

Accessing the Capital Markets

North Carolina Local Government Investment Association



July 20, 2022



Member NYSE | FINRA | SIPC

Preparing to Access the Capital Markets – Overview

- Effectively accessing the capital markets is often times the culmination of a three phased approach to planning for and issuing debt:

- Phase 1: High Level Strategy and Planning
- Phase 2: Develop Plan of Finance
- Phase 3: Implement Plan of Finance



High Level Strategy and Planning

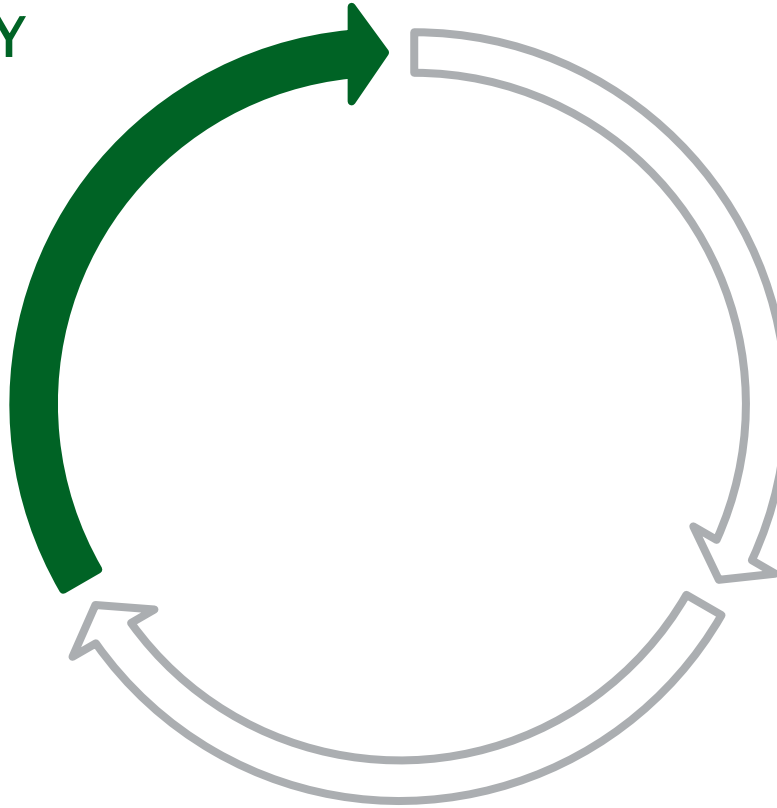
Phase 1

HIGH LEVEL STRATEGY AND PLANNING

- Strategic Vision
- Capital Improvement Plan
- Budget Forecasting
- Reporting / Transparency
- Policies / Benchmarking
- Debt Capacity / Debt Affordability

DEVELOP PLAN OF FINANCE

- Credit Options
- Methods of Sale



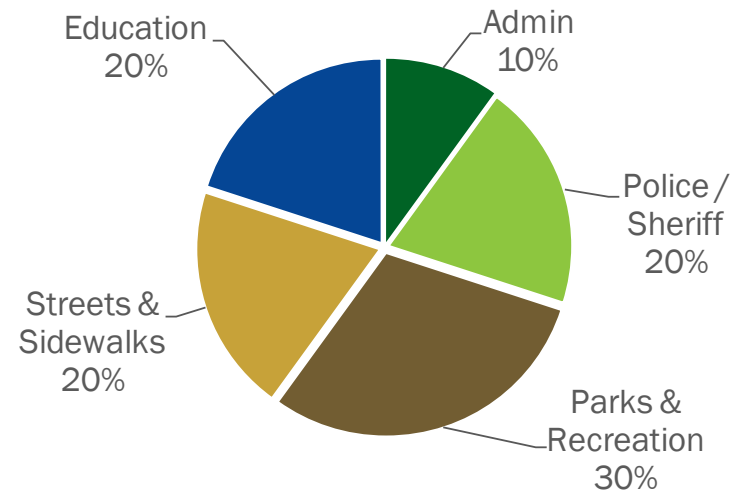
IMPLEMENT PLAN OF FINANCE

- LGC Coordination
- Credit Rating Strategy
- Pricing Process
- Post Issuance

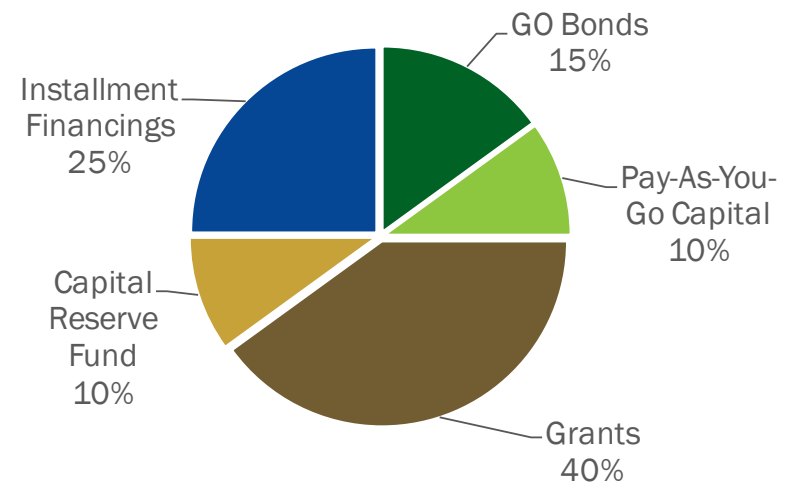
Capital Improvement Plan

- The development of a multi-year Capital Improvement Plan (“CIP”) includes:
 - Identifying realistic capital and maintenance needs (not a wish list).
 - Assigning funding sources for all projects with a balanced approach of pay-as-you-go cash, grants, reserves and debt.
 - Analyzing potential operating budget impacts associated with planned capital projects.
 - Revisiting this process at regular intervals.
 - Adopting a plan at the governing level.

5-Year CIP: Uses of Funds

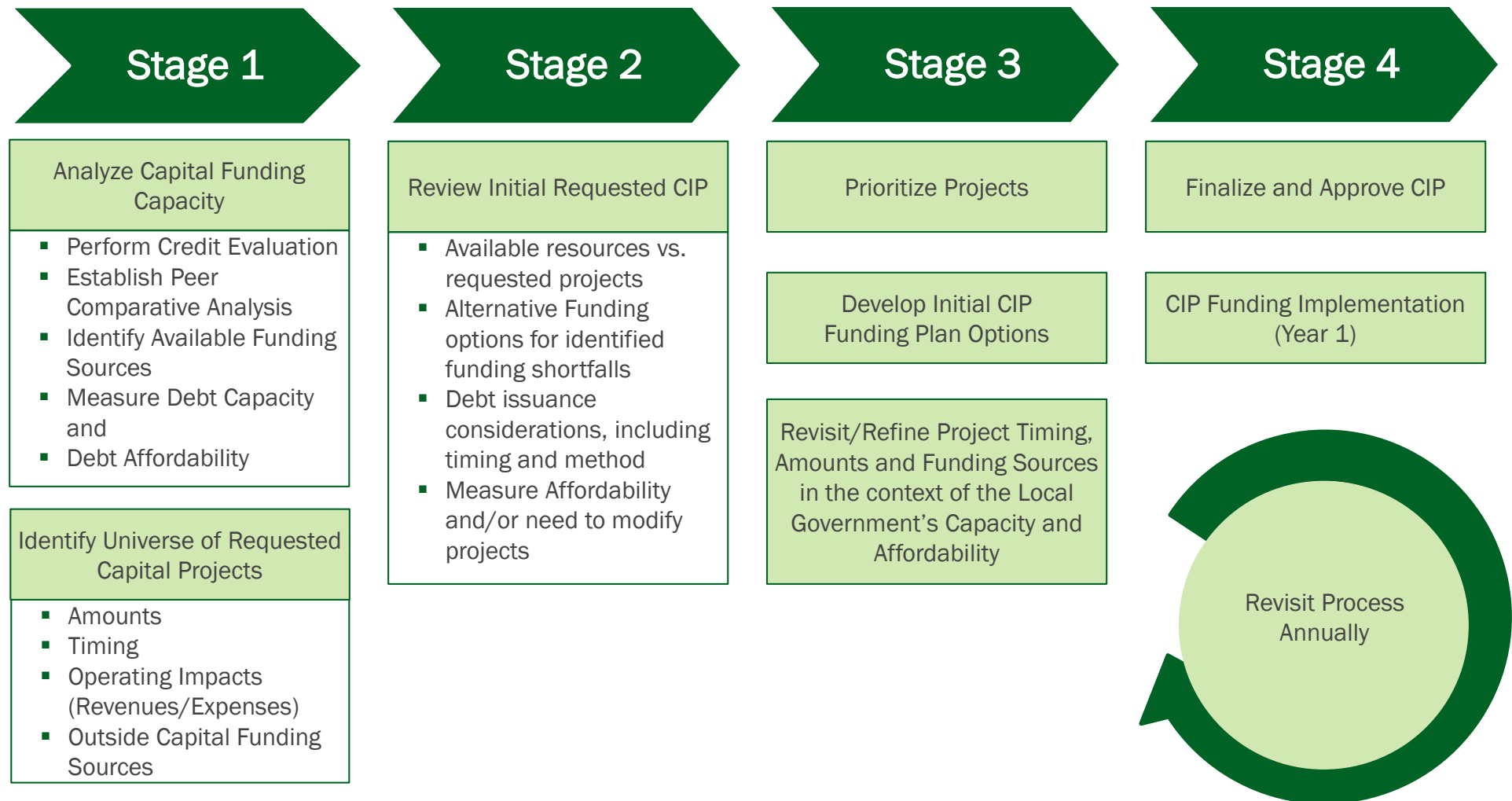


5-Year CIP: Sources of Funds



Capital Improvement Plan

- In developing a Capital Improvement Planning process, the goal is to provide the Governing Board and Stakeholders with the information necessary to make informed capital funding decisions by providing perspective on potential changes to the Local Government's financial, debt and credit profiles as a result of the comprehensive Capital Funding Plan.



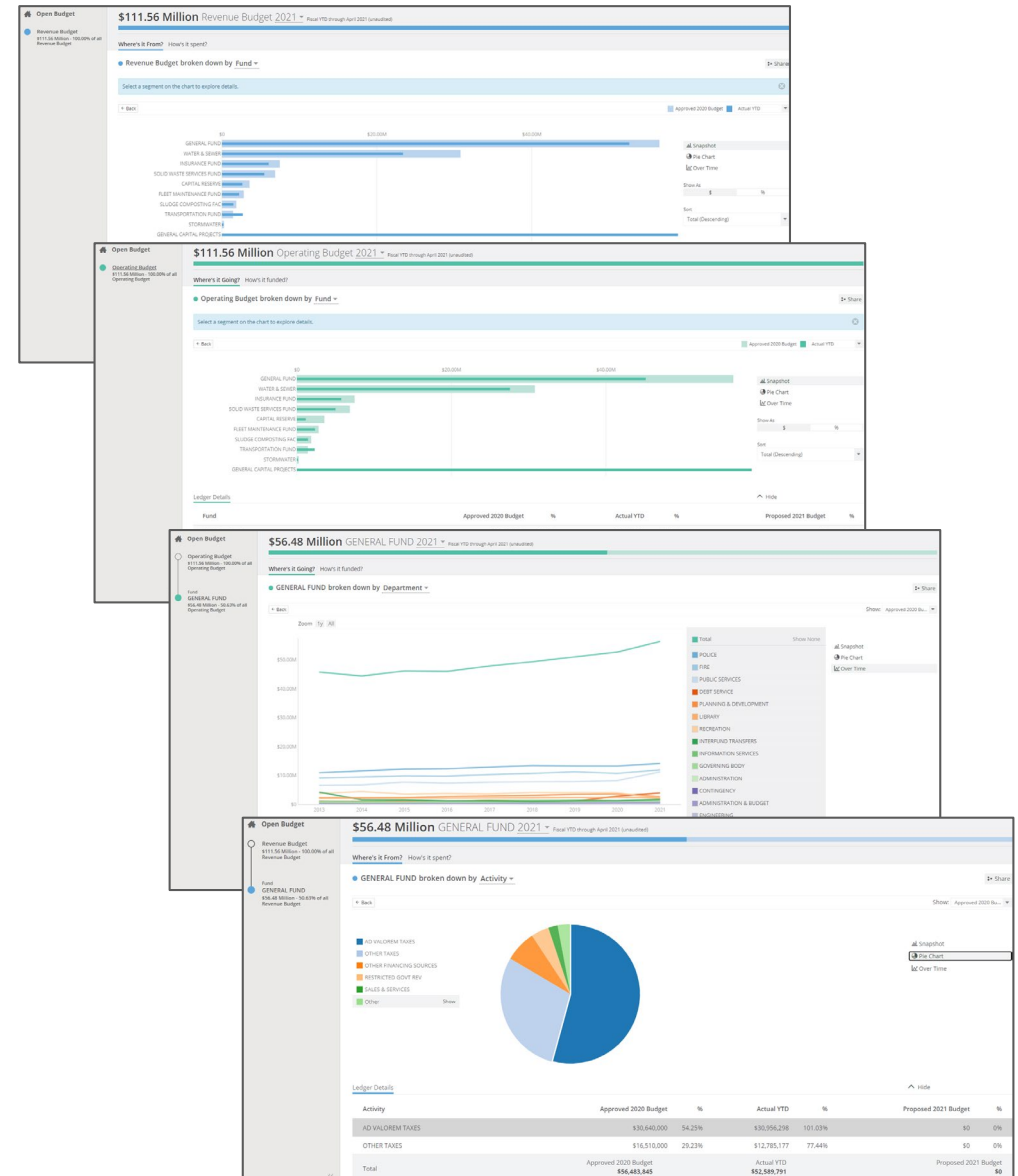
Budget Forecasting

- Development of a long-term budget planning process can be another important element when preparing to interact with rating agencies and investors.
- Elements of the long-term budget planning process can include:
 - Historic Trend Analyses.
 - Forward looking projections for key revenue and expenditure line items.
 - Sensitivity analyses to identify potential cash flow implications of board / management initiatives.

Financial Horizon-General Fund						
	Estimated FY 2021	Budget FY 2022	Horizon FY 2023	Horizon FY 2024	Horizon FY 2025	Horizon FY 2026
<i>Funding Sources</i>						
Ad Valorem Taxes	\$ 150,243,480	\$ 148,800,658	\$ 151,665,321	\$ 166,529,228	\$ 169,744,583	\$ 173,022,304
Local Option Sales Tax	35,085,909	31,718,980	32,670,550	33,650,666	34,660,185	35,699,992
Other Taxes	10,504,331	5,245,000	5,346,250	5,428,656	5,492,248	5,567,053
Unrestricted Intergovernmental Revenue	7,078,071	2,710,000	2,710,000	2,710,000	2,710,000	2,710,000
Restricted Intergovernmental Revenue	21,697,589	15,654,560	16,063,531	16,661,113	17,142,223	17,646,076
Permits and Fees	6,781,057	4,966,110	5,179,610	5,100,110	5,102,610	5,116,310
Sales and Services	14,851,521	13,423,392	13,866,482	14,120,324	14,273,272	14,429,241
Investment Earnings	80,630	100,275	100,275	100,275	100,275	100,275
Other Revenue	4,167,343	1,186,332	1,026,450	1,176,900	1,027,050	1,177,300
Bonds-Restricted	-	1,343,880	1,317,720	1,291,560	1,265,400	1,239,240
To Be Determined-Reserve Funding	-	2,877,600	7,093,685	-	-	-
Total Fundings Sources	\$ 250,489,931	\$ 228,026,787	\$ 237,039,874	\$ 246,768,832	\$ 251,517,846	\$ 256,707,791
<i>Expenditures by Type</i>						
Employee Compensation	52,853,967	58,361,759	61,743,355	64,319,659	66,455,191	68,683,981
Employee Benefits	26,433,925	29,680,961	30,982,646	32,142,617	33,151,191	34,168,054
Operating Cost	58,214,696	58,951,223	60,236,772	61,310,982	62,700,000	64,167,758
Capital Outlay	2,806,464	4,882,433	4,027,000	4,210,500	4,323,000	4,572,500
Public Schools	47,063,595	48,520,244	50,994,902	54,725,439	56,755,665	58,083,433
Community College	4,649,412	4,794,554	4,896,756	5,001,512	5,108,888	5,218,948
General Debt Service	787,434	760,937	460,214	439,224	10,000	10,000
General Planned Debt Service	-	-	-	725,756	555,075	538,325
School Related Debt Service	11,950,204	12,490,575	11,119,854	10,025,754	9,703,654	9,390,004
School Planned Debt Service	-	-	-	4,954,501	3,785,425	3,671,675
Community College Debt Service	2,807,886	2,695,365	366,587	348,426	-	-
Public Schools Capital Funding	8,731,926	6,340,995	6,657,487	6,992,174	7,330,363	7,667,471
County Capital Funding per CIP	10,000,000	547,741	5,554,301	-	-	-
Capital Reserve Transfer	-	-	-	1,572,288	1,639,394	535,642
Total Expenditures	\$ 226,744,797	\$ 228,026,787	\$ 237,039,874	\$ 246,768,832	\$ 251,517,846	\$ 256,707,791
Revenues Over/(Under) Expenditures	\$ 23,745,134	\$ -	\$ -	\$ -	\$ -	\$ -

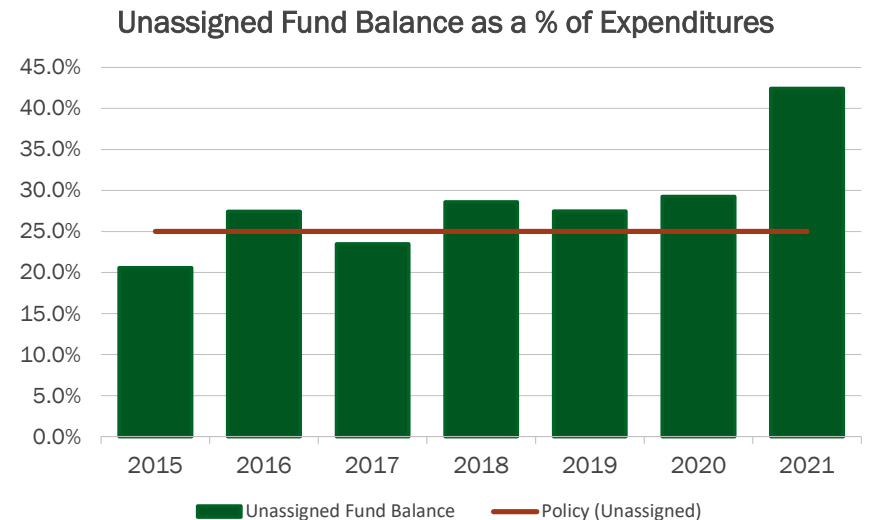
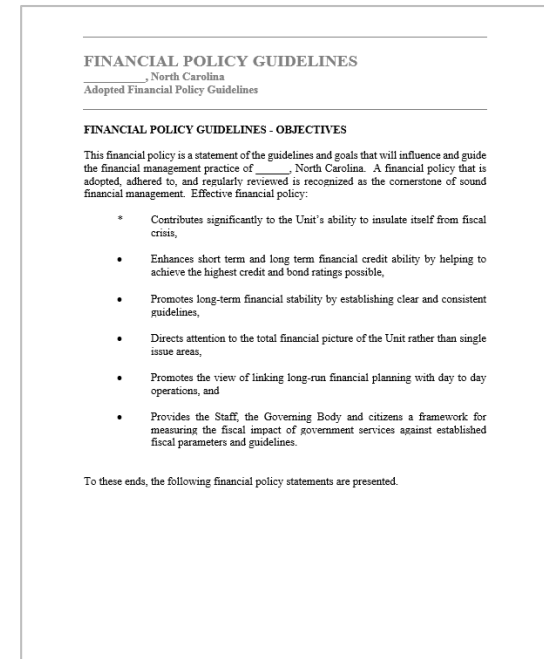
Financial Reporting

- Elements of good Financial Reporting may include:
 - Budget to Actual and Year-to-Date Financial Statements.
 - Reporting on Cash and Investment Holdings.
 - Key Metrics / Policies (e.g. Fund Balance, Debt Statistics, Other Policy Related Performance)
 - Web-based Reporting
 - Citizen / Elected Official Transparency Portal



Financial Policies

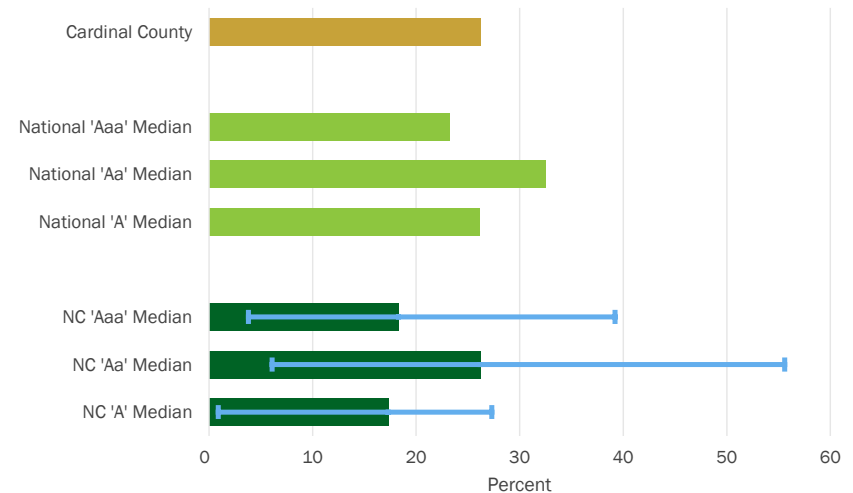
- Financial policies can provide benefits to a number of parties by:
 - Establishing a policy / decision making framework for staff and elected officials.
 - Providing comfort to Rating Agencies, Banks and Investors that a local government will manage itself in a responsible fashion.
 - Offer transparency to citizens /customers.
- A Financial Policy and Procedures Document may include:
 - Cash Management and Investment Policies
 - Budgeting Policies
 - Capital Improvement Planning Policies
 - Tax-Supported and Utility-Supported Debt Policies
 - Fund Balance Policies



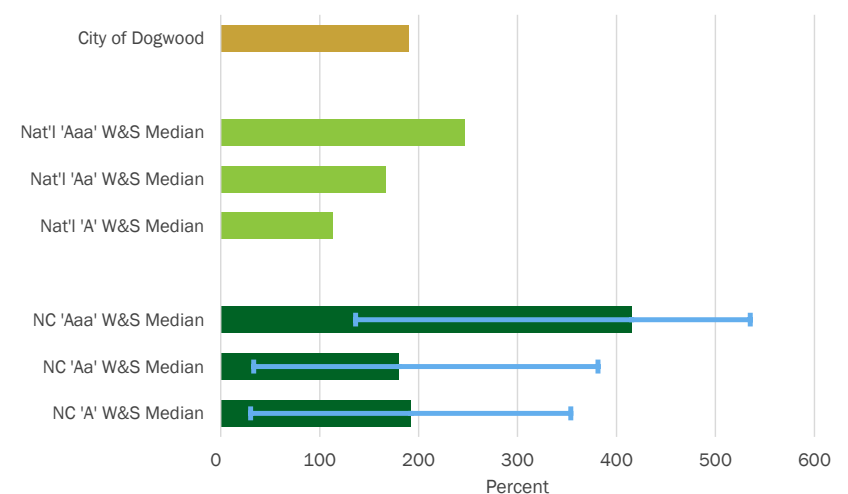
Benchmarking

- Develop a meaningful peer group to evaluate key financial ratios and economic indicators such as:
 - Debt and Contingent Liability Ratios
 - Fund Balance / Liquidity Ratios
 - Demographic Information
 - Tax Base / Customer Information
- Peer Groups may include
 - Credit Rating Categories
 - Population / Customer Ranges
 - Regional Jurisdictions / Utilities
- Resources for benchmarking include:
 - Credit Rating Agency Publications
 - Local Government Commission Reports
 - School of Government / Environmental Finance Center Resources

Unassigned Fund Balance as % of Revenue



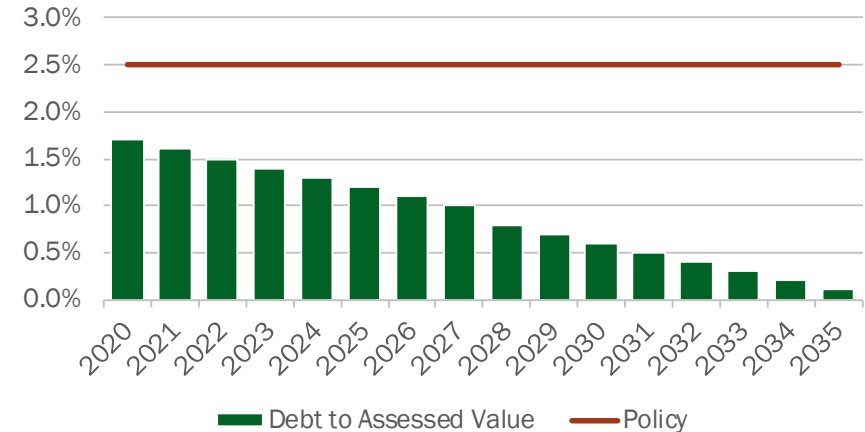
Water and Sewer Unrestricted Reserves as a % of O&M



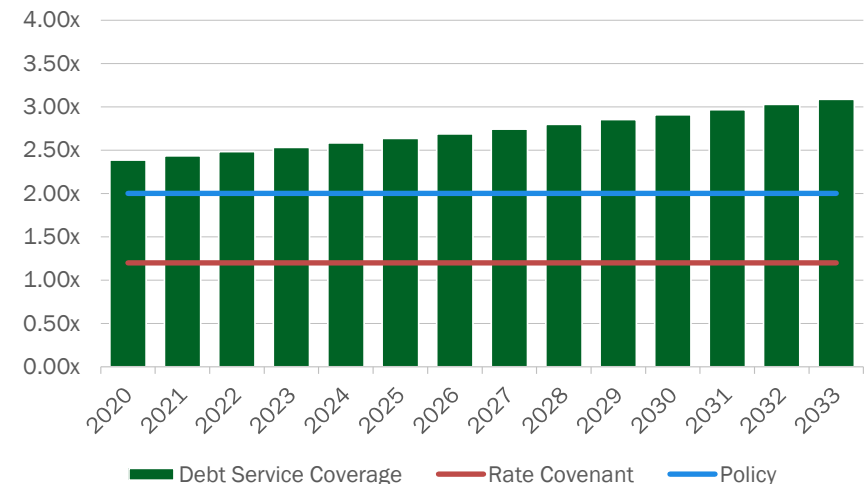
Debt Capacity

- Calculate Key Debt Ratios to provide perspective on current debt burden and future capacity.
- Key Tax-Supported Debt Ratios Include:
 - Debt to Assessed Value.
 - 10-Year Payout Ratio.
 - Debt Service vs. Expenditures.
 - Debt vs. Governmental Revenue.
 - Debt Per Capita.
- Key Utility-Supported Debt Ratios Include:
 - Debt Service Coverage.
 - Debt to Net Plant.
 - Days Cash on Hand.

Debt to Assessed Value



Debt Service Coverage



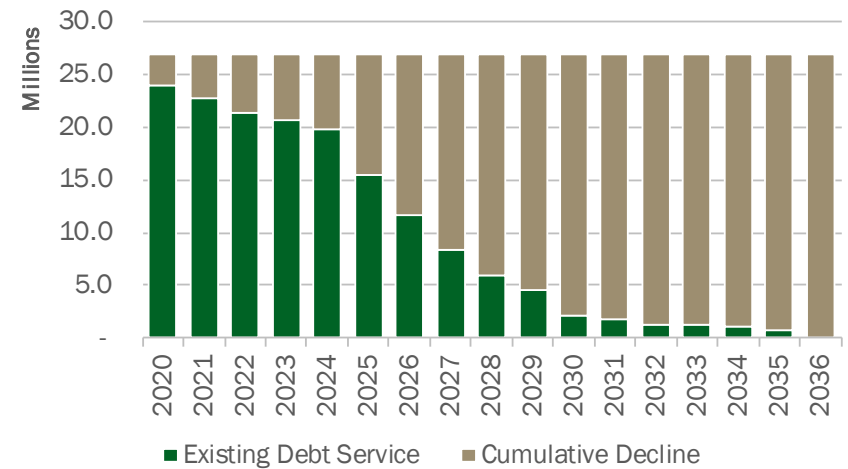
Debt Affordability

- Aggregate annual tax-supported debt service and other capital funding requirements:
 - Existing Debt Service Payments.
 - Estimated CIP Debt Service.
 - Pay-as-you-go Capital.
 - Operating Impacts of Capital Projects.

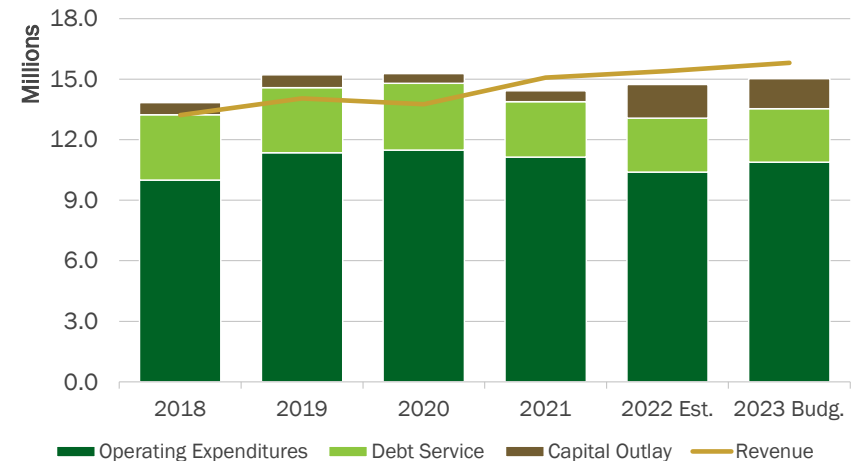
- Identify Revenue Sources in current Fiscal Year budget dedicated to debt service and capital:
 - Sustainable General Fund Budget Revenues.
 - Fund Balance / Reserves.
 - State Revenues (e.g. Sales Tax, Lottery, etc.).
 - Federal Revenues / Subsidies.

- For Utility-Supported projects, develop a forward looking Pro-Forma Financial model to forecast future revenues, operating / capital expenses and existing / future debt service payments.

Decline in Debt Service



Utility Revenues vs. Expenditures



Develop Plan of Finance

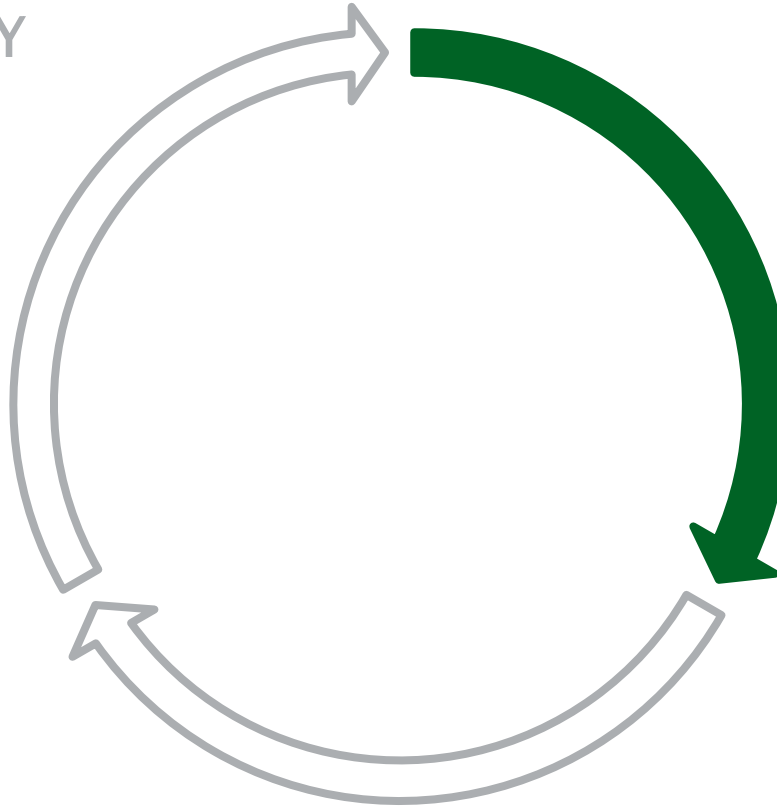
Phase 2

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Credit Options

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

Methods of Sale

Issuance Approach	Potential Advantages	Potential Disadvantages
Direct Bank Loan	<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.
Public Sale	<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 / insurance generally required. – More stringent financing requirements / documentation – Interest Rate established late in the financing process.
State / Federal Programs (e.g. USDA, SRF, WIFIA)	<ul style="list-style-type: none"> – Potential for longer term amortization (30-40 years). – Low / subsidized interest rates. – Maximum Interest rate established upon approval and can be reduced at project completion. – Potential grant funding / principal forgiveness. 	<ul style="list-style-type: none"> – Application process with limited monies available. – Must meet minimum eligibility qualifications. – Limited structuring flexibility. – Detailed application requirements can result in longer process. – Requires a construction loan. – May Require a Debt Service Reserve Fund.

Methods of Sale

Competitive vs. Negotiated Public Sale

- When considering whether a competitive or negotiated sale is the preferred approach to a public sale financing, it is critical to analyze current market conditions.

Quantitative Factors	Qualitative Factors
Comparable Transactions	Current Market Conditions
Visible Supply	Financing Structure
Cost of Issuance	North Carolina Practice
Coupon Structures	LGC Input
Call Provisions	Underwriter Value Added
Indicative Pricing	Timing of Financing

Loudoun County, VA Competitive Lease Revenue Bond Sale Date: 5/25/22

Loudoun Co Econ Dev Auth \$57,620,000 Public Facility Revenue Bonds, Series 2022A (Loudoun County Public Facilities Project)

The following bids were submitted using **PARITY**® and displayed ranked by lowest TIC.
Click on the name of each bidder to see the respective bids.

Bid Award*	Bidder Name	TIC
<input type="checkbox"/>	Mesirow Financial, Inc.	3.187722
<input type="checkbox"/>	Jefferies LLC	3.189465
<input type="checkbox"/>	J.P. Morgan Securities LLC	3.199150
<input type="checkbox"/>	Wells Fargo Bank, National Association	3.202320
<input type="checkbox"/>	Morgan Stanley & Co. LLC	3.205621
<input type="checkbox"/>	TD Securities	3.235984
<input type="checkbox"/>	BofA Securities	3.236804
<input type="checkbox"/>	Citigroup Global Markets Inc.	3.238440
<input type="checkbox"/>	Piper Sandler & Co	3.241579
<input type="checkbox"/>	Robert W. Baird & Co., Inc.	3.357981

Loudoun Co Econ Dev Auth \$19,135,000 Public Facility Revenue Bonds, Series 2022B (Loudoun County Public Facilities Project) (Federally Taxable)

The following bids were submitted using **PARITY**® and displayed ranked by lowest TIC.
Click on the name of each bidder to see the respective bids.

Bid Award*	Bidder Name	TIC
<input type="checkbox"/>	Robert W. Baird & Co., Inc.	3.102403
<input type="checkbox"/>	Fifth Third Securities, Inc.	3.219253
<input type="checkbox"/>	Stifel, Nicolaus & Co., Inc.	3.241857
<input type="checkbox"/>	Raymond James & Associates, Inc.	3.255768
<input type="checkbox"/>	Piper Sandler & Co	3.317846
<input type="checkbox"/>	UBS Financial Services Inc.	3.324904
<input type="checkbox"/>	Wells Fargo Bank, National Association	3.327037
<input type="checkbox"/>	TD Securities	3.339180
<input type="checkbox"/>	J.P. Morgan Securities LLC	3.593692

Methods of Sale

Public Sale vs. Direct Bank Loan

Example 1: Utility Revenue Bond

- This past spring, a Double-A Rated Authority was planning on issuing its first series of Revenue Bonds in the public market. In a rising interest rate environment, alternative financing options were evaluated.
 - The Authority secured a Direct Bank Loan proposal for a fixed rate 25-year term financing under the same terms and conditions as the Public Sale.
 - The Authority decided to move forward with the Direct Bank Loan option, locking in in interest rates three weeks ahead of the scheduled public sale date. Ultimately, locking in this rate early through the Direct Bank Loan saved the Authority over \$7,000,000 in Debt Service over the life of the loan.

Current Market Financing Summary

Bank Proposal vs. Public Sale (Market as of 3/29/2022)

Scenario	A	B	C
		Bank Proposal	Public Sale
1 Sources			
2 Par Amount*		\$ 77,261,000	\$ 71,205,000
3 Premium*			6,345,453
4 Total		\$ 77,261,000	\$ 77,550,453
5			
6 Uses			
7 Project Fund*		\$ 76,835,973	\$ 76,835,973
8 Cost of Issuance*		425,000	425,000
9 Underwriter's Discount*			285,089
10 Additional Proceeds*		27	4,391
11 Total		\$ 77,261,000	\$ 77,550,453
12			
13 Interest Rate / True Interest Cost*		3.2300%	3.4258%
14 All-In TIC*		3.2774%	3.4743%
15 Average Coupon*		3.2300%	4.1296%
16 Interest Rate Lock Date		Late March	5/12/2022
17			
18 Closing Date*		May	5/26/2022
19 First Interest Payment		12/1/2022	12/1/2022
20 First Principal Payment		6/1/2025	6/1/2025
21 Final Maturity		6/1/2047	6/1/2047
22 Amortization Structure		Level Debt Service	Level Debt Service
23			
24 Total Debt Service		\$ 115,692,899	\$ 117,792,676
25			
26 Breakeven PS Interest Rate Movement		- 24 bps	

*Preliminary and subject to change. Public Sale interest rates as of 3/29/2022.

Example 2: General Obligation Refunding Bond

- A Triple-A Rated City was scheduled to sell three series of General Obligation Bonds competitively in April 2022, including one series to refund its Series 2012 General Obligation Bonds. In the rising interest rate environment, the estimated savings diminished and were approaching the City's minimum target threshold. Leveraging off of other recent Direct Bank Loan RFPs, the City reached out to several financial institutions to evaluate the viability of a Direct Bank Loan refinancing.
 - Based upon the rates received, the City elected to move forward with a Direct Bank Loan for the refinancing, locking in the interest rate three weeks earlier than the scheduled sale at a higher estimated level of savings.

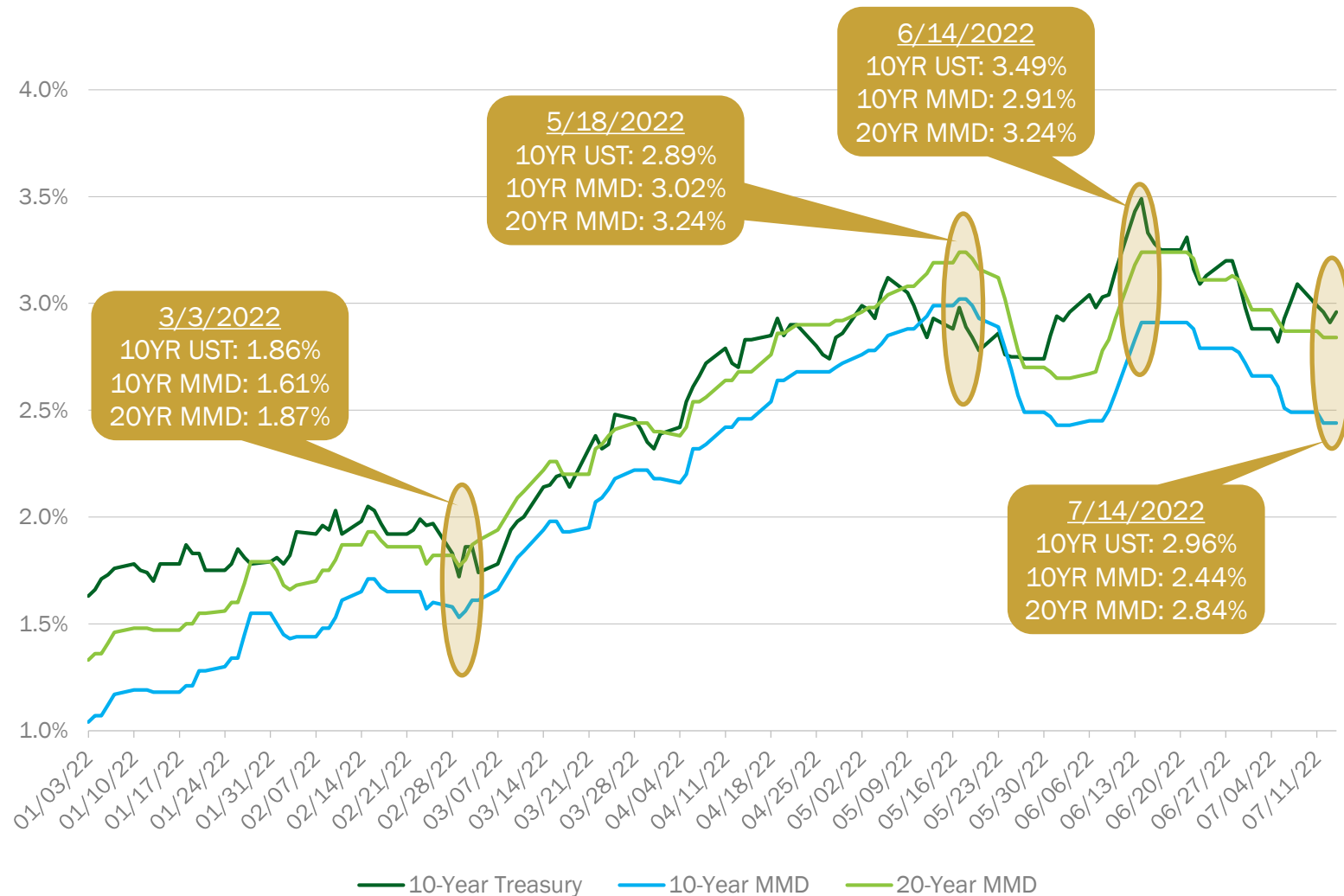
General Obligation Bonds, Series 2012 Refunding Comparison

Direct Bank Loan (Indicative Rate) vs. Current Market Public Sale

Scenario	B			E			H
	2012 Public Improvement Bonds	2012 Refunding Bonds	Total	2012 Public Improvement Bonds	2012 Refunding Bonds	Total	
1 Sources							
2 Par Amount*	\$ 2,804,000	\$ 4,168,000	\$ 7,302,000	\$ 2,870,000	\$ 3,915,000	\$ 6,505,000	
3 Premium*		-		\$ 187,056	\$ 233,842	\$ 420,898	
4 Total	\$ 2,804,000	\$ 4,168,000	\$ 7,302,000	\$ 2,807,056	\$ 4,148,842	\$ 7,105,900	
5							
6 Uses							
7 Refunding Existing Bonds - Cash Deposit*	\$ 2,802,801	\$ 4,123,428	\$ 7,026,229	\$ 2,802,801	\$ 4,123,428	\$ 7,026,229	
8 Cost of Issuance*	80,894	44,018	79,000	18,998	26,022	45,017	
9 Underwriter's Discount*				\$ 2,880	\$ 18,878	\$ 21,758	
10 Additional Proceeds*	135	558	693	6,812	(301)	6,511	
11 Total	\$ 2,804,000	\$ 4,168,000	\$ 7,302,000	\$ 2,807,056	\$ 4,148,842	\$ 7,105,900	
12							
13 Interest Rate / True Interest Cost*	1.9801%	1.9808%	1.9804%	2.1388%	2.1384%	2.1386%	
14 All-In TIC*	2.1821%	2.1828%	2.1824%	2.3409%	2.3405%	2.3407%	
15 Interest Rate Lock Date	Early April	Early April	Early April	April 18th	April 28th	April 18th	
16							
17 Closing Date*	Early May	Early May	Early May	5/11/2022	5/11/2022	5/11/2022	
18 First Interest Payment	6/1/2022	6/1/2022	6/1/2022	6/1/2022	6/1/2022	6/1/2022	
19 First Principal Payment	6/1/2023	6/1/2023	6/1/2023	6/1/2023	6/1/2023	6/1/2023	
20 Final Maturity	6/1/2032	6/1/2032	6/1/2032	6/1/2032	6/1/2032	6/1/2032	
21							
22 NPV Savings	121,547	87,744	158,091	64,947	41,087	106,034	
23 NPV Savings %	4.2981%	0.9517%	2.1780%	2.2911%	1.0023%	1.5998%	
24 Average Savings	13,237	9,969	27,114	7,452	4,589	12,041	
25							
26 Savings							
27 FY 2023	13,184	9,960	22,888	12,005	12,707	24,712	(1,824)
28 FY 2024	13,004	9,827	22,411	11,749	13,200	23,949	6,000
29 FY 2025	13,004	9,807	22,411	9,069	9,792	18,861	8,882
30 FY 2026	13,114	9,758	22,355	9,069	9,800	18,869	4,761
31 FY 2027	13,185	-	13,185	9,189	-	9,189	3,996
32 FY 2028	13,287	-	13,287	9,399	-	9,399	4,893
33 FY 2029	13,430	-	13,430	10,699	-	10,699	5,860
34 FY 2030	13,514	-	13,514	11,899	-	11,899	1,448
35 FY 2031	13,591	-	13,591	11,439	-	11,439	1,672
36 FY 2032	12,851	-	12,851	10,749	-	10,749	2,102
37 Total Savings	\$ 132,874	\$ 38,242	\$ 171,138	\$ 105,417	\$ 45,197	\$ 150,674	\$ 20,981

*Preliminary and subject to change. Current market Public Sale interest rates as of 3/29/2022 and updated for 3/29/2022 as of 4/1/2022.

Recent Interest Rate Trends



Develop Plan of Finance

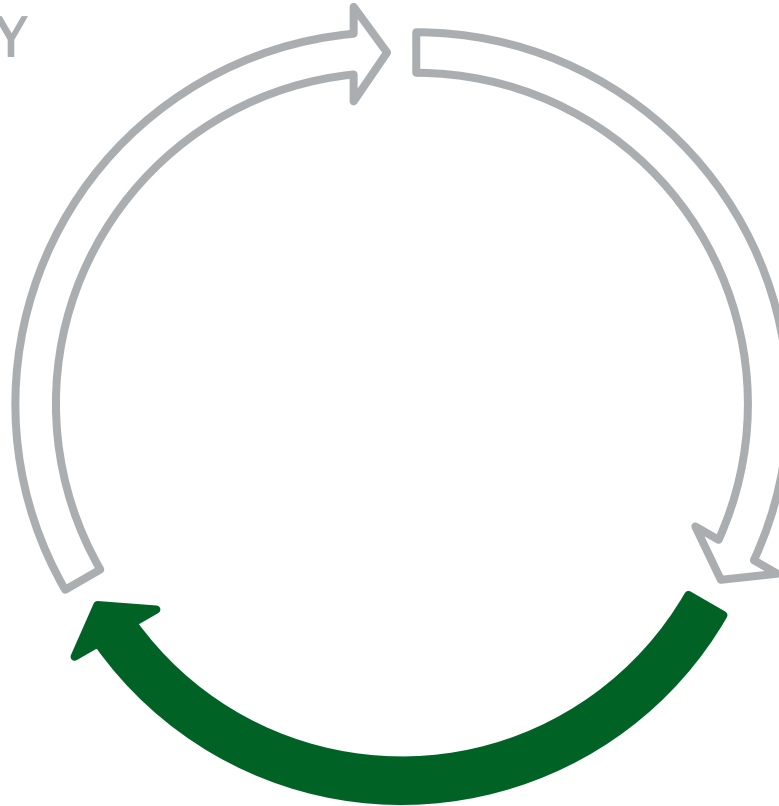
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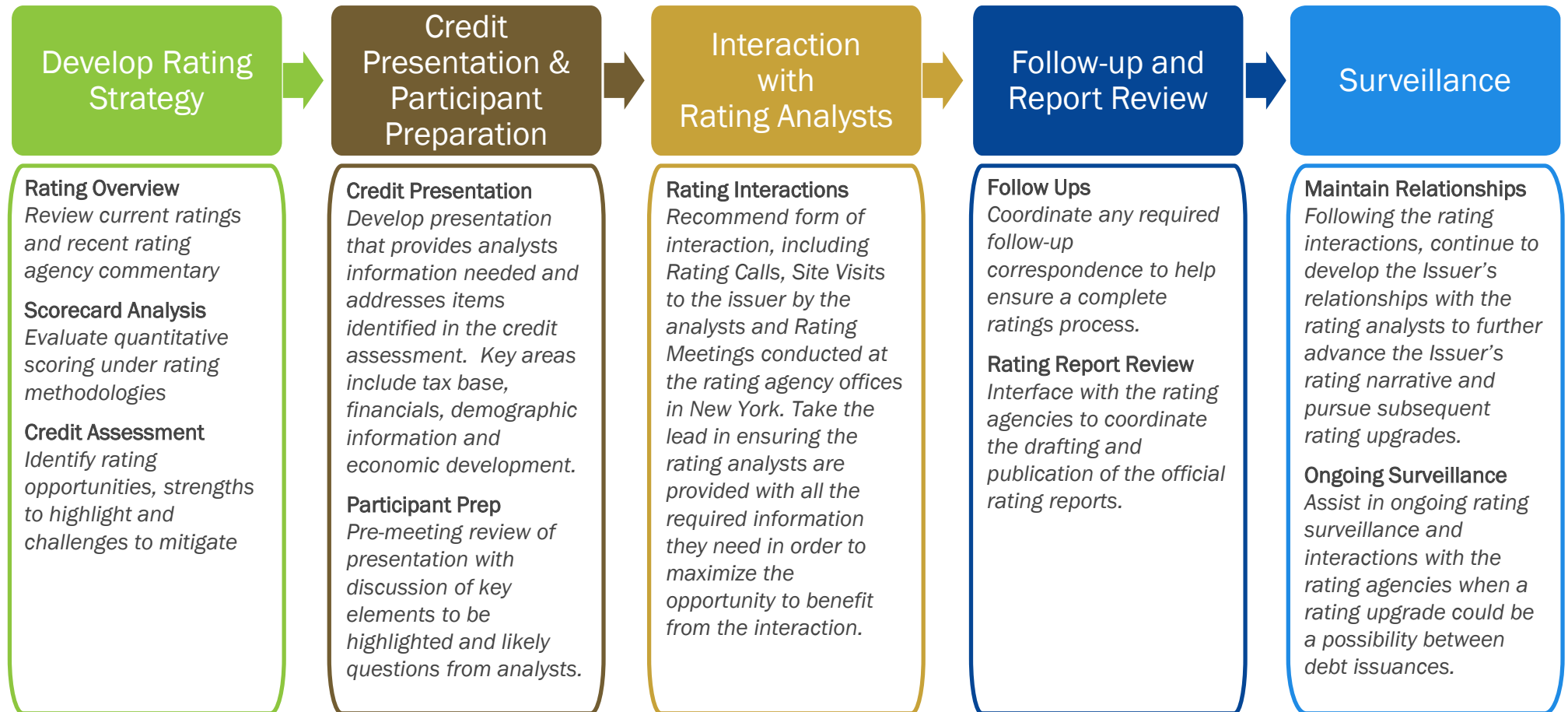
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Local Government Commission Considerations

- Hold LGC Pre-Application Meeting.
- Demonstrate Repayment Plan.
- Determine Procurement Approach.
- Develop Project Construction Schedule.
- Determine Design Time Frame, Permits Required, Construction Bids, Guaranteed Maximum Price.
- Submit Joint Legislative Committee Letter (if necessary).
- Submit Current Audit / Respond to FPIC (if any).

LGC Meeting Date	Late Audit Due Date*	FPIC Response Letter Due Date**	Application Due Date
July 12, 2022	May 6, 2022	May 6, 2022	June 7, 2022
August 2, 2022	June 3, 2022	June 3, 2022	July 5, 2022
September 22, 2022	July 8, 2022	July 8, 2022	August 19, 2022
October 4, 2022	August 5, 2022	August 5, 2022	September 6, 2022
November 1, 2022	September 2, 2022* Draft Audit* with final due by Oct. 31. (June 30, 2022 Audit)	September 14, 2022	October 4, 2022
December 6, 2022	October 7, 2022* Draft Audit with final due by Oct. 31. (June 30, 2022 Audit)	November 8, 2022	November 8, 2022

Rating Agency Strategy



Current Rating Agency Methodologies

Moody's Rating Methodology

Category	Rating Percentage	Short Term Control	Long Term Control
Economy / Tax Base	30%		✓
Finances	30%	✓	✓
Management	20%	✓	✓
Debt / Pensions	20%	✓	✓

- On December 16, 2016, Moody's updated its US Local Governments General Obligation Debt methodology and assumptions.
- Under the current methodology, an initial indicative rating is calculated from a weighted average of four key factors.
- Below the line qualitative adjustments can be made based upon certain factors not included in the quantitative score.

Note: Moody's has issued a Request for Comments related to a replacement methodology for its Local Government Ratings.

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 current 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.

Rating Agency Strategy

Case Study

- Davenport was recently engaged by a North Carolina County on the issuance of General Obligation Bonds. At the time, the County had most recently been rated 'Aa1' by Moody's in June 2020.
- Davenport developed a rating strategy and identified Moody's economy score as a potential area for improvement - in particular, Moody's view of the County's low income/wealth levels and its assessed value base.
- Davenport developed a detailed Credit Presentation for the County which included highlighting a series of key factors to offset perceived weaknesses from certain metrics, such as the number of second homes in the County and relative age of population.
- Additionally, Davenport prepared a series of peer comparisons to other 'Aaa' rated counties nationally to put these factors into perspective.
- This process resulted in the County being upgraded from 'Aa1' to 'Aaa' on June 21, 2022.

MOODY'S
INVESTORS SERVICE

July 1, 2020

"Wealth levels are below average for the rating category with median family income at 89.7% of the US median compared to 103.9% for the rating category"

MOODY'S
INVESTORS SERVICE

June 21, 2022

"The rating also incorporates the strong wealth levels, as measured by full value per capita, given the significant number of second homes in the county, and the below average income levels, partially due to the large number of retirees."

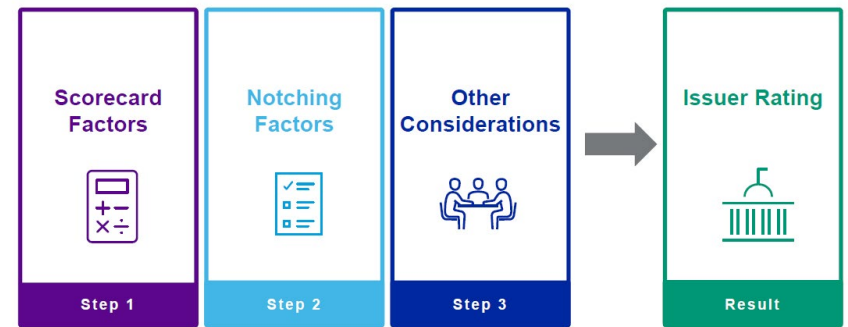
Proposed Moody's Rating Methodology Update

- A key consideration moving forward will be monitoring Moody's proposed new rating methodology, which includes a number of key changes, including the incorporation of all Governmental Funds and Utility Financials in the overall GO Rating (for both debt and liquidity) and a focus on Economic Growth/GDP instead of Assessed Value.

Current Methodology	Weight	Proposed Methodology	Weight
Economy / Tax Base (30%)		Economy (30%)	
Total Full Value (\$000)	10%	Resident Income	10%
Full Value Per Capita (\$)	10%	Full Value Per Capita	10%
Median Family Income as % of U.S.	10%	Economic Growth	10%
Finances (30%)		Financial Performance (30%)	
Available Op Fund Balance as % of Revenue	10%	Available Fund Balance Ratio	20%
5-Year Change in Fund Balance as % of Revenues	5%	Liquidity Ratio	10%
Operating Net Cash as % of Operating Revenues	10%		
5-Year Change in Cash Balance as % of Revenues	5%		
Management (20%)		Institutional Framework (10%)	
Institutional Framework	10%	Institutional Framework	10%
Operating History	10%		
Debt / Pensions (20%)		Leverage (30%)	
Direct Net Debt as % of Full Value	5%	Long-Term Liability Ratio	20%
Net Direct Debt / Operating Revenues (x)	5%	Fixed Costs Ratio	10%
3-Year Avg of Moody's ANPL / Full Value	5%		
3-Year Avg of Moody's ANPL / Operating Revenues	5%		

Proposed Moody's Rating Methodology

Arriving at the issuer rating



Pricing Process

Competitive Public Sales

- Structure the bid parameters in the Notice of Sale.
- Run sensitivity analyses on all bid parameters to ensure the Issuer's goals and objectives are met.
- Monitor bidder registration and reach out to potential bidders to maximize bidder participation.
- Analyze bids received to ensure accuracy and compliance with bid parameters.
- Coordinate with winning bidder to ensure timely receipt of bid details, good faith wire, and confirmation of final amortization amounts.
- Prepare final financing numbers and amortization schedules.

Negotiated Public Sales

- Structure the underwriting syndicate.
- Establish pricing schedule and review marketing plan for the bonds.
- Monitor market and pricing progressions during the weeks leading up to the actual pricing.
- Analyze the proposed pricing structure.
- Monitor orders received on the day of pricing and determine pricing adjustments with Underwriter.
- Prepare final financing numbers and amortization schedules.

Direct Bank Loans

- Establish terms and conditions for the Request for Proposal.
- Prepare the Request for Proposals and distribute to local, regional and national banks.
- Contact potential bidders to discuss RFP requirements and assist with the review and due diligence process to maximize the number of bidders.
- Summarize each proposal such that issuance costs, interest rates, terms, and conditions of each proposal can be easily compared to support the selection of the winning proposal.
- Negotiate terms and conditions with winning bank.
- Prepare final financing numbers and amortization schedules.

- Establish a process and / or policies for continuing disclosure requirements:
 - Audits.
 - Budgets.
 - Key Financial Information.
 - Material Events.

- Establish a rating agency surveillance process.

- Review investment of bond proceed options
 - Project Draw Schedule.
 - Allowable Investments.
 - Investment Strategy.



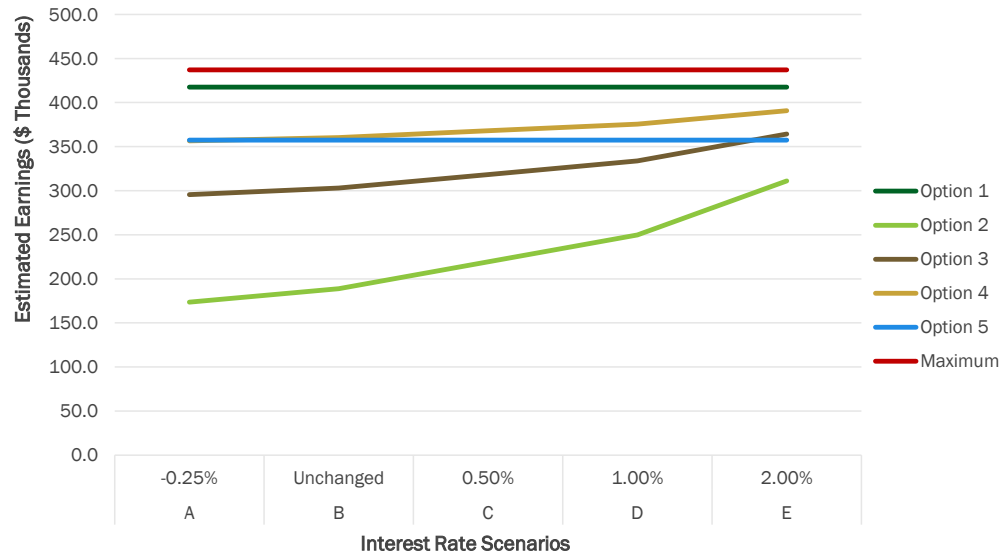
Potential Alternative Investment Strategies from Bond Proceeds

Investment Strategy	Description	Credit Quality	Principal Benefits	Principal Drawbacks
<i>Fixed Rate of Return</i>				
Fixed Rate Portfolio	Laddered portfolio of fixed rate obligations such as Commercial Paper, Treasuries and Agencies.	High	Guaranteed Earnings May Generate Higher Yields Protects Against Falling Rates	Less Liquid than Other Options Rising Rates
Fully Flexible Repurchase Agreement/GIC	Collateralized Obligation with a guaranteed fixed rate of return	High	Guaranteed Earnings Fully Liquid Protects Against Falling Rates	Larger Issues Only May Reduce Yield
<i>Variable Rate of Return</i>				
Short-Term Portfolio	North Carolina Capital Management Trust or similar Money Market instruments	High	Maximum Liquidity Benefits from Rising Rates	Unknown Earnings May Generate Lower Yields Falling Rates
Blended Rate Portfolio (50%/50% or 75%/25% Fixed - Floating)	Combination of Fixed Rate and Floating Rate Portfolio	High	Fixed Rate Improves Yield & Protects Against Falling Rates Floating Portion Adds Liquidity & Benefits from Rising Rates	Exchanges Some Yield for Additional Liquidity

Example Results of Alternative Investment Strategies

Investment Strategy	Market Change (1)					Liquidity	
	Interest Rate Scenario:	A	B	C	D		E
		-0.25%	Unchanged	0.50%	1.00%	2.00%	
Option 1: Fixed Rate Portfolio		417,479	417,479	417,479	417,479	417,479	Minimum
Option 2: Short-Term Portfolio		173,506	188,784	219,340	249,895	311,006	Maximum
Option 3: Blended (50% Fixed / 50% Short-Term)		295,492	303,131	318,409	333,687	364,242	High
Option 4: Blended (75% Fixed / 25% Short-Term)		356,485	360,305	367,944	375,583	390,860	Medium
Option 5: Fixed Collateralized GIC		357,341	357,341	357,341	357,341	357,341	High
Maximum Earnings Based on Arbitrage Yield		436,999	436,999	436,999	436,999	436,999	

(1) "Market Change" shown is the aggregate of equal quarterly yield changes over the first year of the investments.



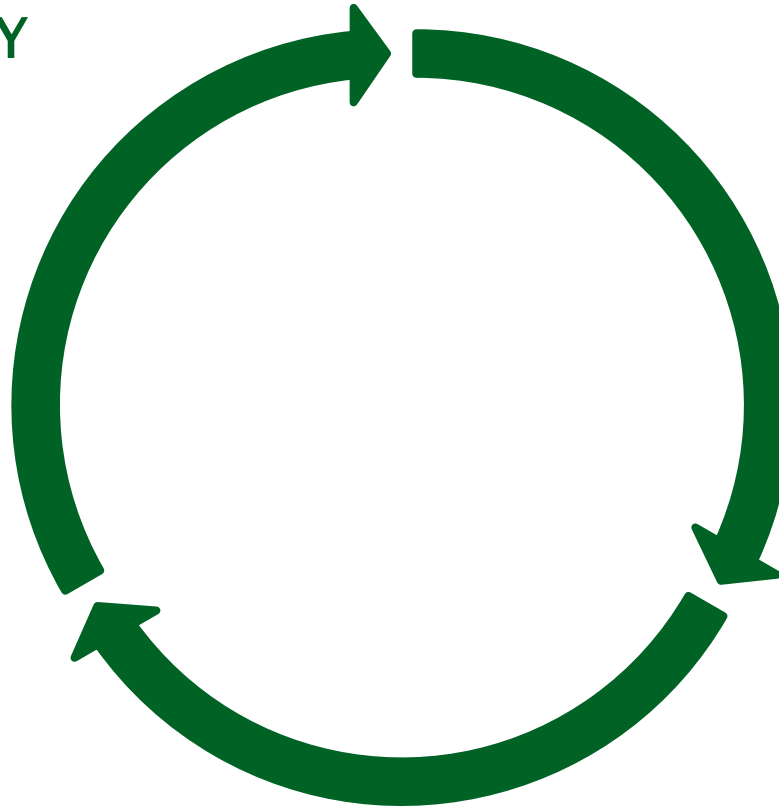
- The example investment results shown here incorporate the following key assumptions:
 - 18 Month Level Draw Schedule - \$20 Million.
 - Investment of proceeds occurs on 7/14/2022.
 - Current Market interest rates for the North Carolina Capital Management Trust Cash Portfolio and Treasuries as of 7/13/2022.
 - Market changes to NCCMT Government Portfolio shown assumed to occur quarterly over the first year of the investment.

HIGH LEVEL STRATEGY AND PLANNING

- Strategic Vision
- Capital Improvement Plan
- Budget Forecasting
- Reporting / Transparency
- Policies / Benchmarking
- Debt Capacity / Debt Affordability

DEVELOP PLAN OF FINANCE

- Credit Options
- Methods of Sale



IMPLEMENT PLAN OF FINANCE

- LGC Coordination
- Working Group and Financing Schedule
- Credit Rating Strategy
- Post Issuance



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