ncsbe.gov. For Durham County residents of Chapel Hill, contact the Durham County Board of Elections at 919-560-0690 or durham.boe@ncsbe.gov.

The Bond Orders

Voters will decide on November 3, 2015, whether to allow the Town of Chapel Hill to issue up to \$40.3 million in general obligation (G.O.) bonds to fund improvements throughout the community. There are five bond questions:

- 1 Streets & Sidewalks
- 2 Trails & Greenways
- 3 Recreation Facilities
- 4 Solid Waste Facilities
- 5 Stormwater Improvements

These initiatives come from our community visioning process that achieved record-setting public participation and our planning guide for the future – Chapel Hill 2020. They are responsive to public input expressed also in the Community Survey and many Community Plans.

TAX NEUTRAL PLAN

We're in a unique position to reinvest in infrastructure and facilities without raising taxes.

1 STREETS & SIDEWALKS

Improvements for bicycle and pedestrian safety, sidewalks, streets and bridges, and Downtown Streetscape

Bicycle and Pedestrian Safety

(\$7.8 million): Construct bike lanes, off-road paths, and bicycle tracks consistent with the top priorities of the Chapel Hill Bike Plan. Projects include Estes Drive and Old Durham Chapel Hill Road. Bond funds provide the local match for more than \$5 million in federal transportation funds.

Sidewalk Construction (\$2 million): Repair, connect and construct new sidewalks to improve pedestrian connectivity and safety. Projects will be prioritized by the Town Council through its approval of a sidewalk construction list.

Street Infrastructure & Bridge

(\$3.4 million): Resurface and reconstruct streets with an emphasis on facilitating multi-modal transportation; and replace a 50-year old bridge on Bolinwood Drive.

Downtown Streetscape (\$3 million): Construct safe and attractive sidewalks, upgrade pedestrian amenities, install new energy efficient pedestrian level lighting, and improve crosswalk and signal systems.

Total: \$16.2 million

2 TRAILS & GREENWAYS

Expansion of the Town's Greenway System

Morgan Creek Trail (\$3 million): Construct final section of the Morgan Creek Trail to the Carrboro Town Line

Bolin Creek Trail (\$2 million): Construct Bolin Creek Trail/Tanyard Branch Trail from Pritchard Avenue Ext. to Jay Street.

Total: \$5 million

3 RECREATION FACILITIES

renovate picnic shelters, add benches and trash receptacles, and make other park improvements.

Cultural Arts Building (\$3.4 million) and Administration Building (\$3.6 million)

These two buildings could potentially be combined into one facility. Initial plans envision space for classrooms, gallery, rehearsals, registration and storage. There is also potential for combining the new Parks and Recreation facilities with other planned Town facilities as Police Headquarters.

Total: \$8 million

4 SOLID WASTE FACILITIES

Develop options for future solid waste management

Development of a Transfer Station responsive to the closure of the Orange County Landfill in 2015. The Town has been transporting Chapel Hill waste to a facility in Durham. This arrangement has increased the costs of waste collection including increased fuel consumption and wear and tear on vehicles.

What is a Transfer Station? A simple building can be designed to be fully enclosed and blend into surrounding architecture. Waste here is immediately consolidated and loaded into trucks that transport the waste off site.

Total: \$5.2 million

5 STORMWATER IMPROVEMENTS

Pipe networks, flood control and stream restoration

Stormwater Projects: Make infrastructure improvements such as new or larger pipe networks, flood control projects such as retention basins and constructed wetlands water quality improvements such as stream stabilization and stream restoration projects.

How is this different? Debt issued for these projects would be repaid from the Stormwater Enterprise Fund. Renewal requires a

1. **Council Question:** The Cultural Arts Community is saying we are planning to use their bond money for the Legion. Can you please clarify if we are doing some sort of financing maneuver or if we are actually using the Community Programs Space (4.3mil)? If we are using that bond money, are we going to replace it?

Staff Response: *Using existing Parks Facility Bond authority has been discussed by the Council as a means for making payments on the property since Council decided to purchase the property. The purchase was an unexpected opportunity. The first payment was made with funds at the end of the fiscal year that were in excess of the Towns policy of maintaining a 22% Fund Balance. We are using the most cost effective means of paying for the balance of American Legion property by using the parks and recreation bonds. The other options we discussed to pay for the balance of the cost of purchasing the property were:*

1. *Use proceeds from the sale of part of the property - This is not currently an option. That direction was part of a resolution adopted by the Council and can still be considered by the Council. As requested by Council, the staff is currently reviewing the recommendations of the American Legion Task Force, considering the buildability of the property. The staff will report to Council in May.*
2. *Use excess fund balance – There was no excess fund balance above the 22% policy available at FY17 year-end.*
3. *Use separate financing secured by the land only – This would be significantly more expensive than using GO Bonds and still consume debt capacity.*

Because options 1 and 2 have not yet materialized, the Town must use debt to repay the owner financing to complete the purchase of the American Legion property. Whether we use bonds or the more expensive installment financing, both use repayment capacity in Debt Fund. That capacity will need to be replaced in order to address the cultural arts/programming space project. Creating more capacity in the debt fund can be accomplished by:

- *Increasing the dedicated Debt Fund property tax, or*
- *Removing projects or reducing the cost of projects that are currently slated for funding, or*
- *Finding another revenue source, such as the sale of Town owned property, or*
- *Some combination of the above*

Ratings:
 Moody's: **Aaa**
 S&P: **AAA**
 (See "Ratings" herein)

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 23, 2018

NEW ISSUE—Book-Entry Only

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

\$12,500,000

Town of Chapel Hill, North Carolina

General Obligation Public Improvement Bonds, Series 2018

Dated: Date of Delivery

Due: As shown on inside cover page

Tax Status

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

Redemption

The Bonds are subject to optional redemption at the times and prices described herein.

Security

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

Interest Payment Dates

May 1 and November 1, commencing November 1, 2018

Denominations

\$5,000 or any integral multiple thereof

Expected Closing/Settlement

April 19, 2018

Bond Counsel

Sanford Holshouser LLP

Financial Advisor

Davenport & Company LLC

Sale Date

April 3, 2018

Sale of Bonds

Pursuant to sealed bids in accordance with the Notice of Sale

The date of this Official Statement is April , 2018

MATURITY SCHEDULE

\$12,500,000 General Obligation Public Improvement Bonds, Series 2018

Due May 1 of the Year Indicated

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield¹</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield¹</u>
2019	\$625,000	\$		2029	\$625,000		
2020	625,000			2030	625,000		
2021	625,000			2031	625,000		
2022	625,000			2032	625,000		
2023	625,000			2033	625,000		
2024	625,000			2034	625,000		
2025	625,000			2035	625,000		
2026	625,000			2036	625,000		
2027	625,000			2037	625,000		
2028	625,000			2038	625,000		

¹Information obtained from underwriters of the Bonds.

TOWN OF CHAPEL HILL, NORTH CAROLINA

Pam Hemminger..... Mayor

TOWN COUNCIL

Jessica Anderson	Donna Bell
Allen Buansi	Hongbin Gu
Nancy Oates	Michael Parker
Rachel Schaevitz	Karen Stegman

TOWN STAFF

Roger L. Stancil Town Manager
Florentine A. Miller Deputy Town Manager
Kenneth C. Pennoyer Director of Business Management
Ralph D. Karpinos Town Attorney

FINANCIAL ADVISOR

Davenport & Company LLC
Charlotte, North Carolina

BOND COUNSEL

Sanford Holshouser LLP
Carrboro, North Carolina

TABLE OF CONTENTS

	Page
Introduction	1
The Local Government Commission of North Carolina	1
The Bonds.....	2
Description.....	2
Redemption Provisions	2
Authorization and Purpose.....	3
Security	3
The Town	4
General Description	4
Demographic Characteristics	4
Commerce and Institutional Profile.....	5
Employment.....	7
Government and Major Services	7
Government Structure.....	7
Education.....	7
Transportation	8
Public Service Enterprises	9
Debt Information.....	10
Legal Debt Limit	10
Outstanding General Obligation Debt.....	10
General Obligation Debt Ratios	10
General Obligation Debt Service Requirements and Maturity Schedule	11
General Obligation Bonds Authorized and Unissued	12
General Obligation Debt Information for Overlapping Unit.....	12
Other Long-Term Commitments.....	12
Debt Outlook	13
Tax Information.....	14
General Information	14
Tax Collections	15
Ten Largest Taxpayers	15
2017-18 Budget Commentary	16
Pension Plans	17
Other Post-Employment Benefits.....	18
Litigation.....	18
Continuing Disclosure	19
Approval of Legal Proceedings	22
Ratings.....	23
Tax Treatment	23
Financial Advisor.....	24
Underwriting	24
Miscellaneous.....	25
Appendices	
A — The North Carolina Local Government Commission	A-1
B — Certain Constitutional, Statutory, and Administrative Provisions Governing or Relevant to the Issuance of General Obligation Bonded Indebtedness by Units of Local Government of the State of North Carolina	B-1
C — Management Discussion and Analysis	C-1
D — Financial Information	D-1
E — Proposed Form of Legal Opinion of Bond Counsel	E-1
F — Description of Book-Entry Only System.....	F-1



INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is intended to furnish information in connection with the public invitation for bids for the purchase of \$12,500,000 General Obligation Public Improvement Bonds, Series 2018 (the "Bonds"), of the Town of Chapel Hill, North Carolina (the "Town").

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

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

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

THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

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

THE BONDS

Description

The Bonds will be dated as of their date of delivery and will bear interest from their date at the interest rates set forth on the inside front cover page. Interest on the Bonds will be payable semiannually on each May 1 and November 1, commencing November 1, 2018. The Bonds will mature on the dates set forth on the inside cover page of this Official Statement. The Town will make Bond payments to the person shown as owner on the Town's registration books as of the Record Date for the Bonds, which is the end of the calendar day on the 15th day of the month (whether or not a business day) preceding each interest payment date.

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

Redemption Provisions

The Bonds maturing on or prior to May 1, 2026, will not be subject to redemption prior to maturity. The Bonds maturing on May 1, 2027 and thereafter will be subject to redemption, at the option of the Town, from any moneys that may be made available for such purpose, either in whole or in part on any date not earlier than May 1, 2026, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

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

Notice of redemption shall be given to DTC or its nominee, as the registered owner of the Bonds, not more than 60 nor less than 30 days prior to the date fixed for redemption in such manner as required by DTC. The Town will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee for so long as DTC or its nominee is the sole registered owner of the Bonds.

On the date fixed for redemption, notice having been given as hereinabove described, the Bonds or portions thereof called for redemption shall be due and payable at the redemption price provided therefor, plus accrued interest to such date. If moneys sufficient to pay the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption have been deposited by the Town to be held in trust for the registered owners of the Bonds or portions thereof to be redeemed, interest on the Bonds or portions thereof called for redemption shall cease to accrue. In addition, if a portion of a Bond has been selected for redemption, the registered owner of such Bond shall receive a new Bond or Bonds of the same maturity, any authorized denomination or denominations, and bearing interest at the same rate for the unredeemed portion of the principal amount of such Bond.

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

Authorization and Purpose

The Bonds are being issued pursuant to bond orders duly adopted by the Town Council on June 22, 2016, and a resolution also adopted by the Town Council on March 21, 2018. The Bonds are being issued for the purpose of providing funds to pay costs of stormwater improvements, streets, sidewalks, and recreation facilities.

Security

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

(Remainder of page left intentionally blank)

THE TOWN

General Description

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

The Town conducts an ongoing planning and programming process through which it implements orderly expansion and management of the growth and development of the community. At present, the Town exercises zoning and building controls over a 27.6 square mile area that includes the corporate limits and a 6.32 square mile planning jurisdiction.

The growth of the Town has been directly related to the expansion of the University of North Carolina at Chapel Hill (the "University"). Enrollment at the University has risen from 8,791 in 1960 to 29,911 in 2017. It is anticipated that expansion will continue to occur in University-related health facilities. To help meet growing demands for service, UNC Health Care is building a new surgical tower on campus and preparing to relocate some clinics from the UNC main campus to its Eastowne Office Park in Chapel Hill near Interstate 40. In addition, UNC is preparing a new Master Plan for all University-owned property, including the main campus, outlying parcels, and the previously entitled Carolina North campus on nearly 300 acres of land now used by Horace Williams Airport, which anticipates a world-class research park with academic buildings, residential areas, businesses, green space, and public schools.

Demographic Characteristics

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

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

The North Carolina Office of State Budget and Management estimates the 2016 population of the Town to be 59,852.

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

<u>Year</u>	<u>County</u> ¹	<u>State</u>	<u>U.S.</u>
2012	\$51,765	\$38,600	\$44,282
2013	51,758	37,813	44,493
2014	54,540	39,588	46,494
2015	57,520	41,378	48,451
2016	58,438	42,244	49,246

¹Separate data for the Town are not available.

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

Commerce and Institutional Profile

The Town is characterized by a high degree of institutional and service-oriented activity. The University of North Carolina at Chapel Hill and the University of North Carolina Hospitals and their associated service, teaching and research programs have a national reputation for excellence in educational and medical fields. The Town is also the place of residence for many technical, professional and executive personnel who work in the Research Triangle Park and the neighboring communities of Durham and Raleigh.

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

The Research Triangle Park, organized in 1959, is situated in the center of the triangle formed by the communities of Raleigh, Durham and Chapel Hill. The Park encompasses over 7,000 acres of land set aside for research and research-oriented manufacturing. Since its founding, the Park and its surrounding areas have developed steadily. Presently located within the Park boundaries are approximately 170 research and development related organizations, employing over 39,000 people.

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

Through its participation in Launch Chapel Hill, a start-up accelerator located in Downtown Chapel Hill, the Town is investing in developing new and innovative businesses. Launch, is a collaboration between the Town, Orange County and the University of North Carolina, that uses local resource partners and a network of mentors, most of whom work through the Center for Entrepreneurial Studies and UNC's Kenan-Flagler Business School. Since opening in 2013, 63 companies have participated in the program and Launch companies raised more than \$15 million and created more than 250 jobs within Orange County.

The Town adopted a new Land Use Management Ordinance in January 2003, which revised development regulations. The Town experienced a drop-off in major development applications while the new regulations were being formulated and immediately after their adoption. Typically, there is about a one-year lag between the Town's receipt of development applications and building permit issuance. For fiscal year 2017 the number of commercial permits decreased from the previous year and saw a 19% decrease in total value. The number of residential building permits decreased from the previous year but saw a slight incline in value. Building permits issued for commercial and residential construction in the Town are summarized below for the latest six fiscal years:

Fiscal Year Ended/Ending June 30	COMMERCIAL		RESIDENTIAL	
	Number	Value	Number	Value
2013	304	\$ 65,202,278	595	\$35,195,832
2014	381	46,706,009	444	36,260,951
2015	483	47,852,467	505	47,578,322
2016	364	106,082,552	693	45,891,412
2017	240	86,086,325	514	54,701,606
2018 (6 months)	229	66,456,108	281	29,045,634

Source: Inspections Department of the Town.

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

<u>Company or Institution¹</u>	<u>Service or Product</u>	<u>Approximate Number of Employees</u>
University of North Carolina at Chapel Hill	Education, Research	20,000+
UNC Health Care	Medical Care	13,000+
Chapel Hill-Carrboro City Schools	Education	2,000+
Town of Chapel Hill	Local Government	1,000+
Aramark Food and Support Services	Food Service	500+
The Chapel Hill Residential Center	Retirement Community	400+
UNC Physicians Network LLC	Healthcare	400+
United Parcel Services, Inc.	Shipping, Supply Chain	300+
Carolina Inn	Hotel, Dining	250+

¹Most recent available data from 2016-17.

Source: Orange County Economic Development

Total taxable sales in the County for the fiscal years ended June 30, 2013 through 2017 are shown in the following table:

<u>Fiscal Year Ended June 30</u>	<u>Total Taxable Sales</u>	<u>Increase Over Previous Year</u>
2013	\$1,175,757,132	15.6%
2014	1,422,221,938	21.0
2015	1,476,943,491	3.8
2016	1,567,807,425	6.2
2017	1,726,191,488	10.1
2018 ¹	1,036,154,114	--

NOTE: Separate data for the Town are not available.

¹Seven months through January 31, 2017. Comparable taxable sales for the same seven months in fiscal year 2017 amounted to \$1,043,197,760.

Source: North Carolina Department of Revenue, Sales and Use Tax Division. Most recent available data.

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Employment

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
January	6.7%	5.0%	5.5%	5.1%	5.3%	4.4%
February	6.2	5.1	5.0	5.1	4.9	N/A
March	5.9	5.4	4.8	5.1	5.0	N/A
April	5.4	4.4	4.5	4.6	4.1	
May	6.0	5.4	5.7	5.1	4.5	
June	6.5	5.4	5.7	5.7	4.6	
July	6.7	6.4	6.1	5.5	5.0	
August	6.1	5.9	5.9	5.7	5.0	
September	4.8	4.8	4.7	4.5	3.8	
October	5.2	4.7	5.1	4.6	3.8	
November	4.7	4.6	4.7	4.3	4.3	
December	4.4	4.7	5.0	4.8	4.2	

For comparison, the unemployment rate for January 2018 was 3.8% for Orange County, 4.7% for North Carolina and 4.5% for the United States.

Government and Major Services

GOVERNMENT STRUCTURE

The Town has a Council-Manager form of government. The Town Council is comprised of a Mayor and an eight-member Council. All Council Members serve four-year terms. The Mayor and four Council Members are elected every two years. All elections are on a non-partisan basis. The Council appoints the Town Manager and Town Attorney. The Mayor presides over the Council meetings and has full voting privileges. The Town Manager is the chief administrative officer of the Town. Town departments are responsible to the Town Manager for the provision of public services.

Roger L. Stancil has served as Chapel Hill Town manager since 2006 and has announced his retirement effective September, 2018. The Town is searching for his successor.

EDUCATION

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

The table below shows the number of schools by level and average daily membership in the Chapel Hill-Carrboro City School System for the five year period beginning with the 2013-14 school year.

School Year	Elementary Grades K-5		Intermediate Grades 6-8		Secondary Grades 9-12		Totals
	No.	ADM*	No.	ADM*	No.	ADM*	ADM*
2013-14	11	5,540	4	2,877	3	3,758	12,175
2014-15	11	5,522	4	2,867	3	3,707	12,096
2015-16	11	5,480	4	2,838	3	3,686	12,004
2016-17	11	5,547	4	2,834	3	3,756	12,137
2017-18	11	5,498	4	2,835	3	3,906	12,239

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

Source: Chapel Hill/Carrboro City Schools, Communication Department.

Note: Excludes hospital school enrollment.

TRANSPORTATION

Major expansion, maintenance and betterment of primary and secondary highways in the Federal and State highway systems within the Town limits are chiefly the State's responsibility, although the Town does participate on a limited basis in expansion projects. The Town also is responsible for a portion of the acquisition of rights-of-way for such expansion or betterment related sidewalk improvements and street lighting. On June 30, 2017, approximately 66 miles of Town streets were on the State highway system.

Major expansion, maintenance and betterment of the local street system are the sole responsibility of the Town. Major expansions and betterments are financed with long-term bonds and current revenues. As of June 30, 2017, the Town maintained approximately 167 linear miles of streets.

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

The Town operates a bus system that provides public transportation services to the Town and adjacent areas, including services to the Town of Carrboro and the University of North Carolina at Chapel Hill on a contractual basis. Effective January 1, 2002, the Town instituted the State's first fare free transportation system for passengers on all regular routes and services. Bus routes and stops are located so that 90% of all households are within one quarter mile of a bus stop. Two park-ride lots are established on the western perimeter of the Town to facilitate transportation in and out of the University and downtown area, and the Town completed construction of additional park-ride lots on the northern and southern perimeters in 1995. The system operates 99 buses during weekday peak periods, and shared-ride, demand responsive programs to provide evening services.

During the 2016-17 fiscal year, the bus system carried over 6.5 million passengers and had the highest per capita ridership in the State, which places Chapel Hill in the top 10 for urban areas in the United States. The bus system is financed primarily with a special ad valorem tax levy, Federal and State operating and capital assistance, and contractual contributions from the Town of Carrboro and the University. The Town receives Federal operating assistance from the Federal Transit Administration and State operating assistance, which combined, equals about 30% of eligible operating costs for the system.

The Raleigh-Durham International Airport (RDU) is a major regional airport serviced by ten major airlines and sixteen commuter airlines. Approximately 11.7 million people boarded or deplaned aircraft at this airport in 2017.

PUBLIC SERVICE ENTERPRISES

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

OWASA has adequate water supplies to meet current demand from its three present reservoirs. To address long-term water storage needs, OWASA in the 1980s received an allocation from the State of North Carolina for a portion of future water supply from a regional lake. In 2001, OWASA and a private company received approval for expansion of a stone quarry that will become a water supply reservoir by the year 2030.

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

OWASA operates and maintains 343 miles of sanitary sewer and force main lines, and 21 pump stations to carry wastewater to the Mason Farm Wastewater Treatment Plant (WWTP), which has a peak treatment capacity of 14.5 MGD (daily average for a calendar month). Highly treated wastewater is recycled to the natural environment at Morgan Creek on the southeast side of Chapel Hill or provided as reclaimed water to the University of North Carolina at Chapel Hill (UNC). Morgan Creek is a tributary of Jordan Lake, a water source for several communities in the region. A recent Wastewater Treatment Plan Hydraulic and Treatment Capacity Study showed that no capacity increase is required at the wastewater treatment plant in the foreseeable future.

Parking Facilities — The Town owns and operates several off-street parking lots in the central business district including a parking facility with 309 spaces which was completed in 1993 and a parking facility underground of a mixed use development with 154 public spaces which was completed in 2013. In total, the parking enterprise manages 1,159 on-street and off-street parking spaces in the Downtown area. The parking facilities operations are accounted for in separate enterprise funds and are self-supporting.

Sanitary Landfill — The Town collects solid waste from residential and commercial customers in the Town. The Town delivers this waste to a transfer station in Durham operated by Waste Industries for eventual disposal. The Town is extending its contract with Waste Industries through June 30, 2019. The Town is continuing to review its options for future solid waste disposal with its local partners, including the possibility of partnering to building a new transfer station in Orange County.

Debt Information

LEGAL DEBT LIMIT

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, allowing for the issuance of all presently authorized bonds, including those being offered by this Official Statement, the Town has the statutory capacity to incur additional net general obligation debt in the approximate amount of \$539,576,000. For a summary of certain constitutional, statutory and administrative provisions governing or relating to the incurrence of debt by units of local government of the State, see Appendix B.

OUTSTANDING GENERAL OBLIGATION DEBT

General Obligation Bonds	Principal Outstanding as of			
	June 30, 2015	June 30, 2016	June 30, 2017	February 28, 2018
Street	\$ 2,158,333	\$1,725,525	\$ 4,362,500	\$4,212,500
Parks and Recreational				
Facilities	2,495,505	1,947,500	2,450,000	2,400,000
Refunding	7,637,000	6,802,000	5,716,000	5,716,000
Other	<u>13,371,162</u>	<u>12,996,975</u>	<u>19,212,500</u>	<u>18,812,500</u>
Total Debt Outstanding	<u>\$ 25,662,000</u>	<u>\$ 23,472,000</u>	<u>\$ 31,741,000</u>	<u>\$ 31,141,000</u>

Most Recent Bonds Issued:

2016-17 \$9,000,000 General Obligation Public Improvement Bonds, Series 2017, 10.44 years average maturity, 2.79683% true interest cost.

\$1,460,000 General Obligation Public Safety Bonds, Series 2017, 5.41 years average maturity, 2.0108% true interest cost.

GENERAL OBLIGATION DEBT RATIOS

At June 30	Total GO Debt	Assessed Valuation	Total GO Debt to Assessed Valuation	Population ¹	Total GO Debt Per Capita
2013	\$30,820,000	\$7,304,497,468	.42 %	59,653	\$516.65
2014	28,141,000	7,463,253,905	.38	59,753	470.96
2015	25,662,000	7,447,017,329	.34	59,569	430.79
2016	23,472,000	7,539,774,668	.31	59,852 ²	392.17
2017	31,741,000	7,532,719,242	.42	59,852 ²	530.32
<hr/>					
After the Bonds now offered are issued	\$41,761,000	\$8,033,963,152	.52 %	59,852 ²	\$697.74

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

²For purposes of this schedule, the 2016 population is being used.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS AND MATURITY SCHEDULE

<u>Fiscal Year</u>	<u>Existing Debt</u>		<u>Bonds Now Offered</u>
	<u>Principal</u>	<u>Principal & Interest</u>	
2018	\$ 2,771,000	\$ 3,890,407	\$ --
2019	2,752,000	3,803,088	625,000
2020	2,462,000	3,436,408	625,000
2021	2,282,000	3,178,867	625,000
2022	2,167,000	2,989,624	625,000
2023	2,161,000	2,906,229	625,000
2024	2,150,000	2,821,421	625,000
2025	2,140,000	2,727,594	625,000
2026	1,949,000	2,455,056	625,000
2027	1,892,000	2,321,068	625,000
2028	1,555,000	1,906,985	625,000
2029	1,555,000	1,839,983	625,000
2030	1,560,000	1,776,917	625,000
2031	1,560,000	1,712,563	625,000
2032	535,000	621,627	625,000
2033	450,000	520,875	625,000
2034	450,000	507,375	625,000
2035	450,000	493,313	625,000
2036	450,000	479,250	625,000
2037	450,000	464,625	625,000
2038			625,000
	<hr/> \$ 31,741,000	<hr/> \$ 40,853,275	<hr/> \$ 12,500,000

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GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED

<u>Purpose</u>	<u>Date Approved</u>	<u>Bonds Authorized and Unissued</u>	<u>Bonds Now Offered</u>	<u>Balance</u>
Streets and Sidewalks	11/03/2015	\$ 13,200,000	\$ 5,500,000	\$ 7,700,000
Parks and Recreation	11/03/2015	7,000,000	4,300,000	2,700,000
Stormwater	11/03/2015	5,900,000	2,700,000	3,200,000
Solid Waste	11/03/2015	<u>5,200,000</u>	<u>--</u>	<u>5,200,000</u>
		\$31,300,000	\$12,500,000	\$ 18,800,000

GENERAL OBLIGATION DEBT INFORMATION FOR OVERLAPPING UNIT AS OF JANUARY 31, 2018

<u>Unit</u>	<u>2016 Population¹</u>	<u>Assessed Valuation</u>	<u>Tax Rate Per \$100</u>	<u>Debt Authorized and Unissued</u>		<u>Total GO Debt²</u>		<u>Total GO Debt Per Capita</u>
				<u>Utility</u>	<u>Other</u>	<u>Utility</u>	<u>Other</u>	
Orange County	143,264	\$17,024,519,084	\$.878	\$ —	\$101,500,000 ³	\$ —	\$79,830,000	\$557.22

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

²Does not include non-general obligation debt.

³Approved by voters on November 8, 2016.

OTHER LONG-TERM COMMITMENTS

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,890,000	\$ 863,831	\$ 2,753,831
2019	1,920,000	772,331	2,692,331
Thereafter	<u>14,235,000</u>	<u>3,057,969</u>	<u>17,292,969</u>
	<u>\$ 18,045,000</u>	<u>\$ 4,694,131</u>	<u>\$ 22,739,131</u>

The Town entered into a fifteen year installment purchase contract with Bank of North Carolina in June 2015 for \$2,395,000 to renovate various municipal facilities. The Town entered into a fifteen year installment purchase contract with Raymond James in March 2016 for \$7,984,000 to renovate various facilities and for Ephesus Fordham road reconstruction. The Town entered into a two year installment purchase contract with the American Legion in March 2017 for \$4,300,000 for the acquisition of approximately 35 acres in the Town. Maturities of the installment contracts payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$2,827,000	\$ 221,554	\$ 3,048,554
2019	2,833,000	205,978	3,038,978
Thereafter	<u>8,345,000</u>	<u>1,218,045</u>	<u>9,563,045</u>
	<u>\$14,005,000</u>	<u>\$ 1,645,577</u>	<u>\$ 15,650,577</u>

The Town has six installment purchase contracts with various banks that were entered into between February 2010 and December 2013 for the purchase of vehicles. Maturities of the installment notes payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 629,009	\$ 21,386	\$ 650,395
2019	390,167	10,463	400,630
Thereafter	<u>327,093</u>	<u>5,093</u>	<u>332,186</u>
	<u>\$ 1,346,269</u>	<u>\$ 36,942</u>	<u>\$ 1,383,211</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 560,000	\$ 156,309	\$ 716,309
2019	597,000	119,109	716,109
Thereafter	<u>5,251,000</u>	<u>478,359</u>	<u>5,729,359</u>
	<u>\$ 6,408,000</u>	<u>\$ 753,777</u>	<u>\$ 7,161,777</u>

DEBT OUTLOOK

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

The Town expects to issue the remainder of the authorized but unissued general obligation bonds (in the amount of \$18,800,000) in several installments over the next 3 years.

The Town is currently in the planning process for the replacement of public safety facilities, including police headquarters and several fire stations. In addition, the Town is looking to address other space needs by combining public safety with other uses in one "multi-agency" facility. Preliminary estimates suggest that the total cost of a multi-agency facility will be between \$30-35 million, depending on the final scope and location of the project. It is expected that the project will be financed in FY 2019.

The town plans to conduct a voter referendum in November 2018 on the authorization of up to \$10 million in general obligation bonds for the affordable housing purposes. The Town expects that it will issue the bonds, if approved by the voters, in several installments over several years.

Tax Information

GENERAL INFORMATION

	Fiscal Year Ended/Ending June 30			
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018*</u>
Assessed Valuation:				
Assessment Ratio ¹	100%	100%	100%	100%
Real Property	\$6,862,387,124	\$6,913,283,131	\$6,902,832,865	\$7,402,577,555
Personal Property	519,383,543	541,047,846	546,117,755	546,918,023
Public Service Companies ²	<u>65,246,662</u>	<u>85,443,691</u>	<u>83,768,622</u>	<u>84,467,574</u>
Total Assessed Valuation	\$7,447,017,329	\$7,539,774,668	\$7,532,719,242	\$8,033,963,152
Rate per \$100 ³	.524	.524	.524	.508
Levy	\$ 39,008,228	\$ 39,508,419	\$ 39,471,449	\$ 40,812,533

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

*Unaudited estimates for 2017-18 budget year.

¹Percentage of appraised value has been established by statute.

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

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

Fiscal Year	General Fund Rate (cents per \$100)	Transit Rate (cents per \$100)	Debt Rate (cents per \$100)	Total Rate (cents per \$100)
2013-14	38.8	5.1	7.5	51.4¢
2014-15	38.8	5.1	8.5	52.4¢
2015-16	38.8	5.1	8.5	52.4¢
2016-17	38.8	5.1	8.5	52.4¢
2017-18	37.6	5.0	8.2	50.8¢

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

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

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

TAX COLLECTIONS

<u>Year Ended June 30</u>	<u>Prior Years' Levies Collected</u>	<u>Current Year's Levy Collected</u>	<u>Percentage of Current Year's Levy Collected</u>
2013	\$235,876	\$35,809,148	99.24%
2014	245,102	38,115,148	99.36
2015	201,104	38,849,950	99.59
2016	151,200	39,638,269	99.62
2017	147,506	39,592,392	99.60
At 2-28-2018	84,679	39,886,495	99.39

TEN LARGEST TAXPAYERS FOR FISCAL YEAR 2016-17

<u>Name</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Tax Levy</u>	<u>Percentage of Total Assessed Valuation</u>
Duke Energy Carolinas	Public Utility	\$ 42,259,300	\$ 221,439	0.56%
State Employees Credit Union	Bank	41,192,339	215,848	0.55
Northwestern Mutual Life (Chapel Watch Apts.)	Apartment Rental	38,765,858	203,133	0.51
Madison University Mall	Shopping Center	37,185,569	194,852	0.49
East 54 Office Retail LLC	Office/Retail	35,239,900	184,657	0.47
Europa Center LLP	Office Building	27,748,052	145,400	0.37
Granville Towers LLC	Apartment Rental	27,387,148	143,509	0.36
NC UNC Holdings LLC	Apartment Rental	24,753,568	129,709	0.33
DDRM Meadowmont				
Village Center LLC	Retail	24,463,692	128,190	0.32
Glen Lennox	Apartment Rental	<u>23,123,000</u>	<u>121,165</u>	<u>0.31</u>
		\$ 322,118,426	\$ 1,687,902	4.28%

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Budget Commentary

The adopted budget for 2017-18 maintains services at generally the same level as prior years without an increase in property taxes.

The adopted budget makes major investments in strategies to achieve Council Goals including the following:

- For operations of the housing initiative, the Town continues the commitment to fund an amount equal to one cent on the tax rate for new programs to promote affordable housing;
- The FY18 Transit budget includes the purchase of 19 buses using a combination of Orange County Transit Plan and grant funds. The FY18 Transit Budget includes the first debt service payment of \$716,309 for the buses purchased in FY17;
- Housed in the Library budget, the Town continues to support the Open Data Portal in an effort to make information freely available to all;
- Contributes \$840,000 towards the post-employment benefit (OPEB) liability;
- Maintains spending level for pay-go capital for items such as a maintenance and playground equipment replacement;
- As a budget balancing strategy, the Town budgeted \$1.25 million in lapsed salary to recognize the level of turnover anticipated in the upcoming year.

Employee Costs

Personnel costs are by far the largest expense in the General Fund budget, representing over 70% of total budgeted expenditures. Although salaries have been held at relatively the same level since the economic downturn, employee health insurance averaged double digit increases for FY 08 through FY 12. To address this trend in health care cost, the Town entered into a partnership with UNC Healthcare to develop and implement a unique and innovative approach to delivering health care to employees that the Town believes will ultimately improve employee health, make the employees better consumers of health care services and significantly reduce the Town's costs.

The Health Care Initiative provides an on-site clinic that will serve as a first line care provider for non-emergency employee health needs and a wellness/health risk assessment program that will help identify and treat employee health issues before they become debilitating both physically and financially. The Town has chosen to invest in employee health and safety as a means to controlling healthcare expenditures. Between FY12 through FY16, employee healthcare costs declined considerably. However, for FY 17 and FY18, the Town experienced double digit increases once again. A task force of Town employees has been put together to look at ways to keep healthcare costs at a manageable level.

(Remainder of page left intentionally blank.)

Property Tax Rates (cents per \$100 of assessed valuation)

Real property was reappraised for 2017-18 taxation and the Town adopted “revenue-neutral” tax rates for 2017-18.

	<u>2016-17</u>	<u>2017-18</u>
General Fund	38.8	37.6
Debt Fund	8.5	8.2
Transit	<u>5.1</u>	<u>5.0</u>
Total	52.4	50.8
Downtown Special District	7.1	7.0

Pension Plans

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

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

The System provides, on a uniform System-wide basis, retirement and, at each employer’s option, death benefits from contributions made by employers and employees. Employee members contribute six percent of their individual compensation. Each new employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The normal contribution rate, uniform for all employers, was 7.25% of eligible payroll for general employees and 8.00% of eligible payroll for law enforcement officers for the year ended June 30, 2017. The normal contribution rate is 7.50% of eligible payroll for general employees and 8.25% of eligible payroll for law enforcement officers for the year ending June 30, 2018. The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees’ service rendered prior to the date the employer joins the system.

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

Contributions to the system are determined on an actuarial basis.

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

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

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

Other Post-Employment Benefits

For employees hired on or before June 30, 2010, the Town contributes to employee health insurance and allows employees to participate in a dental insurance program. Pursuant to a Town resolution, the Town provides postretirement health and dental benefits to retirees and Town Council members of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System and have at least five years of creditable service with the Town. The Town pays the full cost of coverage for employees who retire with 20 years of creditable service; 75% of the cost of coverage for retirees with 15 years of creditable service; 50% of the cost of coverage for retirees with 10 years of creditable service, and 25% of the cost for retirees with 5 years of creditable service. When they reach the age of 65, Town retirees are eligible for the Medicare supplement reimbursement. The retiree must have been covered under the Town's health plan immediately before reaching age 65.

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

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

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

The Town contracted with an actuarial firm for an actuarial study on the other post-employment benefits (OPEB) through December 31, 2016 and in accordance with GASB 68, the Town's financial statements for fiscal year 2017 reported the annual required contribution (ARC) to fund the future liability for employee health insurance. The actuarial study determined that the Town's total liability is about \$56.1 million, and its annual required contribution is \$6,484,071. The Town has historically funded health benefits for retirees on a pay as you go basis. For the year ended June 30, 2017, the Town paid \$1,755,352 for retiree health benefits. The Town has budgeted \$1,554,905 for the year ending June 30, 2018 for retiree health benefits and \$840,000 to deposit in the Town's OPEB trust account for future retiree health costs.

In June of 2016 the Town created an irrevocable trust exclusively for pre-funding assets of the Town's defined benefit retiree healthcare plan. Funds held in the irrevocable trust can only be used for OPEB related costs. For the year ended June 30, 2017, the Town contributed \$2,958,000 to the trust.

Litigation

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

CONTINUING DISCLOSURE

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

- (a) by not later than seven months from the end of each fiscal year of the Town, audited financial statements of the Town for such fiscal year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of the Town are not available by seven months from the end of such fiscal year, unaudited financial statements of the Town for such fiscal year to be replaced subsequently by audited financial statements of the Town to be delivered within 15 days after such audited financial statements become available for distribution;
- (b) by not later than seven months from the end of each fiscal year of the Town, (i) the financial and statistical data as of a date not earlier than the end of the preceding fiscal year for the type of information included under heading "The Town - Debt Information and Tax Information" in this Official Statement (excluding any information on overlapping or underlying units) and (ii) the combined budget of the Town for the current fiscal year, to the extent such items are not included in the audited financial statements referred to in (a) above;
- (c) in a timely manner, not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:
 - (1) principal and interest payment delinquencies;
 - (2) non-payment related defaults;
 - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) substitution of credit or liquidity providers, or their failure to perform;
 - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - (7) modification to rights of the beneficial owners of the Bonds; if material;
 - (8) Bond calls other than mandatory sinking fund redemptions, if material, and tender offers;
 - (9) defeasance of any of the Bonds;
 - (10) release, substitution or sale of any property securing repayment of the Bonds;
 - (11) rating changes;
 - (12) bankruptcy, insolvency, receivership or similar proceedings related to the Town or any other person or entity that may at any time become legally obligated to make payments on the Bonds (collectively, the "Obligated Persons");
 - (13) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of an Obligated Person, other

than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (d) in a timely manner, to the MSRB, notice of a failure of the Town to provide required annual financial information described in (a) or (b) above on or before the date specified.

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

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

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

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

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

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

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

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

Town's history of continuing disclosure

On several occasions, the Town has not been in full compliance with previous continuing disclosure undertakings. In particular –

- In 2012, the Town carried out the advance refunding of certain maturities of general obligation bonds originally issued in 2003 and 2004. It appears that neither notices of refunding nor redemption notices were posted on the MSRB's EMMA system with respect to the refunded bonds, despite the Town's having contracted with a third party to carry out those postings.
- With respect to Certificates of Participation originally issued in 2005 (which were defeased in 2012 and retired in 2015) and Limited Obligation Bonds issued in 2012 (and still outstanding), no continuing disclosure information was posted until January 2017. The Town has posted appropriate continuing disclosure information, on a timely basis, with respect to its general obligation bonds, but the posted information did not appear on EMMA with respect to either the Certificates of Participation or the Limited Obligation Bonds. The Town has now provided for the appropriate financial information to be linked on EMMA to the Town's 2012 Limited Obligation Bonds.

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

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

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

[Remainder of page intentionally left blank]

APPROVAL OF LEGAL PROCEEDINGS

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

The proposed form of Bond Counsel's approving opinion on the Public Improvement Bonds is attached as Appendix E.

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

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

[Remainder of page intentionally left blank]

RATINGS

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

TAX TREATMENT

Opinion of Bond Counsel. In the opinion of Sanford Holshouser LLP, Carrboro, North Carolina, Bond Counsel for the Town ("Bond Counsel"), under existing law, interest on the Bonds (1) will not be included in gross income for federal income tax purposes, (2) will not be a specific item of tax preference for purposes of the federal alternative minimum income tax and (3) will be exempt from existing State of North Carolina income taxation.

Interest on the Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum income tax on corporations that applies for taxable years that began prior to January 1, 2018. Bond Counsel will express no other opinion regarding the federal or North Carolina tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

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

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

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

respect to State of North Carolina and local tax consequences of owning and disposing of the Premium Bonds.

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

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

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

FINANCIAL ADVISOR

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

UNDERWRITING

The underwriters for the Bonds are _____.*

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

*Information provided by underwriters.

MISCELLANEOUS

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

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

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

LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

By

Greg C. Gaskins
Secretary of the Commission

TOWN OF CHAPEL HILL, NORTH CAROLINA

By

Pam Hemminger
Mayor

By

Roger L. Stancil
Town Manager

By

Kenneth C. Pennoyer
Director of Business Management

From: Roger Stancil
Sent: Wednesday, March 21, 2018 3:56 PM
To: Allen Buansi; Donna Bell; Hongbin Gu; Jeanne Brown; Jess Anderson; Karen Stegman; Town Council; Michael Parker; Nancy Oates; Pam Hemminger; Rachel Schaevitz; Roger Stancil; Ross Tompkins
Cc: Ken Pennoyer; Amy Harvey; Beth Vazquez; Carolyn Worsley; Catherine Lazorko; Christina Strauch; Dwight Bassett; Flo Miller; Mary Jane Nirdlinger; Rae Buckley; Ralph Karpinos; Ran Northam; Roger Stancil; Sabrina Oliver
Subject: Council Question: Refunding Bonds

Council Question: On p. 10 of the bond document (p. 14 of the pdf), the chart of General Obligation bonds has a line called "Refunding." What does that mean?

Staff Response: *These are bonds issued to retire debt that carries a higher interest rate. Similar to refinancing a home mortgage when interest rates drop. The Town pays off the existing debt using the proceeds of new lower interest rate bonds thereby saving money over the remaining life of the bonds. This is a common tool used by local governments to manage debt cost. The Town's last refunding transaction occurred in 2012, saving about \$300,000 in interest costs. Refunding transactions are approved by Council.*