

Discussion Materials

Town of Pineville, North Carolina



August 26, 2024

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Tax Supported Credit and Financial Policy Overview

Credit Rating Overview and Peer Comparatives



Town of Pineville, NC Credit Ratings

- The Town is currently not rated by Moody's, S&P and Fitch.
 - The Town has not needed a credit rating since they do not have any outstanding public debt.

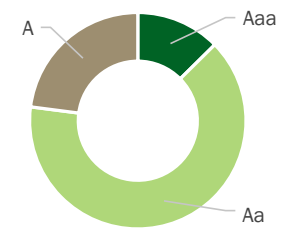
Moody's Investor Services	Standard & Poor's	Fitch Ratings
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BB+	BB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Non Investment Grade		

Peer Comparatives

- The following pages contain peer comparatives based on the below Moody's rating categories as shown below:

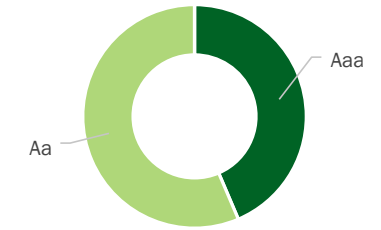
National Moody's Rated Cities and Towns

	Number of Credits	Percentage of Credits
Aaa	240	13%
Aa	1227	64%
A	437	23%
Total	1,904	100%



North Carolina Moody's Rated Cities and Towns

	Number of Credits	Percentage of Credits
Aaa	17	44%
Aa	22	56%
A	0	0%
Total	39	100%



- NC 'Aaa': Apex, Asheville, Cary, Chapel Hill, Charlotte, Concord, Davidson, Durham, Fuquay-Varina, Greensboro, Huntersville, Mooresville, Morrisville, Raleigh, Wake Forest, Wilmington, Winston-Salem
- NC 'Aa': Carrboro, Clayton, Fayetteville, Garner, Gastonia, Greenville, Hickory, High Point, Holly Springs, Indian Trail, Jacksonville, Kannapolis, Matthews, Monroe, Mount Holly, Nags Head, River Bend, Rocky Mount, Sanford, Thomasville, Wilson, Zebulon
- NC 'A': None.

Note: The data shown in the peer comparatives is from Moody's Municipal Financial Ratio Analysis database. The figures in the chart above are from September 2023. The peer comparison data is derived from FY 2021 figures in most cases.

Rating Agency Methodologies



Moody's Rating Methodology

Category	Rating Percentage	Short Term Control	Long Term Control
Economy	30%		✓
Financial Performance	30%	✓	✓
Institutional Framework	10%		✓
Leverage	30%	✓	✓

- On November 2, 2022, 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.
- 5 defined below the line qualitative adjustments can be made based upon certain factors not included in the quantitative score.
- While the defined notching factors have been reduced, a new category for other considerations will allow for any other factor deemed appropriate by the rating analysts and committee to be considered in the rating outcome.

S&P Rating Methodology

Category	Rating Percentage	Short Term Control	Long Term Control
Institutional Framework	10%		✓
Economy	30%		✓
Management	20%	✓	✓
Budget Flexibility	10%	✓	✓
Budgetary Performance	10%	✓	✓
Liquidity	10%	✓	✓
Debt and Contingent Liabilities	10%	✓	✓

- 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.
- Up to a one-notch adjustment can be made from the indicative rating based on other qualitative factors not included in the quantitative score.

Financial Policy Review and Development



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.
 - Reporting / Continuing Disclosure Policies.
 - Capital Improvement Policies.
 - Budget Development Policies.

GFOA Financial Policy Recommendations

General Fund Balance

- “GFOA recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund for GAAP and budgetary purposes.”
- “Such a guideline should be set by the appropriate policy body and articulate a framework and process for how the government would increase or decrease the level of unrestricted fund balance over a specific time period.”
- “Governments should provide broad guidance in the policy for how resources will be directed to replenish fund balance should the balance fall below the level prescribed.”

Debt Management

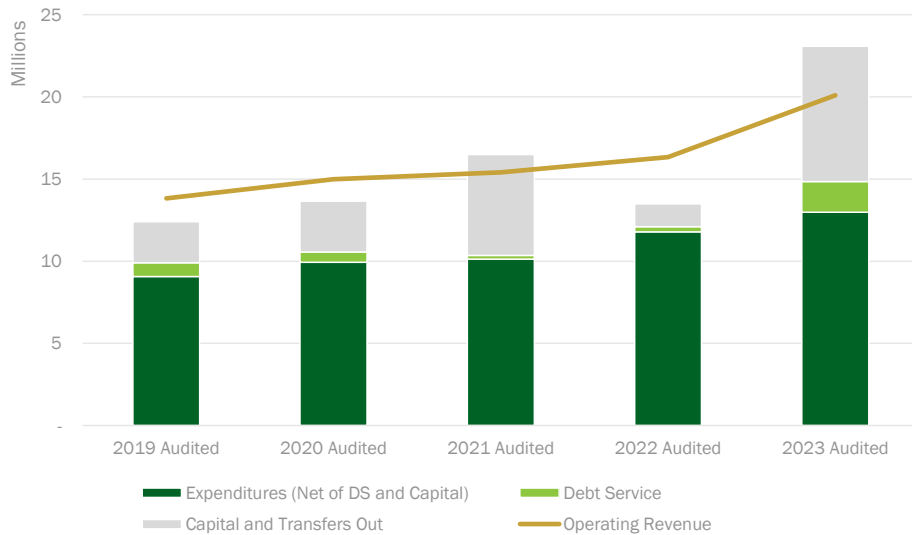
- Key policy factors include (but are not limited to):
 - Debt limits: “Governments should consider criteria for evaluating when debt should be issued and set limits or ranges for each type of debt in their debt policies. Limits generally are set for legal, public policy, financial restrictions, and planning considerations.”
 - Debt structuring practices: “The policy should include specific guidelines regarding the debt structuring practices for each type of bond”.
 - Debt Issuance Practices: “The policy should provide guidance regarding the issuance process, which may differ for each type of debt”.
 - Debt Management Practices: “The policy should provide guidance for ongoing administrative activities.”

General Fund Operations and Fund Balance

General Fund Financial Performance



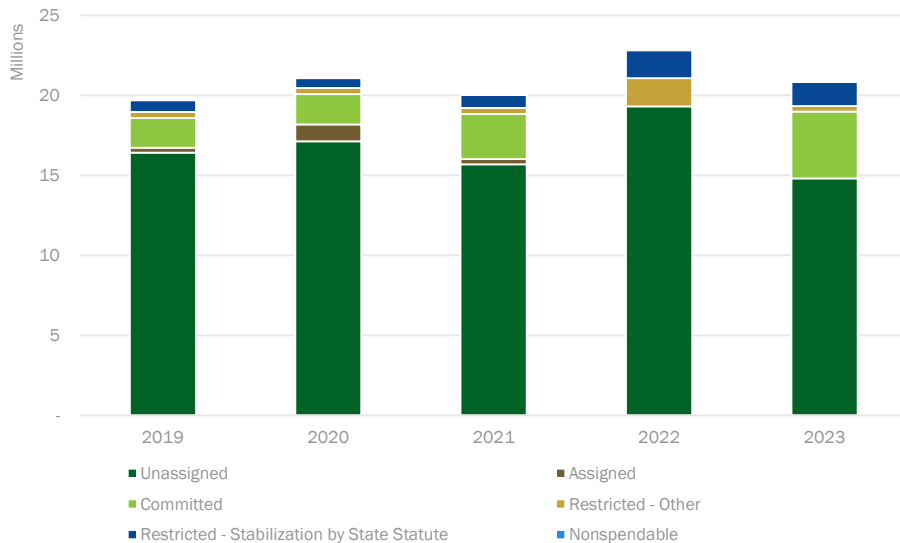
General Fund Revenues vs. Expenditures



Observations

- Historically, the Town's operating revenues have exceeded operating and debt service expenditures, resulting in a structurally balanced budget and annual operating surpluses.
- The Town has invested in capital expenditures utilizing current year revenue and excess fund balance.
 - In FY 2023, the Town funded capital expenditures of approximately \$7 million. Of this amount, approximately \$3.7 million is expected to be reimbursed from land sale proceeds.

General Fund Balance



- The Town has maintained a healthy general fund balance, with total reserves at or in excess of \$20 million over the last four years.
 - A portion of the Town's fund balance is committed for tourism and storm water related expenses.
 - The majority of the Town's general fund balance is unassigned.

Current General Fund Balance Policy (Unassigned)

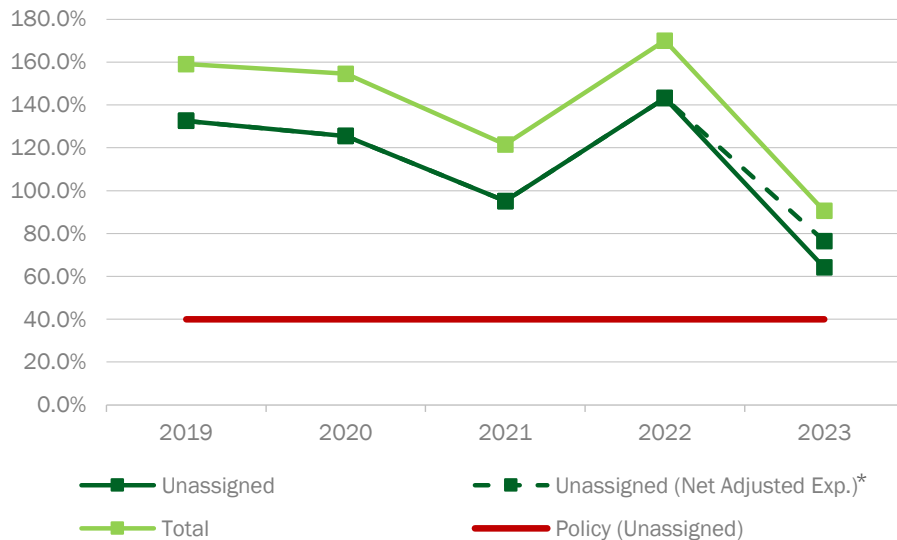


General Fund Balance Policy

The Town has an adopted Fund Balance Policy, stating:

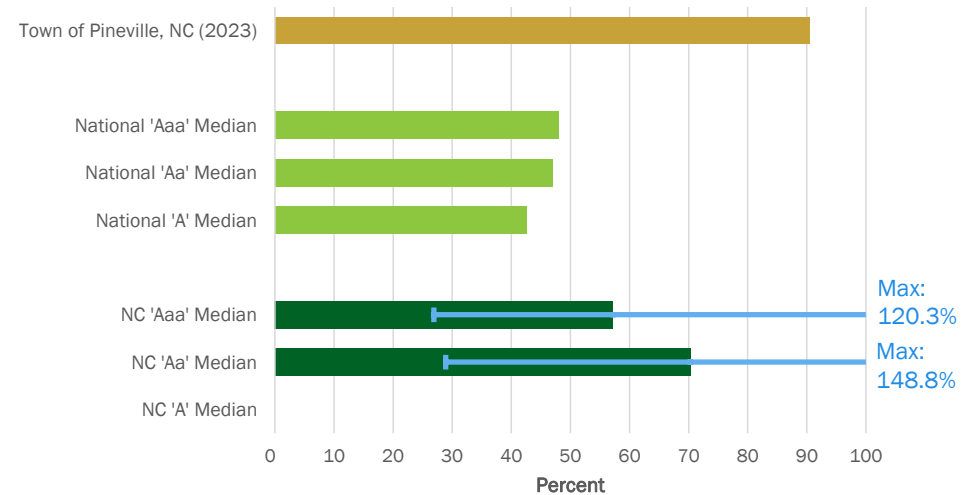
- “The governing body of the Town of Pineville has adopted a fund balance policy that states all revenues in excess of expenditures realized at the end of any given fiscal year will be credited to unassigned fund balance until a minimum goal of 40% for the general fund is realized (per FY 2023 Audit).”
 - Historically, the Town’s policy has been calculated using adjusted expenditures which include expenditures plus transfers out.

General Fund Balance as a % of Expenditures and Transfers Out

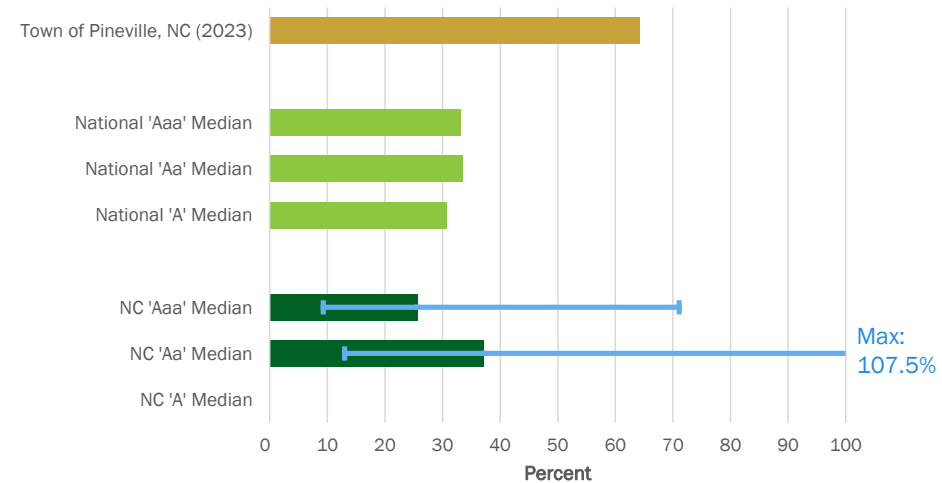


General Fund Balance as a % of Budget

Total General Fund Balance as % of Budget



Unassigned Fund Balance as % of Budget



Gold – Reflects Town of Pineville Value
 Dark Green – Reflects NC (Aaa, Aa, A) Median Values
 Light Green – Reflects National (Aaa, Aa, A) Median Values
 Blue Line – Reflects Min/Max Values

Source: Town Audits / Moody's MFRA

*Note: Net Adjusted Expenditures is adjusted for \$3.7 million of capital expenditures that will be reimbursed.

General Fund Balance Policy Considerations



FY23 Unassigned GF Balance Sample Policy

A	B	C	D	E	F
Policy Level - Months of Expenditures	Policy Level - % of Expenditures ¹	Policy Level Expenditures ¹	Policy Requirement (\$)	Unassigned Fund Balance	Excess Fund Balance (E - D)
1	8%	19,374,635	1,549,971	14,806,886	13,256,915
2	16%	19,374,635	3,099,942	14,806,886	11,706,944
3	24%	19,374,635	4,649,912	14,806,886	10,156,974
4	32%	19,374,635	6,199,883	14,806,886	8,607,003
5	40%	19,374,635	7,749,854	14,806,886	7,057,032
6	48%	19,374,635	9,299,825	14,806,886	5,507,061
7	56%	19,374,635	10,849,796	14,806,886	3,957,090
8	64%	19,374,635	12,399,766	14,806,886	2,407,120

¹ For purposes of this policy calculation, expenditures utilized are equal to General Fund expenditures plus transfers out and capital excluding \$3.7 million land purchase to be reimbursed.

- Currently, as of FY 2023, the Town has a strong Unassigned General Fund Balance well in excess of the current policy level of 40%. The Town may consider utilizing excess Unassigned Fund Balance for one-time purposes such as capital expenditures / or transfers to a capital reserve.
- In conjunction with the use of excess Unassigned Fund Balance, the Town may consider potential revisions / enhancements to the existing General Fund Balance Policy.

Potential General Fund Balance Policy Considerations

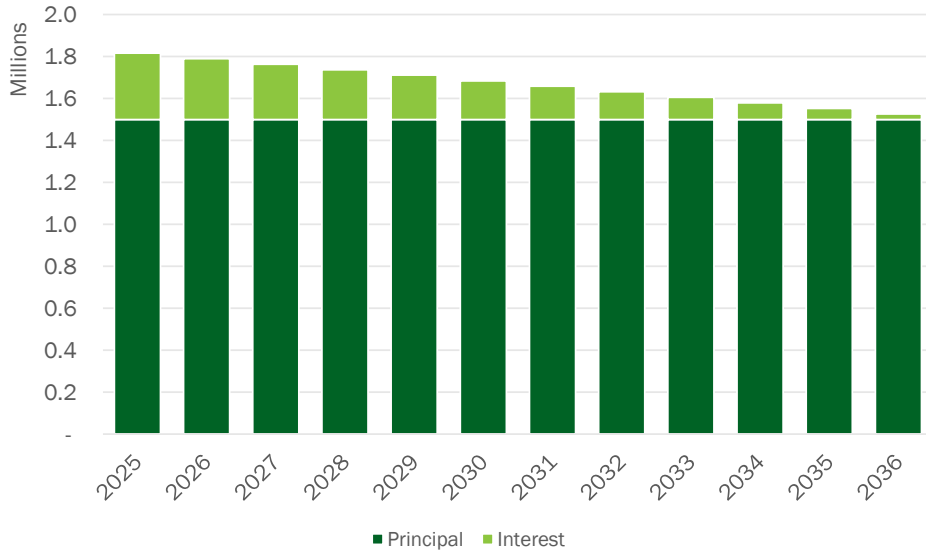
- Key Considerations:
 - Establish a minimum reserve level that provides ample liquidity based on historical expenditure levels and cash flows and that provides an allowance for unforeseen one time events.
 - Provide flexibility for the use of reserves in excess of the policy level, if justified. Provide 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:
 - The Town will target Unassigned Fund Balance, as defined by the Governmental Accounting Standards Board, equal to **[32% (4 months)]** of the General Fund Budget and maintain a minimum Unassigned Fund Balance at the close of each fiscal year equal to **[24% (3 months)]** of the General Fund Budget.
 - In the event that funds are available over and beyond the targeted amount, those funds may be appropriated for one-time expenditures (such as capital) or transferred to capital reserve funds or capital projects funds at the Town Council's discretion.
 - The Town Council may, from time-to-time, utilize fund balances that will reduce Unassigned Fund Balance below the **[24%]** minimum for the purposes of a declared fiscal emergency or other such purpose as to protect or enhance the long-term fiscal security of the Town. In such circumstances, the Town Council will adopt a plan to restore the Unassigned Fund Balance to the minimum policy level within [a reasonable period of time].

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	18,000,000	2,053,943	20,053,943	
2025	1,500,000	316,590	1,816,590	83.33%
2026	1,500,000	289,415	1,789,415	90.91%
2027	1,500,000	263,104	1,763,104	100.00%
2028	1,500,000	236,794	1,736,794	100.00%
2029	1,500,000	211,060	1,711,060	100.00%
2030	1,500,000	184,173	1,684,173	100.00%
2031	1,500,000	157,863	1,657,863	100.00%
2032	1,500,000	131,552	1,631,552	100.00%
2033	1,500,000	105,530	1,605,530	100.00%
2034	1,500,000	78,931	1,578,931	100.00%
2035	1,500,000	52,621	1,552,621	100.00%
2036	1,500,000	26,310	1,526,310	100.00%

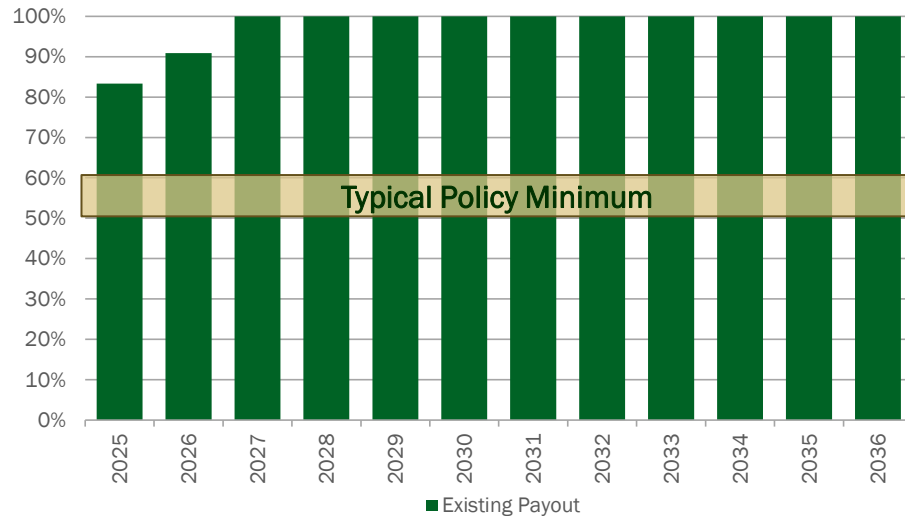
Par Outstanding – Estimated as of 6/30/2024

Type	Par Outstanding
2021 IFC	\$18,000,000
Total	\$18,000,000

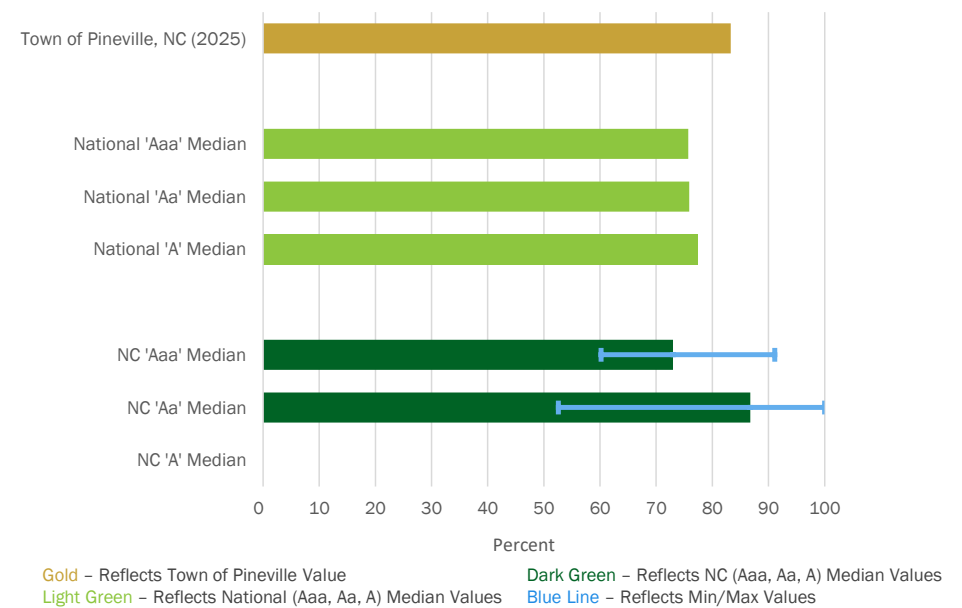
Key Debt Ratio: Tax Supported Payout Ratio



10-Year Payout Ratio



10-year Payout Ratio Peer Comparative



- Existing 10-year Payout Ratio

- FY 2025: 83.3%

- 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 establishing a minimum aggregate 10-Year Payout Ratio.

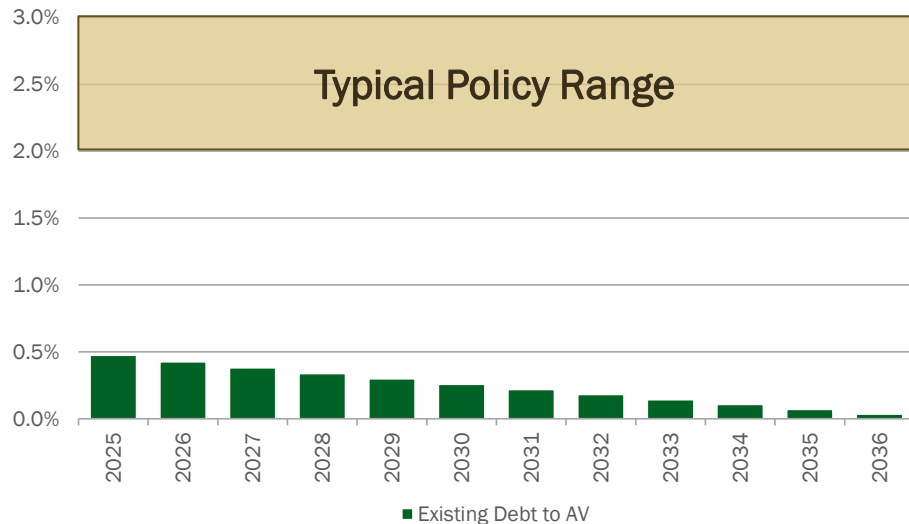
- Rating Considerations:

- 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

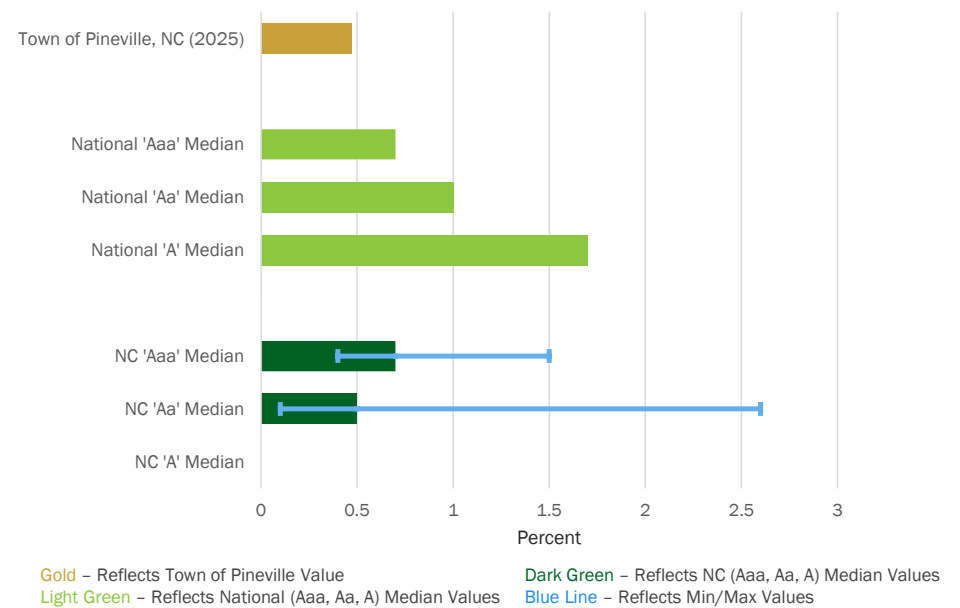
- FY 2025: 0.47%

- Assumed Future Growth Rates

- 2025 Assessed Value: 3,791,902,902
 - 2026 - 2027: 2.00%
 - 2028 & Beyond: 1.00%

- The Town may want to consider establishing a maximum Debt to Assessed Value Ratio.

Debt to Assessed Value Peer Comparative



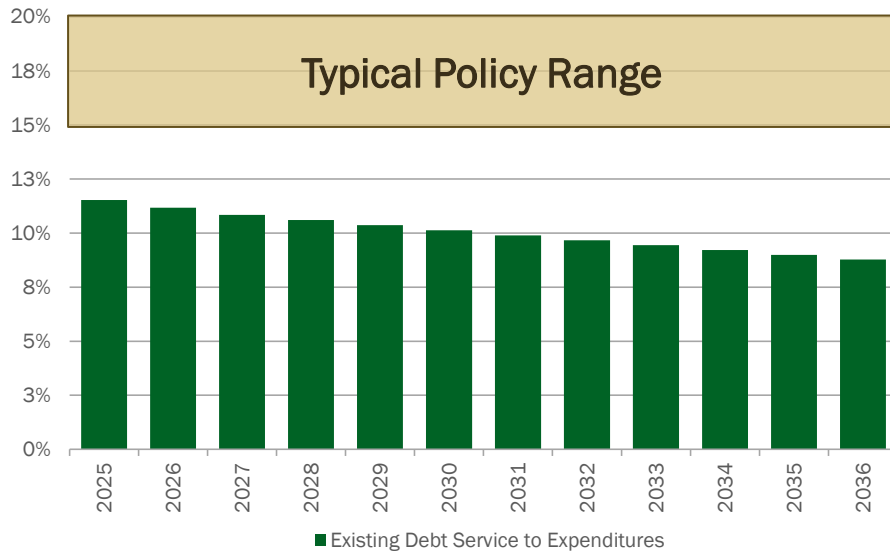
- Rating Considerations:

- 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%.

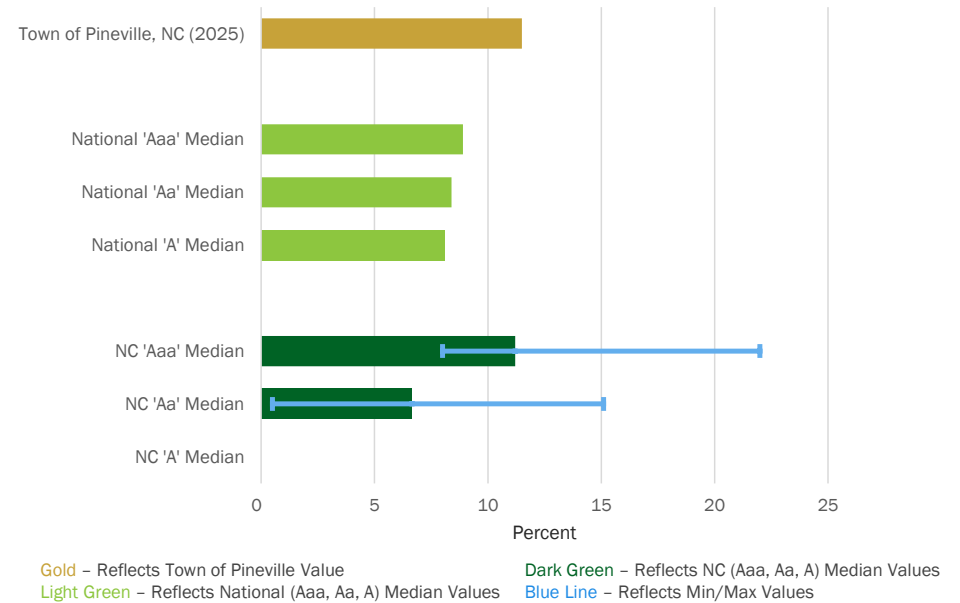
Key Debt Ratio: Debt Service vs. Expenditures



Debt Service vs. Governmental Expenditures



Debt Service vs. Expenditures Peer Comparative



Existing Debt Service vs. Expenditures

– FY 2025: 11.53%

Assumed Future Growth Rates

– 2023 Adjusted Expenditures: \$13,397,576
 – 2024 - 2027: 2.00%
 – 2028 & Beyond: 1.00%

■ The Town may want to consider establishing a policy that sets a maximum Debt Service to Expenditures.

Rating Considerations:

– 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%

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

Debt Affordability Analysis

Existing Tax Supported Debt



A	B Capital Funding Requirements					G Revenue Available for DS							N Cash Flow Surplus (Deficit) ^A	
Fiscal Year	Existing Debt Service - 2021 IFA	Proposed Debt Service	Annual CIP Pay-Go Cash	Additional CIP Pay-Go Cash	Total Requirements	General Fund Budgeted Debt Service	General Fund Pay-Go Budget	1¢ Dedicated to Debt Service	Library Rent Revenue	Radio System Maintenance Savings	Other Revenues	Total Revenues Available	Annual Surplus/ (Deficit)	Capital Reserve (Unadjusted)
2024														\$0
2025	\$ 1,816,590	\$ -	\$ 1,400,000	\$ -	\$ 3,216,590	\$ 1,170,602	\$ 1,400,000	\$ 375,398	\$ 672,000	\$ 250,000	\$ 1,700,000	\$ 5,568,000	\$2,351,410	2,351,410
2026	1,789,415	-	1,400,000	-	3,189,415	1,170,602	1,400,000	-	672,000	250,000	5,000,000	8,492,602	5,303,187	7,654,598
2027	1,763,104	-	1,400,000	-	3,163,104	1,170,602	1,400,000	-	672,000	250,000	-	3,492,602	329,498	7,984,096
2028	1,736,794	-	1,400,000	-	3,136,794	1,170,602	1,400,000	-	672,000	250,000	-	3,492,602	355,808	8,339,904
2029	1,711,060	-	1,400,000	-	3,111,060	1,170,602	1,400,000	-	672,000	250,000	-	3,492,602	381,542	8,721,446
2030	1,684,173	-	1,400,000	-	3,084,173	1,170,602	1,400,000	-	672,000	-	-	3,242,602	158,429	8,879,875
2031	1,657,863	-	1,400,000	-	3,057,863	1,170,602	1,400,000	-	672,000	-	-	3,242,602	184,740	9,064,614
2032	1,631,552	-	1,400,000	-	3,031,552	1,170,602	1,400,000	-	672,000	-	-	3,242,602	211,050	9,275,664
2033	1,605,530	-	1,400,000	-	3,005,530	1,170,602	1,400,000	-	672,000	-	-	3,242,602	237,072	9,512,736
2034	1,578,931	-	1,400,000	-	2,978,931	1,170,602	1,400,000	-	672,000	-	-	3,242,602	263,671	9,776,407
2035	1,552,621	-	1,400,000	-	2,952,621	1,170,602	1,400,000	-	672,000	-	-	3,242,602	289,981	10,066,388
2036	1,526,310	-	1,400,000	-	2,926,310	1,170,602	1,400,000	-	672,000	-	-	3,242,602	316,292	10,382,680
2037	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	11,553,282
2038	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	12,723,884
2039	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	13,894,486
2040	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	15,065,088
2041	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	16,235,690
2042	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	17,406,292
2043	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	18,576,894
2044	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	19,747,496
2045	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	20,918,098
2046	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	22,088,700
2047	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	23,259,302
2048	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	24,429,904
2049	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	25,600,506
Totals	\$ 20,053,943	\$ -		\$ -										

(Note 1)

(Note 2)

(Note 2 & 3)

(Note 2 & 4)

(Note 5)

(Note 6)

Note 1: Based upon discussions with Town Staff, a minimum annual pay-go allowance of \$1.4 million is incorporated into the general fund budget for ongoing capital maintenance and equipment expenditures. Additional funding may be available through prior year excess. The Town's goal is to increase to \$2 million of annual CIP Pay-Go cash over time, as needed.

Note 2: Reflects General Fund Debt Service budget appropriation. of \$2,318,000 less the additional FY 2025 funds available equal to 1¢ (\$375,398), Library Rent Revenue (\$672,000), and \$100,000 Budget Contingency (is not assumed to be available for debt service).

Note 3: Per Town Staff, the Town identified \$375,398 (the equivalent of 1¢) of additional funding available for debt service/capital in the FY 2025 budget. This additional funding is not anticipated to be available on a recurring basis for future years.

Note 4: Per Town Staff, the Town receives \$56,000 per month in rent from the library that is utilized to cover a portion of the debt service cost on the 2021 IFA.

Note 5: The Town currently budgets \$250,000 for an annual radio system maintenance contract. If a new system is purchased, a 5-year maintenance contract will be included and the current budget can be utilized to offset the cost of the new system/supplement debt service.

Note 6: It is assumed that the Town will receive land sale proceeds of \$1.7 million in FY 2025 and \$5 million in FY 2026 which will be available for upfront project costs and/or debt service payments.

- Note: Does not include future impacts associated with the Town's operating budget.

In addition to the sources above, the Town could consider leveraging existing Unassigned Fund Balance above policy levels to reduce the impact of future projects.

Tax Supported Capital Funding Analysis

Scenario Overview and Assumptions



Key Assumptions

- In order to provide perspective related to the Town’s Debt Capacity and related cash flow impacts (i.e. Debt Affordability) the following capital projects under consideration for funding have been analyzed:
 - Fire Station (FY 2025): \$16,000,000 (Debt Financing)
 - Radio System (FY 2025): \$5,000,000 (Pay-Go Cash)
 - Park Project (FY 2028): \$14,000,000 (Debt Financing)
- For purposes of this analysis, land sale proceeds of \$ \$1.7 million in FY 2025 and \$5 million in FY 2026 is assumed to be deposited into the capital reserve and available for the upfront project costs and/or debt service payments.
- The Town’s FY 2023 Unassigned General Fund Balance is \$14,806,886, which equates to 76.4% of net adjusted General Fund Expenditures.
 - If the Town were to use \$5.55 million of Unassigned Fund Balance to fund either upfront project costs or debt service, the remaining Unassigned Fund Balance would equate to 48% of net adjusted General Fund Expenditures, which remains above the Town’s 40% policy level.

Scenarios Analyzed

- **Scenario 1:**
 - \$5 million of Unassigned General Fund Balance applied to upfront project costs for the Radio System.
 - \$550,000 of Unassigned General Fund Balance used for debt service.
 - Borrow for full Fire Station project cost.
- **Scenario 2:**
 - Borrow for \$14 million Park Project in FY 2028.
 - Borrow for full Fire Station project cost.
 - \$5 million of Unassigned General Fund Balance applied to upfront project costs for the Radio System.
 - \$550,000 of Unassigned General Fund Balance used for debt service.
- For purposes of this analysis, the following debt assumptions were utilized:
 - Rate: 5.00%
 - Amortization Structure: Level Principal
 - Term (Fire Station/Park Project): 20-Years
 - FY of Issuance: FY 2025
 - First Principal Payment: FY 2026
 - First Interest Payment: FY 2026

Summary of Scenarios Analyzed



A	B	C	D	E	F	
Scenario:		Scenario 1		Scenario 2		
1	Debt Issued (FY Issued)					
2	Fire Station (FY25)		16,000,000		16,000,000	
4	Park Project (FY28)		-		14,000,000	
5	Total		16,000,000		30,000,000	
6	Unassigned Fund Balance Utilized					
7	Project Costs (Radio System FY25)		5,000,000		5,000,000	
8	Debt Service		550,000		550,000	
9	Total		5,550,000		5,550,000	
10	Key Debt Ratios	Recommended Policy Level	Worst Shown		Worst Shown	
11	Projected 10-year Payout	Min 50%	65.29%		65.29%	
12	Projected Debt to Assessed Value	Max 2%	0.90%		1.03%	
13	Projected Debt Service vs. Expenditures	Target 20%	19.25%		23.68%	
14	Debt Affordability - Cash Flow Impact		Revenue Requirement	Incremental Tax Equivalent	Revenue Requirement	Incremental Tax Equivalent
15	FY 2025		-	-	-	-
16	FY 2026		-	1.00¢	-	1.00¢
17	FY 2027		-	-	-	-
18	FY 2028		-	-	-	-
19	FY 2029		-	-	-	-
20	FY 2030		-	-	935,125	-
21	FY 2031		-	-	2,545,261	2.72¢
22	FY 2032		534,336	-	2,443,950	2.23¢
23	FY 2033		1,082,928	-	2,342,928	-
24	FY 2034		1,016,329	-	2,241,329	-
25	FY 2035		950,019	-	2,140,019	-
26	FY 2036 - FY 2045		883,708	-	9,323,290	-
27	Total		\$4,467,320	1.00¢	\$21,971,902	5.95¢
28	Upfront Tax Equivalent Impact					
29	FY 2026		1.00¢		1.00¢	
30	FY 2028 (Reval Year)		-		2.76¢	
31	Total		1.00¢		3.76¢	

Note: Does not include future impacts associated with the Town's operating budget.

Tax Supported Debt Policies

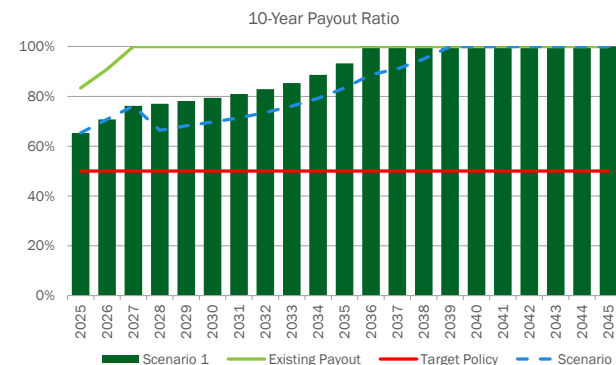
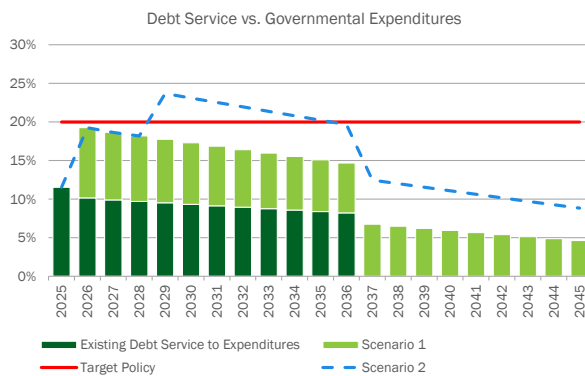
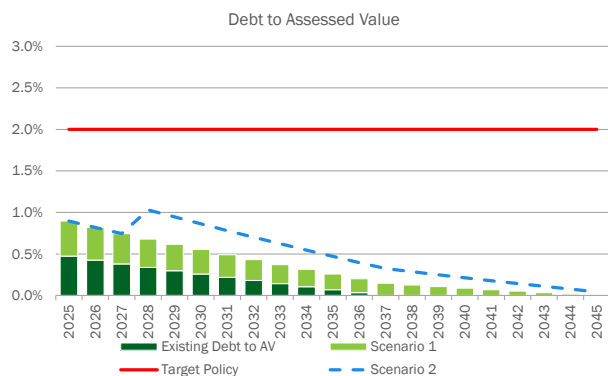
Potential Policy Considerations

General:

1. The Town will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues except where approved justification is provided.
2. The Town will take a balanced approach to capital funding utilizing debt financing, Capital Reserves and pay-as-you go funding.
3. When the Town finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project.
4. The Town will monitor existing debt obligations for potential refinancing and/or pre-payments options to reduce total interest costs when possible.
5. Target debt ratios will be calculated at least annually and included in a review of financial trends.
6. The Finance Director shall maintain a system of recordkeeping and reporting to meet the arbitrage rebate compliance requirements for the federal tax code.
7. The Finance Director will be responsible for continuing disclosure obligations under 15c2-12 as required under Continuing Disclosure Agreements and / or bank loan documents associated with existing debt outstanding.

Tax Supported Debt:






8. Net debt as a percentage of estimated market value of taxable property shall not exceed **[2.0%]**. Net debt is defined as any and all debt that is tax-supported.
9. The Town will strive to maintain a ratio of tax-supported debt service expenditures as a percent of total governmental fund expenditures at **[20.0% or less]**. With a minimum aggregate ten-year tax-supported principal payout ratio of **[50%]**.
10. In the event that the Town anticipates exceeding the policy requirements stated in items 8 and 9 above, Staff may request an exception from the Governing Body stating the reason and length of time.



Fire Station Capital Funding Options




Capital Funding Options

Credit Options

Credit Option	Security Overview	Considerations
 Pay-Go	N/A	<ul style="list-style-type: none"> - No Interest Cost. - Requires upfront funding of whole project. - Could be utilized in conjunction with a reimbursement resolution.
 General Obligation Bonds	Pledge of the taxing power and full faith and credit of the Issuer.	<ul style="list-style-type: none"> - Lowest Cost of Funds. - No pledge of assets required. - Failed referendum can hinder project funding. - Timing for referenda.
 Installment Financing, LOBs, COPs	Pledge of an asset and subject to annual appropriation by the Governing Body.	<ul style="list-style-type: none"> - Does not require referendum. - Collateral Requirements - Ability to utilize a master indenture.
 Revenue Bonds	Pledge of a specific enterprise revenue stream.	<ul style="list-style-type: none"> - Does not require referendum. - No collateral requirements. - Requires financial covenants.
 Special Obligation Bonds	Pledge of any available sources of revenues, to the extent the generation of the revenues does not constitute a pledge of taxing power.	<ul style="list-style-type: none"> - Does not require referendum. - Limitations on revenue sources and project eligibility.

Financing Considerations

Methods of Sale

Issuance Approach	Overview	Potential Advantages	Potential Disadvantages
<p>Direct Bank Loan</p> 	<p>Direct Loan through and held by one or more Financial Institutions.</p>	<ul style="list-style-type: none"> – Streamlined financing process. – Lower Cost of Issuance. – Flexible Prepayment Terms. – Interest Rate established at beginning of financing process. 	<ul style="list-style-type: none"> – Limitations on borrowing amount, term and structure. – Typically higher interest rates, subject to market conditions.
<p>Public Sale</p> 	<p>Issuance of Securities through a Broker Dealer.</p>	<ul style="list-style-type: none"> – Flexible terms of borrowing (amount and term). – Typically lower interest rates, subject to market conditions. 	<ul style="list-style-type: none"> – Higher cost of issuance. – Ratings generally required. – More stringent financing requirements / documentation. – Interest Rate established late in the financing process.
<p>State / Federal Programs (e.g. USDA, SRF, WIFIA)</p> 	<p>Direct Loan through and held by a State or Federal Agency / Department.</p>	<ul style="list-style-type: none"> – Potential for longer term amortization (30-40 years) and/or alternative structuring, depending upon program. – Low / subsidized interest rates may be available. – Maximum Interest rate established upon approval and can be reduced at project completion under certain programs. – Potential grant funding / principal forgiveness. 	<ul style="list-style-type: none"> – Application process with limited funds available. – Minimum eligibility qualifications may apply. – Limited structuring flexibility, depending upon program. – Detailed application requirements can result in longer process. – May require a construction loan or Interim Financing. – May Require a Debt Service Reserve Fund.

Local Government Commission Overview



North Carolina
Department of State Treasurer
Local Government Commission



Upcoming LGC Meeting Schedules	December Meeting	January Meeting*
FY 2024 Audit Due:	10/1/2024	11/5/2024
JLC Letter Due:	10/18/2024	11/22/2024
Application Due:	11/5/2024	12/3/2024
Commission Meeting	12/3/2024	1/7/2025

*LGC deadlines and meeting dates subject to confirmation once the 2025 meeting schedule is finalized.

- The Local Government Commission (“LGC”) oversees and approves debt issuance for North Carolina localities. As part of their approval process, the LGC must find that:
 - The proposed bond issue is necessary or expedient.
 - The amount proposed is adequate and not excessive for the proposed purpose of the issue.
 - The unit’s debt management procedures and policies are good, or that reasonable assurances have been given that its debt will henceforth be managed in strict compliance with the law.
 - The increase in taxes, if any, necessary to service the proposed debt will not be excessive.
 - The proposed bonds can be marketed at reasonable rates of interest.

- In order to support these findings, the LGC traditionally requires:
 - Construction bids and major permits in hand by the application deadline.
 - Conservative amortization structures – Level Principal is preferred and no longer than 20 year terms for governmental projects.
 - A demonstrated ability to repay the debt obligation.
 - The Audit for the most recently completed Fiscal Year submitted to the LGC for any debt related approvals after October.

- To assist in achieving the necessary approvals in a timely fashion, the LGC requests that:
 - A Pre-application meeting typically occurs at least 2-3 months prior to approval. This informs the LGC of the City’s desire to move forward with a Financing or Referendum and also provides the LGC with preliminary information on the project(s) being considered.
 - Responses to Financial Performance Indicators of Concern by Fiscal Management (if applicable) are received approximately 2 months prior to Requested LGC Meeting.
 - A complete application is submitted by the published deadline, typically 4 weeks prior to the Requested LGC Meeting.

Potential Financing Schedule – Key Dates

Dual Track Approach



Date	Direct Bank Loan	Public Sale
Late August	<ul style="list-style-type: none"> LGC Pre-application call Distribute Direct Bank Loan RFP 	LGC Pre-application Call
Week of September 16 th	<ul style="list-style-type: none"> Direct Bank Loan Proposals Due Develop Recommended Plan of Finance 	Develop Recommended Plan of Finance
September 23 rd	Council Meeting: Present Plan of Finance	
October 1 st	LGC Draft Audit Deadline (Dec. Meeting)	LGC Draft Audit Deadline (Dec. Meeting)
October 8 th	Council Meeting: Public Hearing and Findings Resolution	
Mid / Late Oct.	N/A	<ul style="list-style-type: none"> Draft Bond Documents developed / Distributed Credit Rating Interactions
October 31 st	LGC Audit deadline (Dec. meeting)	LGC Audit deadline (Dec. meeting)
November 4 th	Final GMP delivered to the Town	Final GMP delivered to the Town
November 5 th	LGC Application deadline (Dec. meeting)	LGC Application deadline (Dec. meeting)
November 12 th	Council Meeting: Final Resolution and Public Hearing (if not done previously)	
December 3 rd	LGC considers approval of the financing	LGC considers approval of the financing
Early December	Close on Direct Bank Loan	Bond Sale Date (Interest Rates Finalized)
Mid December	N/A	Close on Public Sale

Appendix A

Capital Funding Scenarios Detail

Scenario 1 Detail

\$5 million of Unassigned General Fund Balance applied to upfront project costs for the Radio System

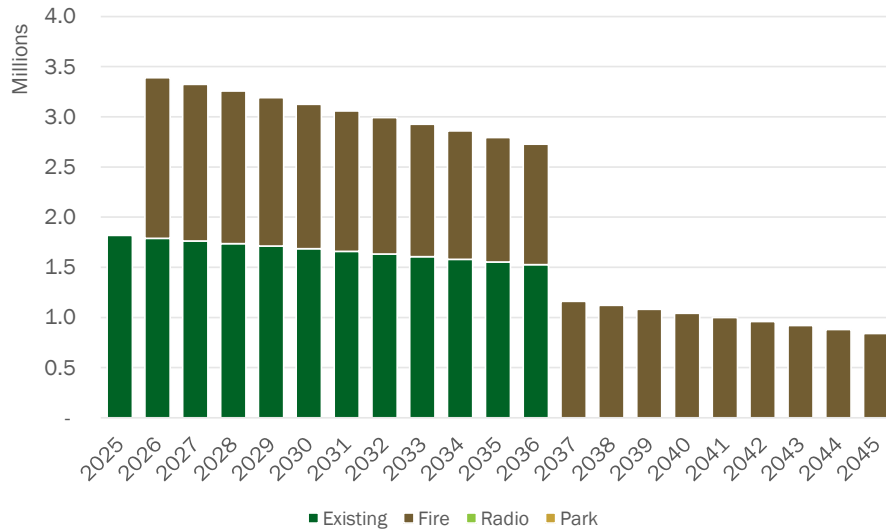
\$550,000 of Unassigned General Fund Balance used for debt service

Borrow for full Fire Station project cost

Existing and Proposed Debt Service



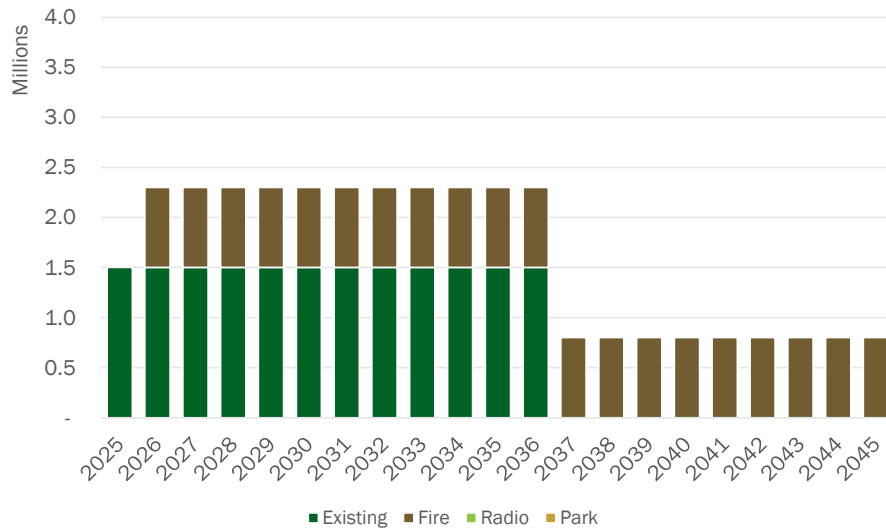
Proposed Tax Supported Debt Service



Summary

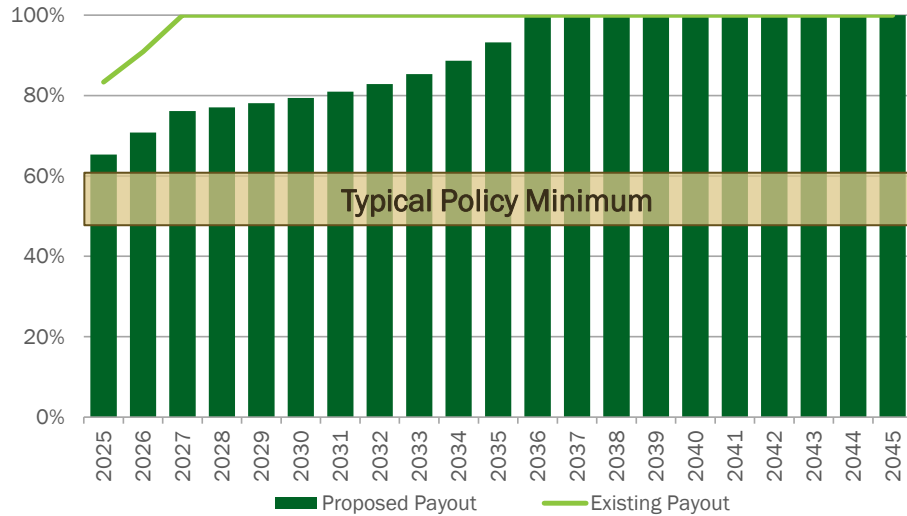
■ Financing Assumptions	See Page 19
■ Par Amount:	
— FY 2024	\$0
— FY 2025	\$16,000,000
— FY 2026	\$0
— FY 2027	\$0
— FY 2027	\$0
— Total	\$16,000,000
■ Total Debt Service:	\$24,400,000

Proposed Principal

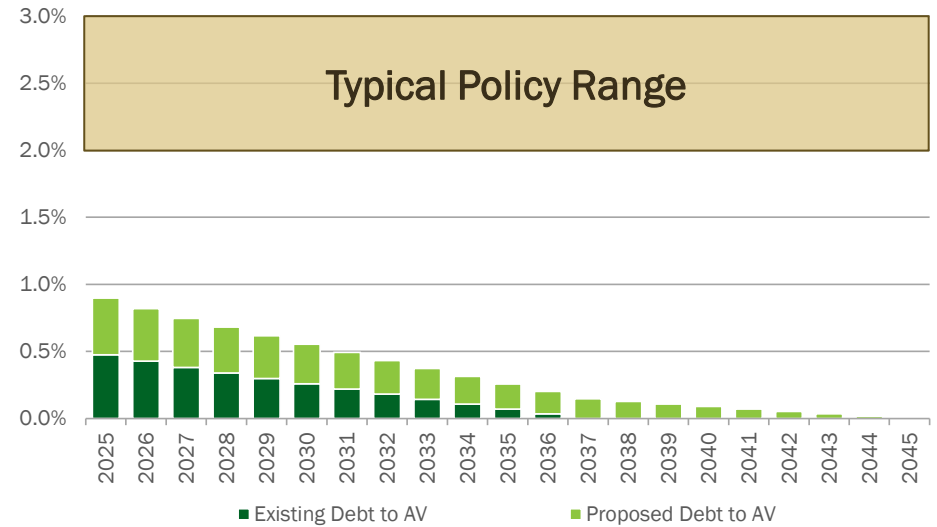


Key Debt Ratios

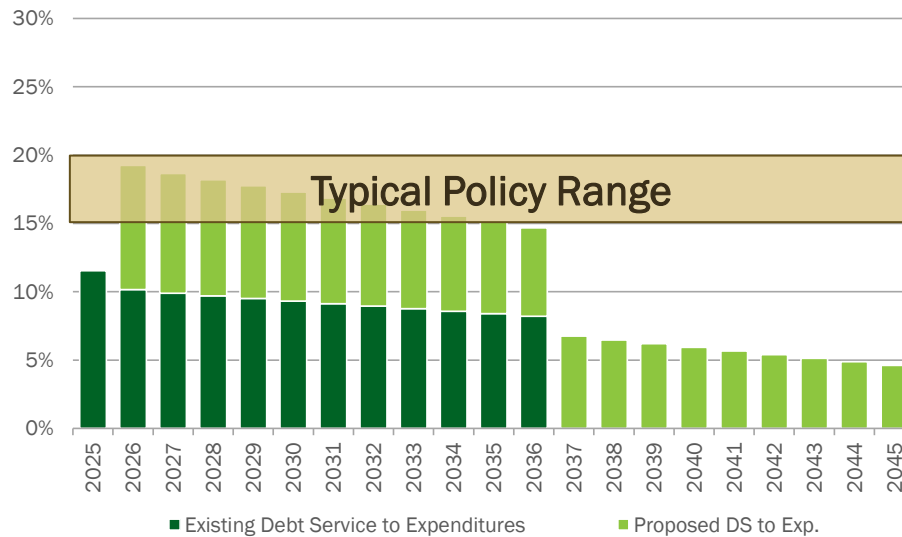
10-Year Payout



Debt to Assessed Value



Debt Service to Expenditures



Debt Affordability Analysis



Existing and Proposed Debt

Fiscal Year	Capital Funding Requirements					Revenue Available for DS							Cash Flow Surplus (Deficit)		Additional Revenues		Adj. Surplus/ (Deficit)	
	Existing Debt Service - 2021 IFA	Proposed Debt Service	Annual CIP Pay-Go Cash	Additional CIP Pay-Go Cash	Total Requirements	General Fund Budgeted Debt Service	General Fund Pay-Go Budget	1¢ Dedicated to Debt Service	Library Rent Revenue	Radio System Maintenance Savings	Other Revenues	Total Revenues Available	Annual Surplus/ (Deficit)	Capital Reserve (Unadjusted)	Equivalent Tax Impact	Equivalent Tax Impact Revenue	Adjusted Surplus/ (Deficit)	Adjusted Capital Reserve
2024													\$0				\$0	
2025	\$ 1,816,590	\$ -	\$ 1,400,000	\$ 5,000,000	\$ 8,216,590	\$ 1,170,602	\$ 1,400,000	\$ 375,398	\$ 672,000	\$ 250,000	\$ 7,250,000	\$ 11,118,000	\$2,901,410	2,901,410	1.00¢	-	\$2,901,410	2,901,410
2026	1,789,415	1,600,000	1,400,000	-	4,789,415	1,170,602	1,400,000	-	672,000	250,000	5,000,000	8,492,602	3,703,187	6,604,598	1.00¢	382,906	4,086,094	6,987,504
2027	1,763,104	1,560,000	1,400,000	-	4,723,104	1,170,602	1,400,000	-	672,000	250,000	-	3,492,602	(1,230,502)	5,374,096	1.00¢	390,564	(839,938)	6,147,566
2028	1,736,794	1,520,000	1,400,000	-	4,656,794	1,170,602	1,400,000	-	672,000	250,000	-	3,492,602	(1,164,192)	4,209,904	1.00¢	394,470	(769,722)	5,377,845
2029	1,711,060	1,480,000	1,400,000	-	4,591,060	1,170,602	1,400,000	-	672,000	250,000	-	3,492,602	(1,098,458)	3,111,446	1.00¢	398,415	(700,043)	4,677,802
2030	1,684,173	1,440,000	1,400,000	-	4,524,173	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(1,281,571)	1,829,875	1.00¢	402,399	(879,172)	3,798,630
2031	1,657,863	1,400,000	1,400,000	-	4,457,863	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(1,215,261)	614,614	1.00¢	406,423	(808,838)	2,989,792
2032	1,631,552	1,360,000	1,400,000	-	4,391,552	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(1,148,950)	(534,336)	1.00¢	410,487	(738,463)	2,251,329
2033	1,605,530	1,320,000	1,400,000	-	4,325,530	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(1,082,928)	(1,617,264)	1.00¢	414,592	(668,336)	1,582,993
2034	1,578,931	1,280,000	1,400,000	-	4,258,931	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(1,016,329)	(2,633,593)	1.00¢	418,738	(597,591)	985,402
2035	1,552,621	1,240,000	1,400,000	-	4,192,621	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(950,019)	(3,583,612)	1.00¢	422,925	(527,093)	458,309
2036	1,526,310	1,200,000	1,400,000	-	4,126,310	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(883,708)	(4,467,320)	1.00¢	427,155	(456,554)	1,755
2037	-	1,160,000	1,400,000	-	2,560,000	1,170,602	1,400,000	-	-	-	-	2,570,602	10,602	(4,456,718)	1.00¢	431,426	442,028	443,783
2038	-	1,120,000	1,400,000	-	2,520,000	1,170,602	1,400,000	-	-	-	-	2,570,602	50,602	(4,406,116)	1.00¢	435,740	486,342	930,125
2039	-	1,080,000	1,400,000	-	2,480,000	1,170,602	1,400,000	-	-	-	-	2,570,602	90,602	(4,315,514)	1.00¢	440,098	530,700	1,460,825
2040	-	1,040,000	1,400,000	-	2,440,000	1,170,602	1,400,000	-	-	-	-	2,570,602	130,602	(4,184,912)	1.00¢	444,499	575,101	2,035,926
2041	-	1,000,000	1,400,000	-	2,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	170,602	(4,014,310)	1.00¢	448,944	619,546	2,655,472
2042	-	960,000	1,400,000	-	2,360,000	1,170,602	1,400,000	-	-	-	-	2,570,602	210,602	(3,803,708)	1.00¢	453,433	664,035	3,319,507
2043	-	920,000	1,400,000	-	2,320,000	1,170,602	1,400,000	-	-	-	-	2,570,602	250,602	(3,553,106)	1.00¢	457,968	708,570	4,028,077
2044	-	880,000	1,400,000	-	2,280,000	1,170,602	1,400,000	-	-	-	-	2,570,602	290,602	(3,262,504)	1.00¢	462,547	753,149	4,781,226
2045	-	840,000	1,400,000	-	2,240,000	1,170,602	1,400,000	-	-	-	-	2,570,602	330,602	(2,933,902)	1.00¢	467,173	797,775	5,579,001
2046	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	(1,761,300)	1.00¢	471,844	1,642,446	7,221,447
2047	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	(590,698)	1.00¢	476,563	1,647,165	8,868,612
2048	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	579,904	1.00¢	481,329	1,651,931	10,520,543
2049	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	1,750,506	1.00¢	486,142	1,656,744	12,177,266
Totals	\$ 20,053,943	\$ 24,400,000		\$ 5,000,000														

- Note 1: Based upon discussions with Town Staff, a minimum annual pay-go allowance of \$1.4 million is incorporated into the general fund budget for ongoing capital maintenance and equipment expenditures. Additional funding may be available through prior year excess. The Town's goal is to increase to \$2 million of annual CIP Pay-Go cash over time, as needed.
- Note 2: Reflects General Fund Debt Service budget appropriation. of \$2,318,000 less the additional FY 2025 funds available equal to 1¢ (\$375,398), Library Rent Revenue (\$672,000), and \$100,000 Budget Contingency (is not assumed to be available for debt service).
- Note 3: Per Town Staff, the Town identified \$375,398 (the equivalent of 1¢) of additional funding available for debt service/capital in the FY 2025 budget. This additional funding is not anticipated to be available on a recurring basis for future years.
- Note 4: Per Town Staff, the Town receives \$56,000 per month from the library that is utilized to cover a portion of the debt service cost on the 2021 IFA.
- Note 5: The Town currently budgets \$250,000 for an annual radio system maintenance contract. If a new system is purchased, a 5-year maintenance contract will be included and the current budget can be utilized to offset the cost of the new system/supplement debt service.
- Note 6: It is assumed that the Town will receive land sale proceeds of \$1.7 million in FY 2025 and \$5 million in FY 2026 which will be available for upfront project costs and/or debt service payments.
- Note 7: The FY 2025 value of a Penny is \$375,398. Assumed to grow 2% in FY 2026 & 2027 and 1% annually thereafter.

■ Note: Does not include future impacts associated with the Town's operating budget.

Scenario 2 Detail

Borrow for \$14 million Park Project in FY 2028.

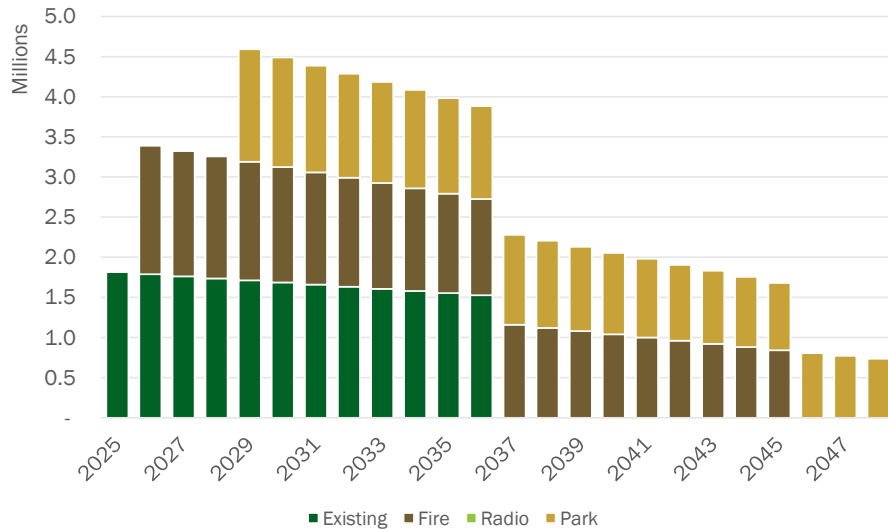
\$5 million of Unassigned General Fund Balance applied to upfront project costs for the Radio System

\$550,000 of Unassigned General Fund Balance used for debt service

Borrow for full Fire Station project cost

Existing and Proposed Debt Service

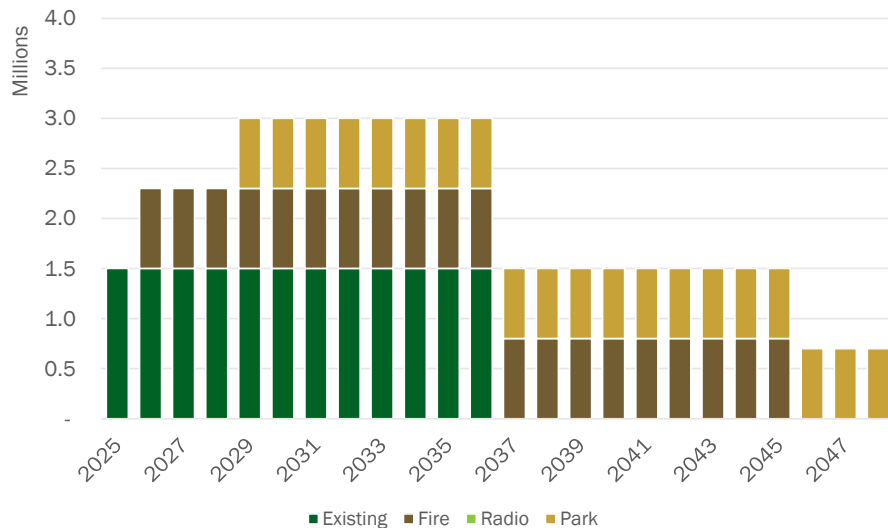
Proposed Tax Supported Debt Service



Summary

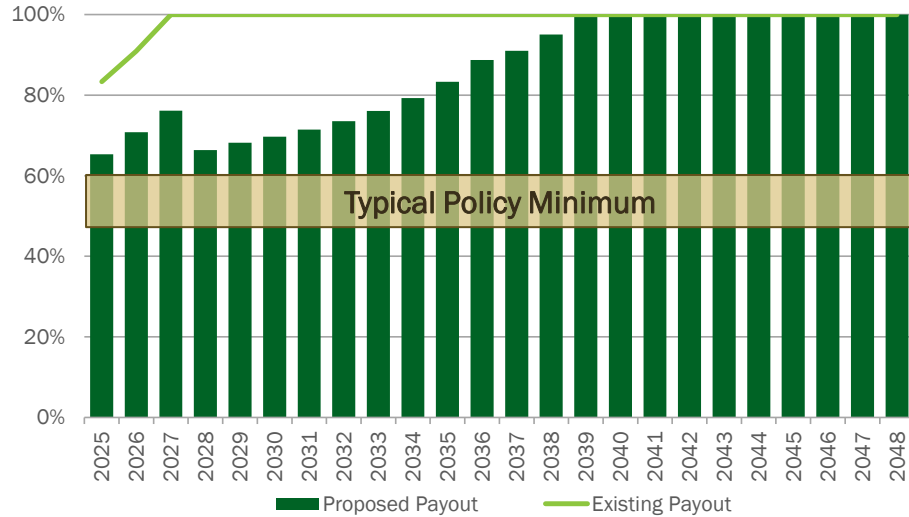
■ Financing Assumptions	See Page 19
■ Par Amount:	
— FY 2024	\$0
— FY 2025	\$16,000,000
— FY 2026	\$0
— FY 2027	\$0
— FY 2028	\$14,000,000
— Total	\$30,000,000
■ Total Debt Service:	\$45,750,000

Proposed Principal

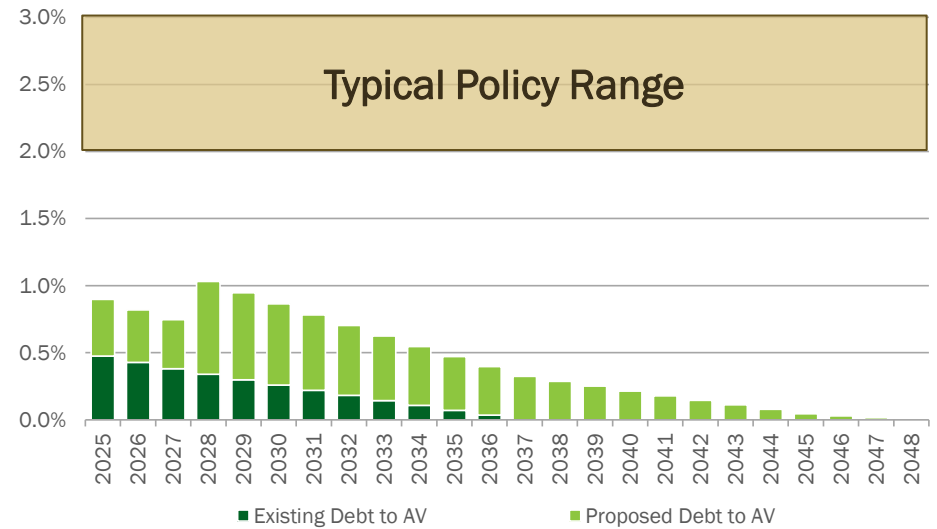


Key Debt Ratios

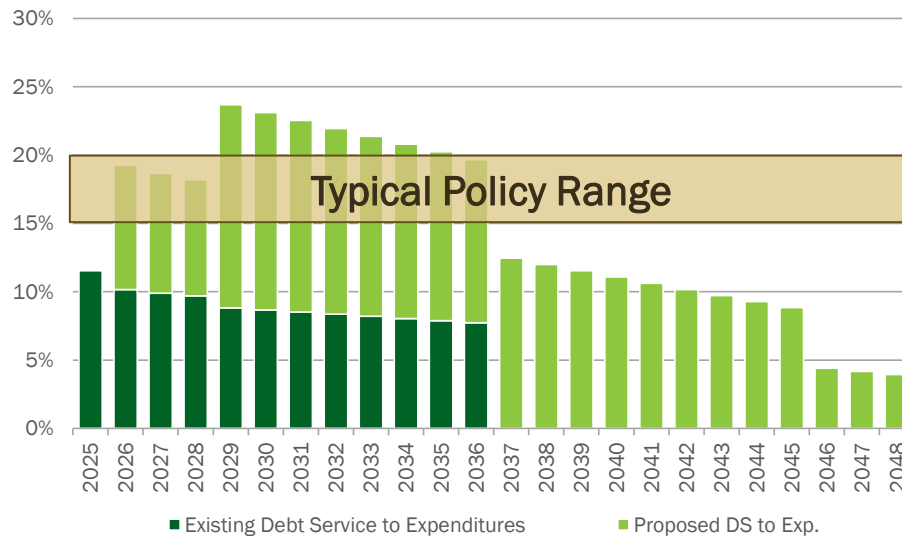
10-Year Payout



Debt to Assessed Value



Debt Service to Expenditures



Debt Affordability Analysis

Existing and Proposed Debt



Scenario 2

Equivalent Natural Tax Impact

Fiscal Year	Capital Funding Requirements					Revenue Available for DS								Cash Flow Surplus (Deficit)		Additional Revenue		Adj. Surplus/ (Deficit)	
	Existing Debt Service - 2021 IFA	Proposed Debt Service	Annual CIP Pay-Go Cash	Additional CIP Pay-Go Cash	Total Requirements	General Fund Budgeted Debt Service	General Fund Pay-Go Budget	1¢ Dedicated to Debt Service	Library Rent Revenue	Radio System Maintenance Savings	Other Revenues	Total Revenues Available	Annual Surplus/ (Deficit)	Capital Reserve (Unadjusted)	Equivalent Incremental Tax Impact	Equivalent Tax Impact Revenue	Adjusted Surplus/ (Deficit)	Adjusted Capital Reserve	
2024													\$0	\$0	-	-	\$2,901,410	\$2,901,410	
2025	\$ 1,816,590	\$ -	\$ 1,400,000	\$ 5,000,000	\$ 8,216,590	\$ 1,170,602	\$ 1,400,000	\$ 375,398	\$ 672,000	\$ 250,000	\$ 7,250,000	\$ 11,118,000	\$2,901,410	2,901,410	-	-	4,086,094	6,987,504	
2026	1,789,415	1,600,000	1,400,000	-	4,789,415	1,170,602	1,400,000	-	672,000	250,000	5,000,000	8,492,602	3,703,187	6,604,598	1.00¢	382,906	(839,938)	6,147,566	
2027	1,763,104	1,560,000	1,400,000	-	4,723,104	1,170,602	1,400,000	-	672,000	250,000	-	3,492,602	(1,230,502)	5,374,096	-	394,470	(769,722)	5,377,845	
2028	1,736,794	1,520,000	1,400,000	-	4,656,794	1,170,602	1,400,000	-	672,000	250,000	-	3,492,602	(1,164,192)	4,209,904	-	398,415	(2,100,043)	3,277,802	
2029	1,711,060	2,880,000	1,400,000	-	5,991,060	1,170,602	1,400,000	-	672,000	250,000	-	3,492,602	(2,498,458)	1,711,446	-	402,399	(2,244,172)	1,033,630	
2030	1,684,173	2,805,000	1,400,000	-	5,889,173	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(2,646,571)	(935,125)	-	1,511,631	(1,033,630)	0	
2031	1,657,863	2,730,000	1,400,000	-	5,787,863	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(2,545,261)	(3,480,386)	2.72¢	2,443,950	0	0	
2032	1,631,552	2,655,000	1,400,000	-	5,686,552	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(2,443,950)	(5,924,336)	2.23¢	2,468,390	125,462	125,462	
2033	1,605,530	2,580,000	1,400,000	-	5,585,530	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(2,342,928)	(8,267,264)	-	2,493,073	251,744	377,206	
2034	1,578,931	2,505,000	1,400,000	-	5,483,931	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(2,241,329)	(10,508,593)	-	2,518,004	377,985	755,191	
2035	1,552,621	2,430,000	1,400,000	-	5,382,621	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(2,140,019)	(12,648,612)	-	2,543,184	504,476	1,259,667	
2036	1,526,310	2,355,000	1,400,000	-	5,281,310	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(2,038,708)	(14,687,320)	-	2,568,616	1,459,218	2,718,885	
2037	-	2,280,000	1,400,000	-	3,680,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(1,109,398)	(15,796,718)	-	2,594,302	1,559,904	4,278,789	
2038	-	2,205,000	1,400,000	-	3,605,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(1,034,398)	(16,831,116)	-	2,620,245	1,660,847	5,939,637	
2039	-	2,130,000	1,400,000	-	3,530,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(959,398)	(17,790,514)	-	2,646,448	1,762,050	7,701,686	
2040	-	2,055,000	1,400,000	-	3,455,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(884,398)	(18,674,912)	-	2,672,912	1,863,514	9,565,201	
2041	-	1,980,000	1,400,000	-	3,380,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(809,398)	(19,484,310)	-	2,699,641	1,965,243	11,530,444	
2042	-	1,905,000	1,400,000	-	3,305,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(734,398)	(20,218,708)	-	2,726,638	2,067,240	13,597,684	
2043	-	1,830,000	1,400,000	-	3,230,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(659,398)	(20,878,106)	-	2,753,904	2,169,506	15,767,190	
2044	-	1,755,000	1,400,000	-	3,155,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(584,398)	(21,462,504)	-	2,781,443	2,272,045	18,039,235	
2045	-	1,680,000	1,400,000	-	3,080,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(509,398)	(21,971,902)	-	2,809,258	3,174,860	21,214,095	
2046	-	805,000	1,400,000	-	2,205,000	1,170,602	1,400,000	-	-	-	-	2,570,602	365,602	(21,606,300)	-	2,837,350	3,237,952	24,452,047	
2047	-	770,000	1,400,000	-	2,170,000	1,170,602	1,400,000	-	-	-	-	2,570,602	400,602	(21,205,698)	-	2,865,724	3,301,326	27,753,373	
2048	-	735,000	1,400,000	-	2,135,000	1,170,602	1,400,000	-	-	-	-	2,570,602	435,602	(20,770,096)	-	2,894,381	4,064,983	31,818,355	
2049	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	(19,599,494)	5.95¢				
Totals	\$ 20,053,943	\$ 45,750,000		\$ 5,000,000															

Note 1: Based upon discussions with Town Staff, a minimum annual pay-go allowance of \$1.4 million is incorporated into the general fund budget for ongoing capital maintenance and equipment expenditures. Additional funding may be available through prior year excess. The Town's goal is to increase to \$2 million of annual CIP Pay-Go cash over time, as needed.

Note 2: Reflects General Fund Debt Service budget appropriation. of \$2,318,000 less the additional FY 2025 funds available equal to 1¢ (\$375,398), Library Rent Revenue (\$672,000), and \$100,000 Budget Contingency (is not assumed to be available for debt service).

Note 3: Per Town Staff, the Town identified \$375,398 (the equivalent of 1¢) of additional funding available for debt service/capital in the FY 2025 budget. This additional funding is not anticipated to be available on a recurring basis for future years.

Note 4: Per Town Staff, the Town receives \$56,000 per month in rent from the library that is utilized to cover a portion of the debt service cost on the 2021 IFA.

Note 5: The Town currently budgets \$250,000 for an annual radio system maintenance contract. If a new system is purchased, a 5-year maintenance contract will be included and the current budget can be utilized to offset the cost of the new system/supplement debt service.

Note 6: It is assumed that the Town will receive land sale proceeds of \$1.7 million in FY 2025 and \$5 million in FY 2026 which will be available for upfront project costs and/or debt service payments.

Note 7: The FY 2025 value of a Penny is \$375,398. Assumed to grow 2% in FY 2026 & 2027 and 1% annually thereafter.

■ Note: Does not include future impacts associated with the Town's operating budget.

Debt Affordability Analysis

Existing and Proposed Debt



Scenario 2

FY 2028 Upfront Tax Impact

A Fiscal Year	B Capital Funding Requirements					G Revenue Available for DS								N Cash Flow Surplus (Deficit)		P Additional Revenues		R Adj. Surplus/ (Deficit)	
	C Existing Debt Service - 2021 IFA	D Proposed Debt Service	E Annual CIP Pay-Go Cash	F Additional CIP Pay-Go Cash	F Total Requirements	G General Fund Budgeted Debt Service	H General Fund Pay-Go Budget	I 1¢ Dedicated to Debt Service	J Library Rent Revenue	K Radio System Maintenance Savings	L Other Revenues	M Total Revenues Available	N Annual Surplus/ (Deficit)	O Capital Reserve (Unadjusted)	P Equivalent Tax Impact	Q Equivalent Tax Impact Revenue	R Adjusted Surplus/ (Deficit)	S Adjusted Capital Reserve	
2024																			
2025	\$ 1,816,590	\$ -	\$ 1,400,000	\$ 5,000,000	\$ 8,216,590	\$ 1,170,602	\$ 1,400,000	\$ 375,398	\$ 672,000	\$ 250,000	\$ 7,250,000	\$ 11,118,000	\$2,901,410	2,901,410		-	\$2,901,410	2,901,410	
2026	1,789,415	1,600,000	1,400,000	-	4,789,415	1,170,602	1,400,000	-	672,000	250,000	5,000,000	8,492,602	3,703,187	6,604,598	1.00¢	382,906	4,086,094	6,987,504	
2027	1,763,104	1,560,000	1,400,000	-	4,723,104	1,170,602	1,400,000	-	672,000	250,000	-	3,492,602	(1,230,502)	5,374,096	2.76¢	390,564	(839,938)	6,147,566	
2028	1,736,794	1,520,000	1,400,000	-	4,656,794	1,170,602	1,400,000	-	672,000	250,000	-	3,492,602	(1,164,192)	4,209,904		1,485,176	320,984	6,468,551	
2029	1,711,060	2,880,000	1,400,000	-	5,991,060	1,170,602	1,400,000	-	672,000	250,000	-	3,492,602	(2,498,458)	1,711,446		1,500,028	(998,430)	5,470,121	
2030	1,684,173	2,805,000	1,400,000	-	5,889,173	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(2,646,571)	(935,125)		1,515,028	(1,131,543)	4,338,578	
2031	1,657,863	2,730,000	1,400,000	-	5,787,863	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(2,545,261)	(3,480,386)		1,530,178	(1,015,082)	3,323,496	
2032	1,631,552	2,655,000	1,400,000	-	5,686,552	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(2,443,950)	(5,924,336)		1,545,480	(898,470)	2,425,026	
2033	1,605,530	2,580,000	1,400,000	-	5,585,530	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(2,342,928)	(8,267,264)		1,560,935	(781,993)	1,643,033	
2034	1,578,931	2,505,000	1,400,000	-	5,483,931	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(2,241,329)	(10,508,593)		1,576,544	(664,785)	978,248	
2035	1,552,621	2,430,000	1,400,000	-	5,382,621	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(2,140,019)	(12,648,612)		1,592,310	(547,709)	430,539	
2036	1,526,310	2,355,000	1,400,000	-	5,281,310	1,170,602	1,400,000	-	672,000	-	-	3,242,602	(2,038,708)	(14,687,320)		1,608,233	(430,476)	63	
2037	-	2,280,000	1,400,000	-	3,680,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(1,109,398)	(15,796,718)		1,624,315	514,917	514,981	
2038	-	2,205,000	1,400,000	-	3,605,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(1,034,398)	(16,831,116)		1,640,558	606,160	1,121,141	
2039	-	2,130,000	1,400,000	-	3,530,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(959,398)	(17,790,514)		1,656,964	697,566	1,818,707	
2040	-	2,055,000	1,400,000	-	3,455,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(884,398)	(18,674,912)		1,673,534	789,136	2,607,842	
2041	-	1,980,000	1,400,000	-	3,380,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(809,398)	(19,484,310)		1,690,269	880,871	3,488,713	
2042	-	1,905,000	1,400,000	-	3,305,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(734,398)	(20,218,708)		1,707,172	972,774	4,461,487	
2043	-	1,830,000	1,400,000	-	3,230,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(659,398)	(20,878,106)		1,724,243	1,064,845	5,526,332	
2044	-	1,755,000	1,400,000	-	3,155,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(584,398)	(21,462,504)		1,741,486	1,157,088	6,683,420	
2045	-	1,680,000	1,400,000	-	3,080,000	1,170,602	1,400,000	-	-	-	-	2,570,602	(509,398)	(21,971,902)		1,758,901	1,249,503	7,932,923	
2046	-	805,000	1,400,000	-	2,205,000	1,170,602	1,400,000	-	-	-	-	2,570,602	365,602	(21,606,300)		1,776,490	2,142,092	10,075,014	
2047	-	770,000	1,400,000	-	2,170,000	1,170,602	1,400,000	-	-	-	-	2,570,602	400,602	(21,205,698)		1,794,255	2,194,857	12,269,871	
2048	-	735,000	1,400,000	-	2,135,000	1,170,602	1,400,000	-	-	-	-	2,570,602	435,602	(20,770,096)		1,812,197	2,247,799	14,517,670	
2049	-	-	1,400,000	-	1,400,000	1,170,602	1,400,000	-	-	-	-	2,570,602	1,170,602	(19,599,494)		1,830,319	3,000,921	17,518,591	
Totals	\$ 20,053,943	\$ 45,750,000		\$ 5,000,000											3.76¢				

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- Note 7: The FY 2025 value of a Penny is \$375,398. Assumed to grow 2% in FY 2026 & 2027 and 1% annually thereafter.

■ Note: Does not include future impacts associated with the Town's operating budget.

Appendix B

Existing Tax Supported Debt

Existing Tax-Supported Debt



\$ 21,000,000

2021 Installment Financing Contract (STI Institutional & Government)

Year (6/30)	Coupon	Principal	Interest	Total
2024	1.730%	\$ 1,500,000	\$ 342,035	\$ 1,842,035
2025	1.730%	1,500,000	316,590	1,816,590
2026	1.730%	1,500,000	289,415	1,789,415
2027	1.730%	1,500,000	263,104	1,763,104
2028	1.730%	1,500,000	236,794	1,736,794
2029	1.730%	1,500,000	211,060	1,711,060
2030	1.730%	1,500,000	184,173	1,684,173
2031	1.730%	1,500,000	157,863	1,657,863
2032	1.730%	1,500,000	131,552	1,631,552
2033	1.730%	1,500,000	105,530	1,605,530
2034	1.730%	1,500,000	78,931	1,578,931
2035	1.730%	1,500,000	52,621	1,552,621
2036	1.730%	1,500,000	26,310	1,526,310
Total		\$ 19,500,000	\$ 2,395,978	\$ 21,895,978

Series Detail

Original Issue Amount	\$ 21,000,000
Detailed Series Name	2021 Installment Financing Contract
Underwriter/Bank	STI Institutional & Government
Dated Date	February 1, 2021
Principal Payment Date	January 1st
Interest Payment Date(s)	January 1st and July 1st
Call Date	Unknown
Call Price	Unknown
Tax Status	Tax-Exempt
Purpose	Town Hall / Library Facility
Collateral Package	Deed of Trust

Appendix C

Peer Policies

Peer Financial Policy Summary

Select NC Cities and Towns



A	B	C	D	E	F
Peer City/Town	General Fund ("GF") Balance Policy Amount	10-Year Payout	Debt to Assessed Value	Debt Service to Expenditures	Source
1 Cornelius	At least 40% of [Unassigned] GF Balance as a % of GF Budget	n/a	n/a	n/a	FY 2023 Audit
2 Davidson	At least 25% Unassigned GF balance as a % of GF Budget.	n/a	<4.00%	n/a	FY 2024 Budget
3 Gastonia	Target: 25% Unassigned GF Balance as a % of GF Budget.	n/a	n/a	n/a	FY 2023 Budget
4 Indian Trail	At least 30% Unassigned GF balance as a % of GF Budget.	> 50%	< 2.00%	n/a	Adopted Fiscal Policies as of 9/13/2011
5 Kannapolis	Target: 25%-33% [Unassigned] GF balance as a % of the GF Budget.	> 60%	< 2.00%	< 15%	Adopted Fiscal Policies as of 6/25/2012
6 Matthews	Target: At least 34% Unassigned GF Balance as a % of GF Budget.	n/a	n/a	n/a	Town Website; Finance Department
7 Monroe	At least 25% Unassigned GF balance as a % of GF Budget.	n/a	n/a	n/a	FY 2022 Audit
8 Clayton	At least 30% Unassigned GF balance as a % of GF Budget.	> 55%	< 2.50%	< 15%	Adopted/Amended Fiscal Policies as of 11/4/2013
9 Fuquay-Varina	At least 25% [Unassigned] GF balance as a % of GF Budget.	> 55%	< 2.50%	< 15%	Adopted Fiscal Policies as of 5/3/2010
10 Garner	Target: 30% [Unassigned] GF balance as a % of the GF Budget. Minimum: 25% [Unassigned] GF balance as a % of the GF Budget.	> 50%	< 2.00%	< 15%	Adopted Fiscal Policies as of 5/6/2010
11 Goldsboro	Target: 15% [Unassigned] GF balance as a % of the GF Budget. Minimum: 10% [Unassigned] GF balance as a % of the GF Budget.	> 55%	< 2.50%	< 15%	Adopted Fiscal Policies as of 4/19/2010
12 Hickory	Target: 25% Unassigned GF Balance as a % of GF Budget.	> 50%	< 2.00%	< 15%	Adopted Fiscal Policies as of 6/12/2018
13 Holly Springs	Target: 20%-25% [Unassigned] GF balance as a % of the GF Budget. Minimum: 20% [Unassigned] GF balance as a % of the GF Budget.	> 55%	< 2.50%	< 15%	Adopted Fiscal Policies as of 7/1/2019
14 Lexington	At least 30% Unassigned GF balance as a % of GF Budget. (informal)	n/a	n/a	n/a	5/24/16 Moody's Credit Opinion
15 Sanford	At least 30% Unassigned GF balance as a % of GF Budget.	n/a	n/a	n/a	FY 2023 Budget
16 Thomasville	At least 24% Unassigned GF balance as a % of GF Budget.	n/a	n/a	n/a	Adopted/Amended Fiscal Policies as of 2/21/22
17 Wilson	At least 25% Unassigned GF balance as a % of GF Budget.	n/a	< 2.50%	< 15%	Adopted Fiscal Policies as of 4/21/22

Centrolina
COG
Examples

Other NC
City /
Town
Examples

Appendix D

Draft Financial Policies

Financial Policy Guidelines



For:

Pineville, North Carolina

Proposed on _____

Adopted on _____

Table of Contents

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Objectives	3
Capital Improvement Budget Policies	4
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Reserve Policies	6
Budget Development Policies	7
Cash Management	8-9

Financial Policy Guidelines

Town of Pineville, North Carolina

Financial Policy Guidelines – Adopted _____



FINANCIAL POLICY GUIDELINES - OBJECTIVES

This financial policy is a statement of the guidelines and goals that will influence and guide the financial management practice of the Town of Pineville, North Carolina (the “Town” or “Pineville”). A financial policy that is adopted, adhered to, and regularly reviewed is recognized as the cornerstone of sound financial management. Effective financial policy:

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

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

Financial Policy Guidelines

Town of Pineville, North Carolina

Financial Policy Guidelines – Adopted _____



CAPITAL IMPROVEMENT BUDGET POLICIES

1. The Town will consider all capital improvements in accordance with an adopted capital improvement program.
2. The Town, will develop a five-year Capital Improvement Program and review and update the plan annually.
3. The Town will enact an annual capital budget based on the five-year capital improvement plan. Future capital expenditures necessitated by changes in population, changes in real estate development, or changes in economic base will be calculated and included in capital budget projections.
4. The Town, will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.
5. The Town will use intergovernmental assistance to finance only those capital improvements that are consistent with the capital improvement plan and Town priorities, and whose operating and maintenance costs have been included in operating budget forecasts.
6. The Capital Improvement Program will include the estimated costs for the Town to maintain all assets at a level adequate to protect the Town's capital investment and to minimize future maintenance and replacement costs.
7. The Capital Improvement Program will include a projection of the Town's equipment replacement and maintenance needs for the next several years and will update this projection each year. From this projection a maintenance and replacement schedule will be developed and followed.
8. The Town, will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.
9. The Town will attempt to determine the least costly and most flexible financing method for all new projects.

Financial Policy Guidelines

Town of Pineville, North Carolina

Financial Policy Guidelines – Adopted _____



DEBT POLICIES

General

1. The Town will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues except where approved justification is provided.
2. The Town will take a balanced approach to capital funding utilizing debt financing, Capital Reserves and pay-as-you go funding.
3. When the Town finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project.
4. The Town will monitor existing debt obligations for potential refinancing and/or pre-payments options to reduce total interest costs when possible.
5. Target debt ratios will be calculated at least annually and included in a review of financial trends.
6. The Finance Director shall maintain a system of recordkeeping and reporting to meet the arbitrage rebate compliance requirements for the federal tax code.
7. The Finance Director will be responsible for continuing disclosure obligations under 15c2-12 as required under Continuing Disclosure Agreements and / or bank loan documents associated with existing debt outstanding.

Tax Supported Debt

8. Net debt as a percentage of estimated market value of taxable property shall not exceed **[2.0%]**. Net debt is defined as any and all debt that is tax-supported.
9. The Town will strive to maintain a ratio of tax-supported debt service expenditures as a percent of total governmental fund expenditures of **[20.0% or less]** with a minimum aggregate ten-year tax-supported principal payout ratio of **[50%]**.
10. In the event that the Town anticipates exceeding the policy requirements stated in items 8 and 9 above, Staff may request an exception from the Town Council stating the reason and length of time.

Financial Policy Guidelines

Town of Pineville, North Carolina

Financial Policy Guidelines – Adopted _____



GENERAL FUND RESERVE POLICIES

1. The Town will target Unassigned Fund Balance, as defined by the Governmental Accounting Standards Board, equal to [32% (4 months)] of the General Fund Budget and maintain a minimum Unassigned Fund Balance at the close of each fiscal year equal to [24% (3 months)] of the General Fund Budget.
2. In the event that funds are available over and beyond the targeted amount, those funds may be appropriated for one-time expenditures (such as capital) or transferred to capital reserve funds or capital projects funds at the Town Council's discretion.
3. The Town Council may, from time-to-time, utilize fund balances that will reduce Unassigned Fund Balance below the [24%] minimum for the purposes of a declared fiscal emergency or other such purpose as to protect or enhance the long-term fiscal security of the Town. In such circumstances, the Town Council will adopt a plan to restore the Unassigned Fund Balance to the minimum policy level within [a reasonable period of time].

Financial Policy Guidelines

Town of Pineville, North Carolina

Financial Policy Guidelines – Adopted _____



BUDGET DEVELOPMENT POLICIES

1. The Budget Process will be compliant with the North Carolina Local Government Budget and Fiscal Control Act.
2. One-time or other special revenues will not be used to finance continuing Town operations but instead will be used for funding special projects.
3. The Town will pursue an aggressive policy seeking the collection of current and delinquent property taxes, utility, license, permit and other fees due to the Town.
4. Budget amendments will be brought to the Town Council for consideration as needed.
5. The Town Council will receive a financial report at least [quarterly] showing year-to-date revenues and expenditures and comparing each amount to the budget as amended.

CASH MANAGEMENT/INVESTMENT POLICIES

1. It is the intent of the Town that public funds shall be invested to the extent possible to reduce the need for property tax revenues. Funds shall be invested with the emphasis on safety and liquidity. Yield shall be a secondary consideration. All deposits and investments of Town funds shall be in accordance with NCGS 159.
2. The Finance Director will establish a Cash Management Program that maximizes the amount of cash available for investment.
3. 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.
4. Liquidity: No less than [20%] of funds available for investment will be maintained in liquid investments at any point in time.
5. Maturity: All investments will mature in no more than [sixty (60)] months from their purchase date.
6. 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 investment will be held in book-entry form in the name of the Town with the Town’s third party Custodian (Safekeeping Agent).
7. Authorized Investments: The Town may deposit Town Funds into: Any Town 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 rated no lower than “AAA”, and Commercial Paper meeting the requirements of NCGS-159 plus having a national bond rating.
8. Diversification: No more than [5%] of the Town’s investment funds may be invested in a specific company’s commercial paper and no more than [20%] of the Town’s investment funds may be invested in commercial paper. No more than [25%] of the Town’s investments may be invested in any one US Agency’s Securities.
9. Allocation: Investment income will be allocated to each participating fund or account based on a fair and equitable formula determined by the Finance Director.
10. Reporting: Not less than [twice per year] the Finance Director will provide an investment report to the Manager and Town Council including the interest earned in the past six months and on the current investment portfolio including: type of investment, purchase date, price, par amount, maturity date, coupon rate, and any special features.

Municipal Advisor Disclosure



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

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