

CITY OF HIGH POINT

AGENDA ITEM



TITLE: Capital Financing Update	
FROM: Bobby Fitzjohn, Financial Services Director	MEETING DATE: March 18, 2024
PUBLIC HEARING: n/a	ADVERTISED DATE/BY: n/a
ATTACHMENTS: Davenport Presentation	

PURPOSE:

To hear an update from financial advisors regarding the City's multi-year bond strategy.

BACKGROUND:

The City has engaged Davenport & Company, LLC as our financial advisor on bond issues since 2004. Staff from Davenport will be on hand to discuss General Obligation and Revenue Bond strategies.

BUDGET IMPACT:

N/A

RECOMMENDATION/ACTION REQUESTED:

Information only.



Discussion Materials

City of High Point, NC



March 18, 2024

Tax Supported Debt Discussion

Credit Rating Overview and Peer Comparatives

Issuer / General Obligation Bond Rating Overview

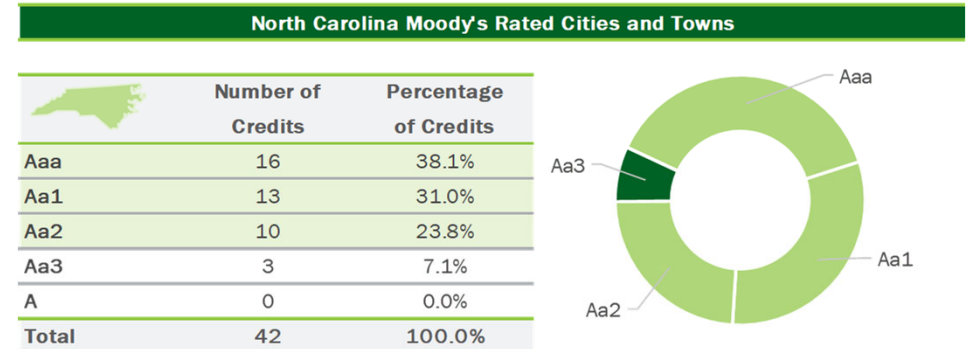
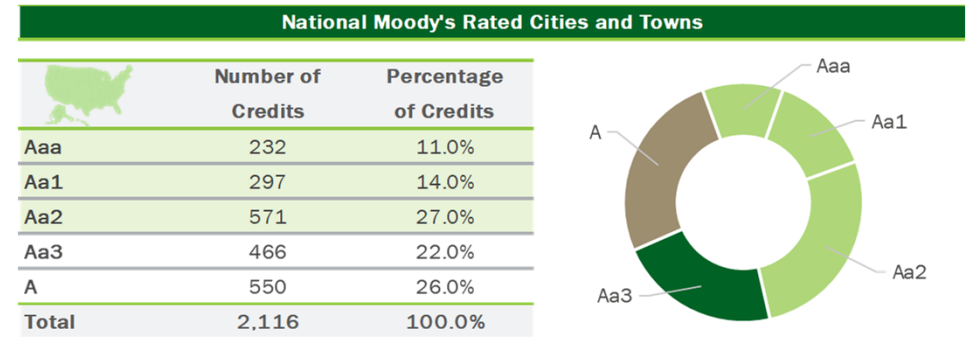
Issuer Credit Rating		
MOODY'S INVESTORS SERVICE	S&P Global Ratings	FitchRatings
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-

Issuer / General Obligation Rating History (Since 2000)			
Date	Moody's	S&P	Fitch
Pre-2000	Aa3	AA	AA
Oct-07	Aa2	AA	AA
May-08	Aa2	AAA	AA
Jun-10	Aa1	AAA	AA+

Note: Moody's, S&P & Fitch affirmed the City's Rating in March/April 2022.

Peer Comparative Introduction

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



NC 'Aaa':	Apex, Asheville, Cary, Chapel Hill, Charlotte, Concord, Durham, Davidson, Greensboro, Huntersville, Mooresville, Morrisville, Raleigh, Wake Forest, Wilmington, Winston-Salem
NC 'Aa1':	Carolina Beach, Carrboro, Clayton, Fayetteville, Fuquay-Varina, Garner, Hickory, High Point, Holly Springs, Indian Trail, Matthews, Mount Holly, Nags Head
NC 'Aa2':	Gastonia, Greenville, Jacksonville, Monroe, Oak Island, Rocky Mount, Sanford, Thomasville, Wilson, Zebulon
NC 'Aa3':	Kannapolis, River Bend, Stanley
NC 'A':	None.

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

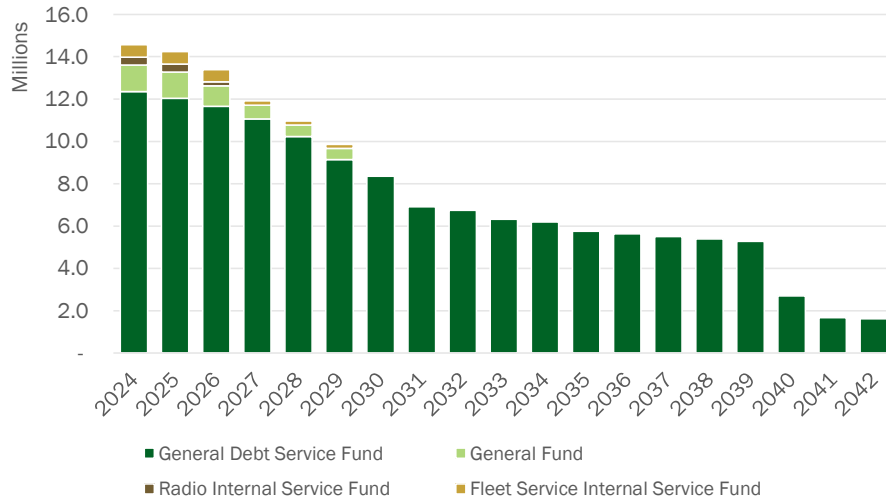
Category	Rating Percentage	Short Term Control	Long Term Control
Institutional Framework	10%		✓
Economy	30%		✓
Management	20%	✓	✓
Budget Flexibility	10%	✓	✓
Budgetary Performance	10%	✓	✓
Liquidity	10%	✓	✓
Debt and Contingent Liabilities	10%	✓	✓

- 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.
- On January 11, 2024, Standard & Poor's released a Request for Comment on its proposed Methodology for Rating U.S. Governments.

Note: Fitch Ratings Methodology was last published on April 18, 2016. The main categories of their methodology are similar to those listed above and include Revenue Framework, Expenditure Framework, Long-Term Liability Burden and Operating Performance.

Existing Tax Supported Debt

Tax Supported Debt Service



Tax Supported Debt Service

FY	Principal	Interest	Total	10-yr Payout
Total	114,582,075	28,434,791	143,016,866	
2024	10,871,441	3,701,021	14,572,462	69.39%
2025	10,887,516	3,351,386	14,238,902	71.05%
2026	10,377,378	3,013,292	13,390,670	72.81%
2027	9,214,205	2,695,565	11,909,770	75.24%
2028	8,548,433	2,413,546	10,961,979	78.78%
2029	7,718,030	2,143,984	9,862,014	83.58%
2030	6,440,072	1,906,895	8,346,968	90.08%
2031	5,205,000	1,699,927	6,904,927	93.81%
2032	5,242,000	1,511,508	6,753,508	96.55%
2033	5,006,000	1,319,581	6,325,581	100.00%
2034	5,046,000	1,146,149	6,192,149	100.00%
2035	4,786,000	970,209	5,756,209	100.00%
2036	4,826,000	802,033	5,628,033	100.00%
2037	4,871,000	631,989	5,502,989	100.00%
2038	4,921,000	471,721	5,392,721	100.00%
2039	4,971,000	308,739	5,279,739	100.00%
2040	2,521,000	182,923	2,703,923	100.00%
2041	1,565,000	109,550	1,674,550	100.00%
2042	1,565,000	54,775	1,619,775	100.00%

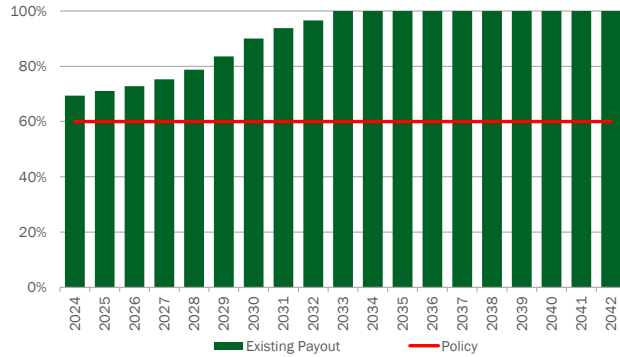
Par Outstanding – Estimated as of 6/30/2023

Type	Par Amount
General Debt Service Fund – GO Bonds	\$61,366,758
General Debt Service Fund – LOBs	\$45,211,000
General Fund Capital Leases	\$4,880,262
Radio Internal Service Fund Capital Leases	\$900,000
Fleet Services Internal Service Fund Capital Leases	\$2,224,055
Total	\$114,582,075

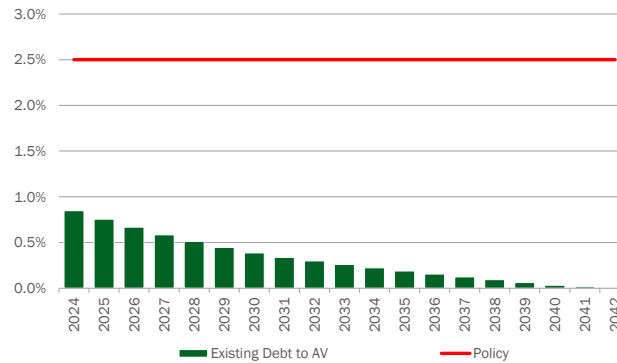
Note: Excludes Stormwater and Water & Sewer GO Debt and Capital Leases.

Existing Tax Supported Debt Ratios & Policies

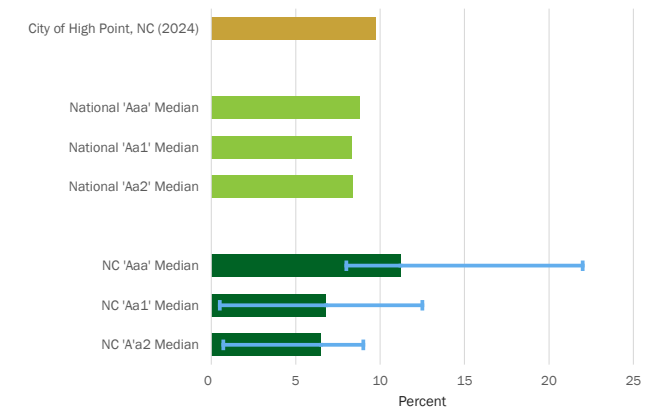
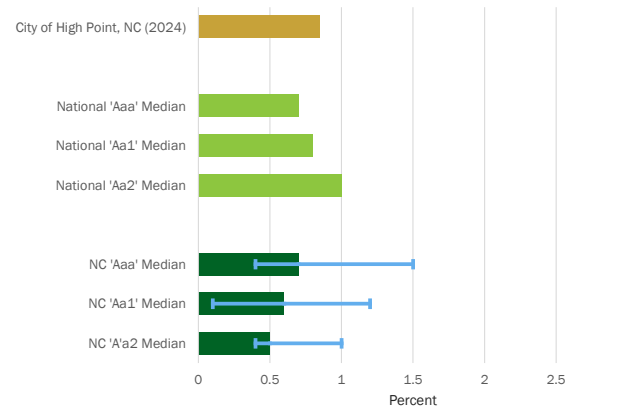
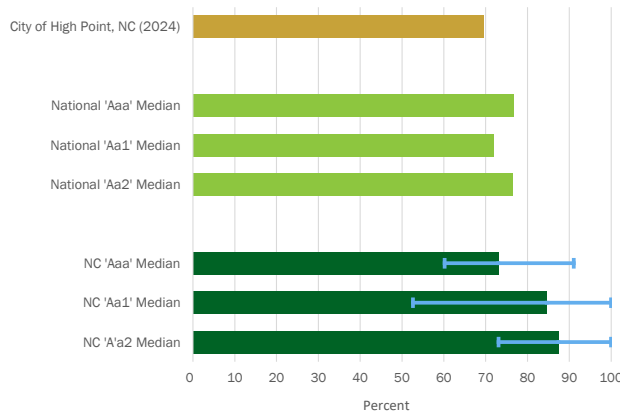
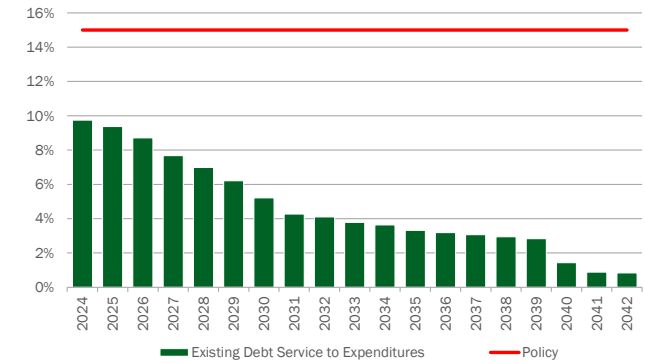
10 Year Payout



Debt to Assessed Value



Debt Service to Expenditures



Gold – Reflects City of High Point Value

Light Green – Reflects National (Aaa, Aa1, Aa2) Median Values

Dark Green – Reflects NC (Aaa, Aa1, Aa2) Median Values

Blue Line – Reflects Min/Max Values

- Existing 10-year Payout Ratio
– FY 2024: **69.39%**

- The City has a policy establishing a minimum 10 Year Payout Ratio of 60.00%.

- Existing Debt to Assessed Value
– FY 2024: **0.85%**

- The City has a policy establishing a maximum Debt to Assessed Value ratio of 2.50%.

- Existing Debt Service vs. Expenditures
– FY 2024: **9.75%**

- The City has a policy establishing a maximum Debt Service to Expenditures ratio of 15.00%.

Overview of Future Financing Assumptions & Results

As of March 2024

Future Financing Assumptions

Debt Issuance Assumptions		
	Amount	Timing*
1 Voted GO Bonds		
2 FY 2026 (Transportation)	\$12,000,000	Spring 2026 ¹
3 FY 2026 (Parks & Recreation)	\$12,000,000	Spring 2026 ¹
4 Total Voted GO Bonds	\$24,000,000	
5 Two-Thirds GO Bonds		
6 FY 2024	\$5,425,000	Spring 2024 ¹
7 FY 2026	\$5,555,000	Spring 2026 ¹
8 Total Two-Thirds GO Bonds	\$10,980,000	
9 Other Major Capital Projects (LOBs)		
10 FY 2025 - Stadium Improvements	\$6,000,000	Spring 2025
11 FY 2026 - 300 Oak Street	\$5,000,000	Fall 2025
12 FY 2026 - New City Hall	\$60,000,000	Spring 2026
13 FY 2027 - Downtown Parking	\$14,000,000	Spring 2027
14 Total LOBs	\$85,000,000	
15		
16 Total Debt Issued	\$119,980,000	
17		
18 Financing Assumptions		
19 Amortization		Level Principal
20 Term		20 Years
21 Interest Rate		5.00%
22 First Interest		Fiscal Year Following Issuance
23 First Principal		Fiscal Year Following Issuance

*Note - Timing subject to project status and requirements for LGC Approval.

¹ Note - Debt Service on FY 2024 Two-Thirds Bonds based on preliminary final numbers. FY 2026 Voted and Two-Thirds Bonds reflects combined level principal with FY 2024 Two-Thirds Bonds.

Summary of Results

A	B	C	D
Key Debt Ratios			
1 Debt Ratio	Existing	Policy	Projected (Worst Shown)
2 10-Year Payout	69.39%	60.00%	59.46%
3 Years Out of Compliance			1
4 Debt to Assessed Value	0.85%	2.50%	1.43%
5 Years Out of Compliance			0
6 Debt Service to Expenditures	9.75%	15.00%	13.52%
7 Years Out of Compliance			0
8			
9 Tax Equivalent Impact			
10 Incremental (as needed)			
11 FY 2025			-
12 FY 2026			0.94¢
13 FY 2027			5.44¢
14 FY 2028			-
15 FY 2029			-
16 Total Incremental Tax Equivalent Impact			6.38¢
17 FY 2025 Upfront Tax Equivalent Impact			3.67¢
18 FY 2026 Upfront Tax Equivalent Impact			4.59¢

Note - Incremental and Upfront Tax Equivalent Impacts are calculated so that the Debt Service Fund Balance stays at or above 50% of Maximum Annual Debt Service in any given year.

Local Government Commission Overview

North Carolina
Department of State Treasurer

Local Government Commission



- 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.

Upcoming LGC Meeting Schedules	Apr. Meeting	May. Meeting*
FY 2023 Audit Due:	2/6/2024	3/5/2024
JLC Letter Due:	2/16/2024	3/22/2024
Application Due:	3/5/2024	4/2/2024
Commission Meeting:	4/2/2024	5/7/2024

Utility Debt Discussion

Credit Rating Overview – Water & Sewer Revenue Bonds

Water & Sewer Revenue Bond Rating Overview

- The City currently has the following ratings:
 - Moody's: **Aa2**
 - Last Rating Review: 4/7/2022
 - Last Rating Action: Upgrade to Aa2 on 6/3/2010
 - S&P: **AAA**
 - Last Rating Review: 3/24/2023
 - Last Rating Action: Upgrade to AAA on 5/14/2012
 - Fitch: **AA+**
 - Last Rating Review: 3/30/2023
 - Last Rating Action: Upgrade to AA+ on 6/2/2010

Rating Overview and History

Combined Enterprise System (Water & Sewer) Credit Rating

MOODY'S
INVESTORS SERVICE

S&P Global
Ratings

FitchRatings

Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-

Combined Enterprise System Rating History

Date	Moody's	S&P	Fitch
Pre-2004	NR	NR	NR
Oct-04	A1	A+	AA
May-06	A1	A+	AA
May-08	Aa3	AA	AA
10-Jun	Aa2	AA+	AA+
May-12	Aa2	AAA	AA+

Water and Sewer Utilities Credit Overview

Key Credit Factors

Moody's Rating Agency Methodologies

Category	Rating Percentage	Short Term Control	Long Term Control
System Characteristics	30%		
Asset Condition (Remaining Useful Life)	10.0%		✓
Service Area Wealth (Median Family Income)	12.5%		✓
System Size (O&M)	7.5%		✓
Financial Strength	40%		
Annual Debt Service Coverage	15%	✓	✓
Days Cash on Hand	15%	✓	✓
Debt to Operating Revenues	10%	✓	✓
Management	20%		
Rate Management	10%	✓	✓
Regulatory Compliance and Capital Planning	10%	✓	✓
Debt Legal Provisions	10%		
Rate Covenant	5%		✓
Debt Service Reserve Requirement	5%	✓	✓

Key Credit Factors

- Economy and customer base
 - Diverse customer base protects against loss of large customers
 - Wealth and income levels provide insight into the economic resources of the service area
 - Larger systems can achieve economies of scale
- Debt Service Coverage
 - Net Revenues available to pay Debt Service needs to be greater than Debt Service by a minimum amount.
 - Legal Requirement: 1.20x (i.e. for every \$1.00 revenue bond debt service, there needs to be \$1.20 of Net Revenues)
- System Reserves
 - Cumulative Funds available after Operations and Debt Service needs to be established at a minimum acceptable level
 - Often referred to as “liquidity” and measured as a percentage of Operations & Maintenance, or Days Cash on Hand
- Management
 - Established track record of financial management, asset management and regulatory compliance
 - Ability and Willingness to raise rates
 - Financial Policy Guidelines

Rating Agency Observations

MOODY'S INVESTORS SERVICE

April 7, 2022 (Aa2) – “The Aa2 rating reflects the system's growing service area that benefits from its location within the Piedmont Triad region and stable financial metrics supported by annual rate increases. The system's debt burden is slightly elevated and resident income levels are below average.”

Factors that could lead to an upgrade of the ratings include:

- Continued system growth
- Reduction in debt to operating revenues ratio
- Increased coverage and liquidity

Factors that could lead to a downgrade of the ratings include:

- **Failure to implement timely rate increases**
- Deterioration of financial metrics
- Significant increase in debt burden

S&P Global Ratings

April 5, 2022 (AAA) – “Due to High Point's limited exposure to federal revenues, we believe the 'AAA' rating on the city's combined enterprise system revenue bonds is warranted per our criteria. The city's combined enterprise system operating expense flexibility and locally derived revenue base from local water and sewer charges (that are derived through an autonomous rate-setting process), which represent virtually all of the combined enterprise system's revenues, support the higher rating.”

Downside scenario: “We could lower the rating should system financial metrics materially erode from currently strong levels and if management consistently fails to meet targeted coverage levels.”

FitchRatings

March 30, 2023 (AA+) – “The 'AA+' rating reflects the system's continued trend of very low leverage in the context of very strong revenue defensibility and operating risk profiles, both of which are assessed at 'aa'.”

Factors that could lead to positive rating action/upgrade:

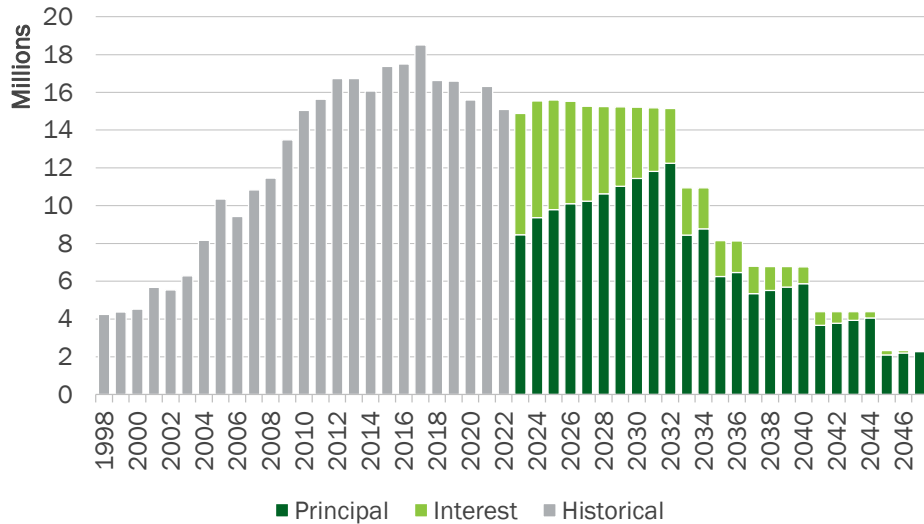
- Sustained actual and projected leverage trending below 5.0x in Fitch's base and stress scenarios in the context of current revenue defensibility and operating risk assessments

Factors that could lead to negative rating action/downgrade:

- Leverage trends around or above 7.0x in Fitch's base and stress case scenarios in the context of current revenue defensibility and operating risk assessments
- **Rate adjustments that inadequately support the CIP and/or increased carrying costs**

Existing Water and Sewer Supported Debt

Water and Sewer Supported Debt Service



Par Outstanding – Estimated as of 6/30/2023

Type	Par Amount
Parity Obligations	\$169,753,000
GO Bonds	\$990,251
Revolving Loans / Other	\$228,265
Total	\$170,971,516

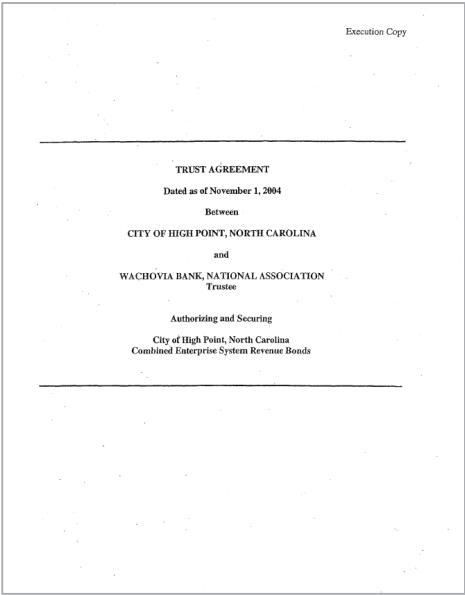
Water and Sewer Supported Debt Service

FY	Principal	Interest	Total	10-yr Payout
Total	170,971,516	56,734,464	227,705,980	
2024	9,355,985	6,190,606	15,546,591	61.5%
2025	9,790,073	5,801,693	15,591,766	64.7%
2026	10,107,021	5,409,718	15,516,738	66.5%
2027	10,233,609	5,017,189	15,250,798	68.7%
2028	10,628,609	4,612,239	15,240,849	70.3%
2029	11,030,609	4,189,254	15,219,863	72.2%
2030	11,436,609	3,767,995	15,204,604	74.6%
2031	11,821,000	3,349,155	15,170,155	77.6%
2032	12,237,000	2,913,319	15,150,319	78.8%
2033	8,433,000	2,515,886	10,948,886	80.4%
2034	8,770,000	2,171,733	10,941,733	83.9%
2035	6,256,000	1,883,881	8,139,881	88.5%
2036	6,469,000	1,656,219	8,125,219	91.2%
2037	5,335,000	1,455,089	6,790,089	94.9%
2038	5,513,000	1,266,923	6,779,923	100.0%
2039	5,691,000	1,080,349	6,771,349	100.0%
2040	5,864,000	895,868	6,759,868	100.0%
2041	3,655,000	738,400	4,393,400	100.0%
2042	3,785,000	608,475	4,393,475	100.0%
2043	3,920,000	473,825	4,393,825	100.0%
2044	4,055,000	334,350	4,389,350	100.0%
2045	2,105,000	221,300	2,326,300	100.0%
2046	2,195,000	135,300	2,330,300	100.0%
2047	2,285,000	45,700	2,330,700	100.0%

High Point Revenue Bond Overview



- The City’s Combined Enterprise System Revenue Bonds are secured solely by the Net Receipts of the Combined Enterprise System of the City. Neither the City’s taxing power or any asset is pledged to Revenue Bond holders.
 - Net Receipts include all receipts, revenues, income, proceeds and money received in any period, by or for the City in respect of the Combined Enterprise System less Current Expenses.
- In order to issue Revenue Bonds, the City entered into a contractual agreement with Revenue Bond Holders through a Trust Agreement Dated as of November 1, 2004 (the “Trust Agreement”).
 - Under this agreement, the City is required to maintain / operate the system in a certain manner, including Rate Setting Requirements and limitations on additional indebtedness.



Rate Setting Requirements (Rate Covenant)	<p>-The City must set rates and charges so that (1) the sum of (i) Income Available for Debt Service and (ii) 15% of the Water & Sewer Unrestricted Net Assets as of the last day of the preceding Fiscal Year equal at least 120% of revenue bond debt service and (2) Income Available for Debt Service will not be less than the sum of the total Long-Term Debt Service Requirement for Parity Indebtedness, Subordinated Indebtedness, System General Obligation Indebtedness and Other Indebtedness.</p> <p>-If the City fails to meet the requirement, it shall be considered an event of default under the Trust Agreement. The City will be required to request a Consultant to make its recommendations, if any, as to a revision of the City’s rates, fees, rentals and charges, its Current Expenses or the method of operation of the System in order to satisfy the foregoing requirements of the Rate Covenant, and to file this recommendation with the Trustee and the Local Government Commission.</p>
Additional Bonds Test	<p>-In order to issue additional bonds under the Trust Agreement, the City must satisfy the following requirements:</p> <p>(1) Be in compliance with the rate covenant (described above) for the most recent fiscal year; and</p> <p>(2) Provide a report from a Consultant demonstrating compliance with the rate covenant (as described above) for the first two Fiscal Years succeeding the date on which all capitalized interest provided from the proceeds of the new Long-Term Indebtedness is expended.</p>

Historical and Projected Financial Profile

Water and Sewer Enterprise Fund

- In April 2022, in conjunction with the issuance of the City's Combined Enterprise System Revenue Bonds, Series 2022, Willdan was engaged to prepare a six-year financial feasibility report that was shared with rating agencies and investors at that time. The Feasibility Study analyzed the financial impact of the FY 2022 – 2027 Capital Improvement Plan (\$162.6 million) and projections for revenues and expenses including system growth (~0.60% annually) and operating expenditure growth (~4.3% annually).
- *In order to fund the CIP, maintain in compliance with polices, and maintain the systems financial condition, annual rate increases of 4.00% were included in the Feasibility Study.*
 - *The continued adequacy of the future rate increases is evaluated annually by City Staff and will be dependent upon actual results, and future/additional Capital Funding needs largely dependent upon State/Federal Regulatory requirements.*

Fiscal Year	2018 Audited	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Audited	April 18, 2022 Feasibility Study Projections			
							2024 Projected	2025 Projected	2026 Projected	2027 Projected
1 Historical and Projected Rate Adjustments	3.00%	3.00%	4.00%	2.00%	0.00%	4.00%	4.00%	4.00%	4.00%	4.00%
2										
3 Future Debt Issuances	n/a	n/a	n/a	n/a	n/a	n/a	36,700,000	n/a	37,580,000	n/a
4										
5 Operating Revenues	51,897,413	52,977,411	55,132,660	58,026,628	58,154,141	62,734,169	64,777,834	67,605,250	70,464,355	73,479,673
6 Operating Expenditures ¹	29,480,331	29,682,361	29,761,890	30,469,182	32,437,957	36,101,892	35,342,899	36,875,225	38,393,397	39,982,979
7 Net Revenue Available for Debt Service	22,417,082	23,295,050	25,370,770	27,557,446	25,716,184	26,632,277	29,434,935	30,730,025	32,070,958	33,496,694
8										
9 Parity Debt Service	11,168,972	11,671,602	12,299,117	13,291,557	12,594,879	14,298,966	15,223,818	16,991,519	17,837,263	19,547,722
10 Other Debt Service	5,459,521	4,913,287	3,297,282	3,028,505	2,501,892	716,766	446,400	391,785	301,087	32,609
11 Debt Service	16,628,493	16,584,889	15,596,399	16,320,062	15,096,771	15,015,732	15,670,218	17,383,304	18,138,350	19,580,331
12										
13 Net Revenue after Debt Service	5,788,589	6,710,161	9,774,371	11,237,384	10,619,413	11,616,545	13,764,717	13,346,721	13,932,608	13,916,363
14										
15 Debt Service Coverage Ratio (DSCR) ²										
16 Parity DSCR (Line 7 / Line 9) - Minimum 1.20x	2.01x	2.00x	2.06x	2.07x	2.04x	1.86x	1.93x	1.81x	1.80x	1.71x
17 Total DSCR (Line 7 / Line 11) - Minimum 1.00x	1.35x	1.40x	1.63x	1.69x	1.70x	1.77x	1.88x	1.77x	1.77x	1.71x
18										
19 Liquidity										
20 Cash and Cash Equivalents	44,482,041	58,084,669	57,319,578	39,823,222	40,660,168	43,145,533	45,830,750	45,264,248	34,557,217	35,257,054
21 Cash as % of Operating Expense (Line 20 / Line 6) - Minimum 50%	150.9%	195.7%	192.6%	130.7%	125.3%	119.5%	129.7%	122.7%	90.0%	88.2%
22 Operating Days Cash on Hand (Line 20 / (Line 6 / 365))	551	714	703	477	458	436	473	448	329	322

Note: Per 2022 Willdan Feasibility Study and City audits.

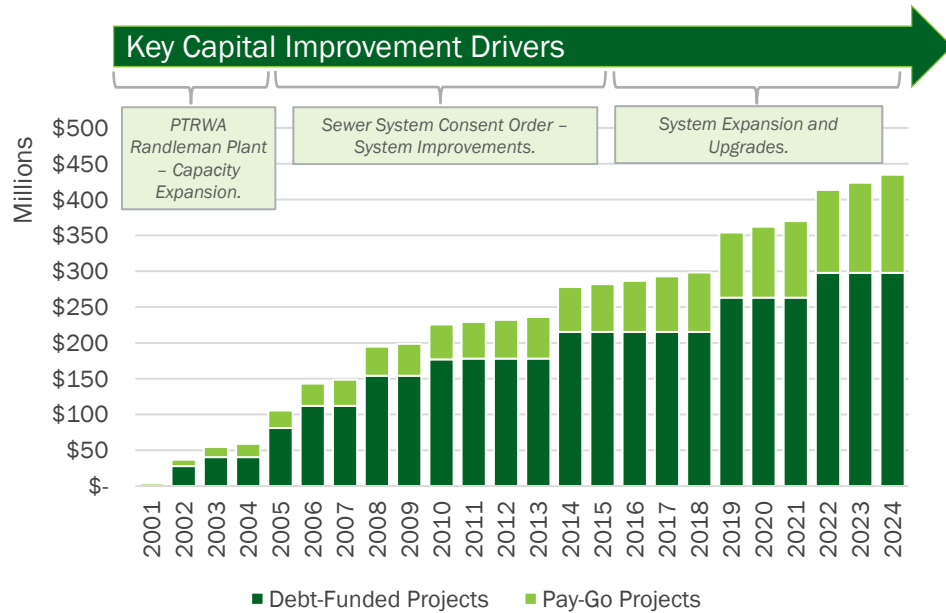
¹ Operating Expenditures exclude Depreciation and accrued expenses for stipends, pension and post-employment benefits.

² Parity Coverages shown do not include 15% Unrestricted Net Assets.

History of Water & Sewer System

CIP Funding and Rate Adjustments

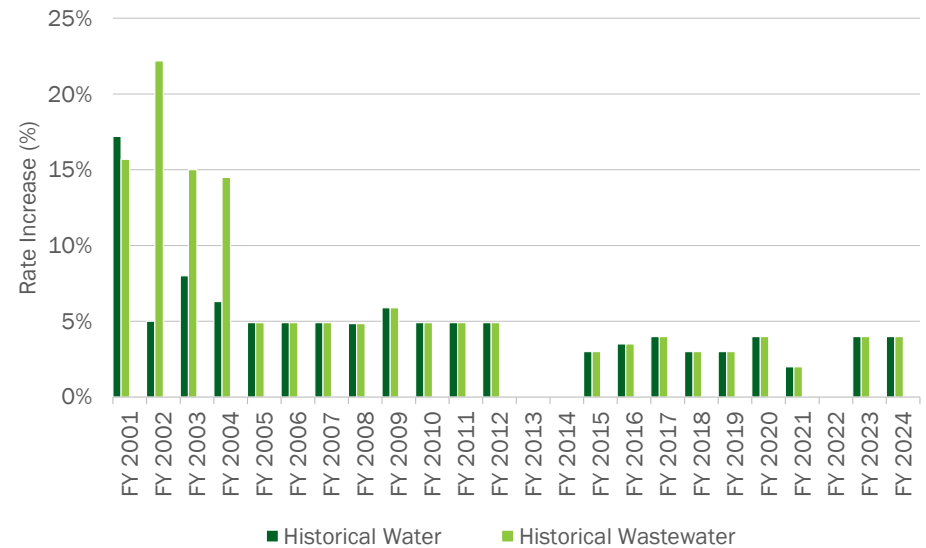
Historical CIP Funding



Debt-Funded Projects					
FY 2002	28,000,000	FY 2008	41,745,000	FY 2019	47,610,000
FY 2003	12,500,000	FY 2010	23,210,000	FY 2022	34,755,000
FY 2005	40,375,000	FY 2011	653,754	Total	\$ 297,868,754
FY 2006	31,380,000	FY 2014	37,640,000		

- In 2002, the City began an extensive capital investment program for the system to address the regulatory and capacity issues.
 - The City established a revenue bond credit in 2004 (FY 2005), and has funded a total of \$297,868,754 in projects since 2001 through debt financing.
 - The City has funded system improvements through pay-go capital as well, with \$125,819,151 in total cash capital investment since 2001.

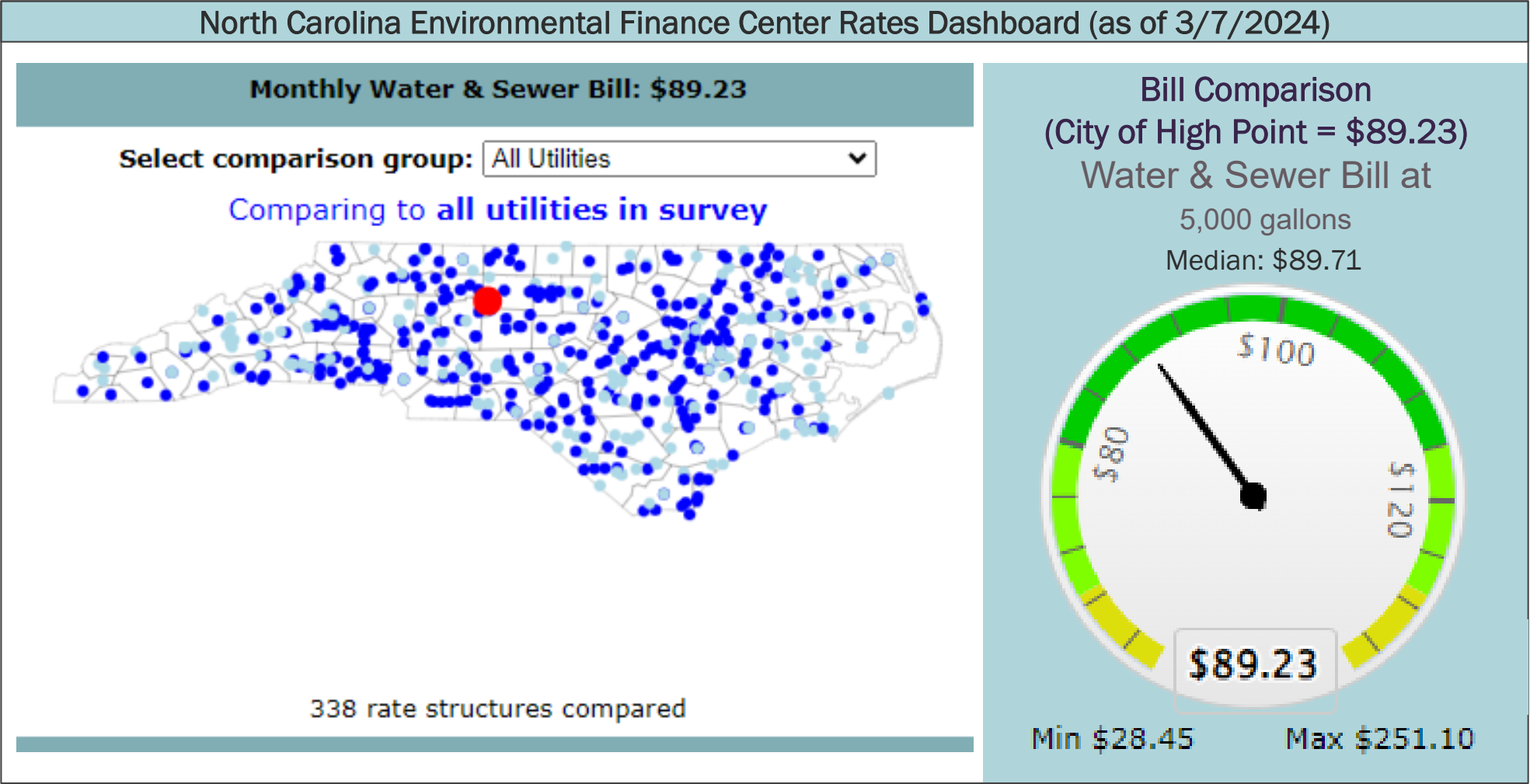
Historical Annual Rate Adjustments




Fiscal Year	Water Change %	Wastewater Change %	Fiscal Year	Water Change %	Wastewater Change %
FY 2001	17.20%	15.70%	FY 2013	0.00%	0.00%
FY 2002	5.00%	22.20%	FY 2014	0.00%	0.00%
FY 2003	8.00%	15.00%	FY 2015	3.00%	3.00%
FY 2004	6.30%	14.50%	FY 2016	3.50%	3.50%
FY 2005	4.90%	4.90%	FY 2017	4.00%	4.00%
FY 2006	4.90%	4.90%	FY 2018	3.00%	3.00%
FY 2007	4.90%	4.90%	FY 2019	3.00%	3.00%
FY 2008	4.85%	4.85%	FY 2020	4.00%	4.00%
FY 2009	5.90%	5.90%	FY 2021	2.00%	2.00%
FY 2010	4.90%	4.90%	FY 2022	0.00%	0.00%
FY 2011	4.90%	4.90%	FY 2023	4.00%	4.00%
FY 2012	4.90%	4.90%	FY 2024	4.00%	4.00%

Peer Comparative: Rate Structure

North Carolina Water and Sewer Systems



- The City enjoys high investment grade credit ratings for both its General Obligation and Utility Revenue Bonds allowing for ready access to the capital markets.
- Historically, the City has managed very thorough capital planning processes for the tax supported and utility-related capital improvement plans.
- Sustainable funding plans are in place for both capital funds – Tax Supported and Utility Supported.
- Both the General Fund and Utility Fund have significant capital needs in the near future and debt issuances will be required to fund some of these projects.
- As part of the ongoing capital planning efforts, potential rate impacts (tax rates and user rates) will need to be considered in order to maintain sound financial models and financial performance.
- Maintaining a strong financial and debt profile will be important in effectively managing the City's capital plans, bond rating levels and continued compliance with financial policies and covenants.



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