



First Tryon Advisors

SIMPLIFYING PUBLIC FINANCE

DAVID CHEATWOOD
MANAGING DIRECTOR

Office: 704.926.2447

Email: dcheatwood@firsttryon.com

6101 Carnegie Blvd Suite 210
Charlotte NC 28209

CHAZZO HABLISTON
VICE PRESIDENT

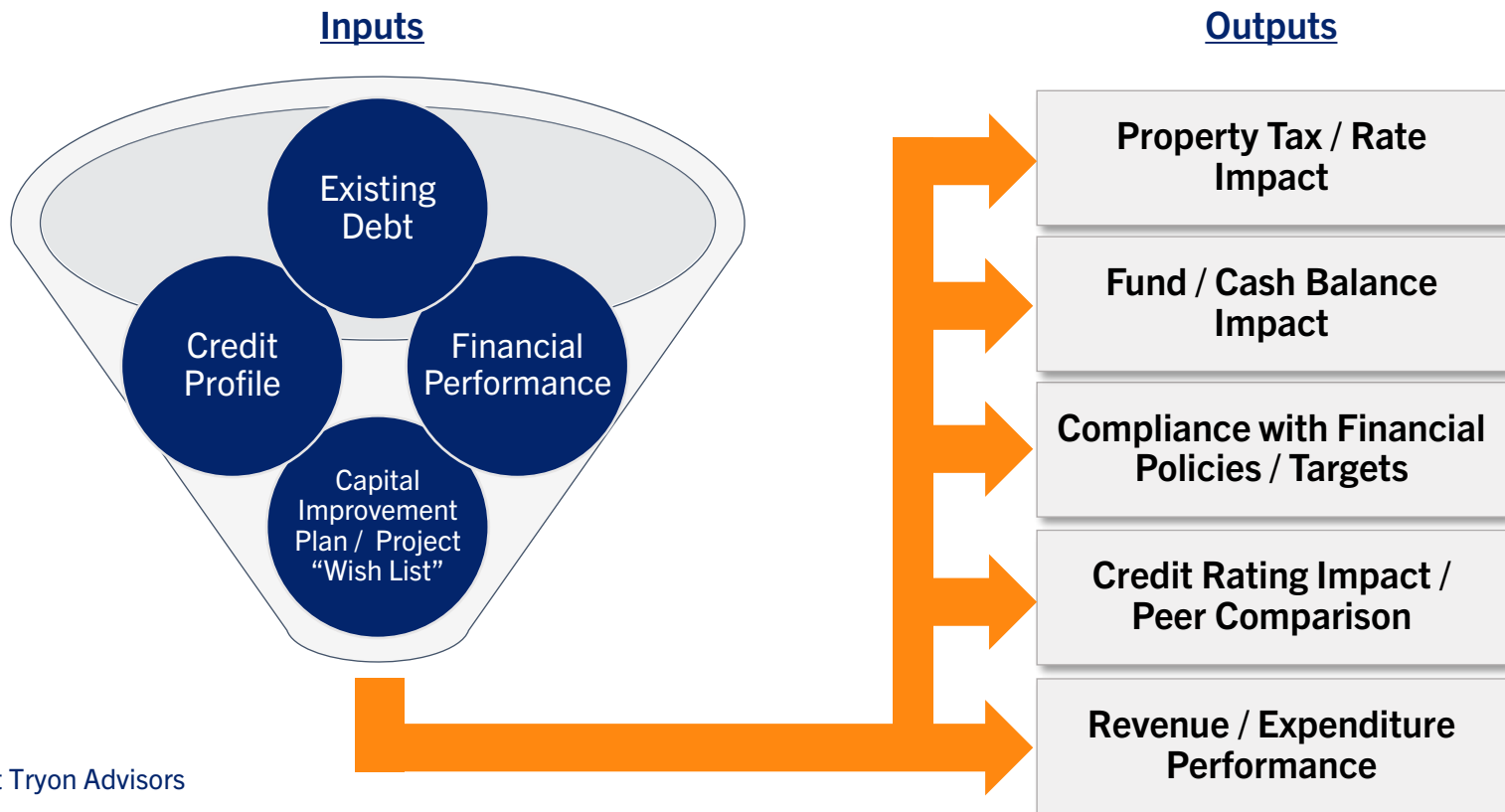
Office: 704.926.2456

Email: chabliston@firsttryon.com

6101 Carnegie Blvd Suite 210
Charlotte NC 28209

Overview

- Given growth in operating expenses as well as future capital needs, the Town engaged First Tryon to help analyze the Town's projected financial performance and how to address these challenges.
- First Tryon is developing the long-term financial / capital planning model (the "Planning Model") with Town Staff.
- The Planning Model is a tailored excel-based model that provides the Town with the ability to forecast operating revenues and expenditures using various growth assumptions as well as assess the affordability / impact of funding capital projects.
- The Planning Model is interactive and allows the Town to run multiple scenarios with different assumptions in a timely, efficient manner.



Overview

- › In developing the Planning Model, First Tryon has incorporated the following Town funds:
 - › General Fund
 - › Capital Reserve Fund
 - › Affordable Housing Fund
 - › Stormwater Fund
 - › Parking Fund
- › Within each of these funds, the model provides historical and projected operating revenues / expenditures, debt service, capital outlay, transfers, fund and cash balances.
- › In addition, the Planning Model includes peer comparisons for certain financial ratios as well as how a particular plan could impact the Town's credit rating.



Inputs (Historical Financial Results)

- When building out the Planning Model, First Tryon first begins by inputting at least five years of audited financial results, along with current budget year information to have a baseline for future projections.
- Understanding the history of a particular fund's financial performance plays an integral role in developing a sound forecast of future revenues and expenditures.

	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Actual 2023
Revenues:						
Total - Ad Valorem Taxes	12,921,946	13,113,521	13,275,170	13,452,024	15,527,154	15,777,404
Local Option Sales Tax						
Article 39, 1%	1,540,688	1,647,929	1,526,866	1,745,531	2,039,446	2,354,053
Growth Rate	n/a	6.96%	-7.35%	n/a	16.84%	15.43%
Article 40, 1/2%	1,077,536	1,154,298	1,174,894	1,345,387	1,578,511	1,688,510
Article 42, 1/2%	770,696	824,500	766,912	875,762	1,025,862	1,180,684
Article 44, 1/2%	27,501	28,922	29,695	30,848	35,430	40,824
City Hold Harmless	1,141,512	1,225,031	1,273,951	1,470,039	1,737,231	1,812,624
Total - Local Option Sales Tax	4,557,933	4,880,680	4,772,318	5,467,567	6,416,480	7,076,695
Total - Other Taxes and Licenses	1,601,362	1,630,840	1,535,867	1,636,916	1,726,261	1,864,150
Total - Unrestricted Intergovernmental	1,406,331	1,492,028	1,408,981	1,381,436	1,390,515	1,534,669
Total - Restricted Intergovernmental	623,799	774,586	796,781	608,764	698,498	707,699
Total - Fees and Permits	1,377,586	1,273,962	1,292,786	1,100,596	1,127,067	1,126,296
Total - Sales and Services	245,059	253,023	171,937	88,106	227,120	326,441
Total - Investment Income	135,490	202,849	146,169	1,916	34,159	433,714
Total - Other Revenues	171,134	277,695	292,798	213,256	444,380	229,978
Total - Proposed Operating Revenue	-	-	-	-	-	-
Total revenues	23,040,640	23,899,184	23,692,807	23,950,581	27,591,634	29,077,046
Actual growth		3.73%	-0.86%	1.09%	15.20%	5.38%
Expenditures:						
Total - General Government	4,735,147	5,414,220	5,581,966	5,215,913	5,676,473	6,807,439
Total - Public Safety	6,804,321	6,724,929	7,094,883	7,243,745	7,215,569	7,540,883
Total - Planning	1,134,657	1,331,441	1,423,554	1,379,968	1,407,752	1,499,093
Total - Transportation	1,455,012	1,808,940	1,835,146	1,872,010	1,900,088	2,148,148
Total - Public Works	3,571,134	3,823,825	3,896,428	3,865,558	4,279,230	4,402,125
Total - Parks and Recreation	1,503,476	1,607,124	1,628,112	1,412,944	1,601,060	1,655,914
Total - Non-Departmental	-	-	-	-	-	-
Total - Proposed Operating Expenses	-	-	-	-	-	-
Total - Debt service (existing):	1,140,714	951,169	802,148	683,749	888,248	1,125,066
Total - Debt service (proposed):	-	-	-	-	-	-
Total expenditures	20,344,461	21,661,648	22,262,237	21,673,887	22,968,420	25,178,668
Actual growth		6.47%	2.77%	-2.64%	5.97%	9.62%
Revenues over (under) expenditures	2,696,179	2,237,536	1,430,570	2,276,694	4,623,214	3,898,378
Other Financing Sources (Uses):						
Installment Purchase Issuance	240,000	-	-	-	-	95,064
Sale of Property	92,291	27,413	32,418	82,606	-	41,728
Insurance Recovery	-	-	-	-	-	-
Total - Transfers In	551,000	491,659	92,432	183,668	87,686	-
Total - Transfers Out	(2,922,481)	(1,587,450)	(3,348,062)	(636,150)	(6,928,065)	(90,000)
Total other financing sources (uses)	(2,039,190)	(1,068,378)	(3,223,212)	(369,876)	(6,840,379)	46,792
Net change in fund balances	656,989	1,169,158	(1,792,642)	1,906,818	(2,217,165)	3,945,170
Fund Balances:						
Total - Nonspendable	280,068	317,306	74,353	275,060	603,981	818,451
Total - Restricted	2,532,472	2,652,989	2,566,982	2,757,728	3,647,143	3,914,681
Total - Committed	-	-	-	-	-	-
Total - Assigned	3,088,391	3,500,753	3,239,574	3,189,720	2,984,722	2,484,459
Total - Unassigned	10,634,162	11,233,203	10,030,700	11,595,919	8,365,416	12,328,841
Total Fund Balance	16,535,093	17,704,251	15,911,609	17,818,427	15,601,262	19,546,432
Total Fund Balance - % of Expenditures	81.3%	81.7%	71.5%	82.2%	67.9%	77.6%
Unassigned Fund Balance - % of Expenditures	52.3%	51.9%	45.1%	53.5%	36.4%	49.0%
Available Fund Balance - % of Expenditures	67.5%	68.0%	59.6%	68.2%	49.4%	58.8%
Net Earnings	656,989	1,169,158	(1,792,642)	1,906,818	(2,217,165)	3,945,170

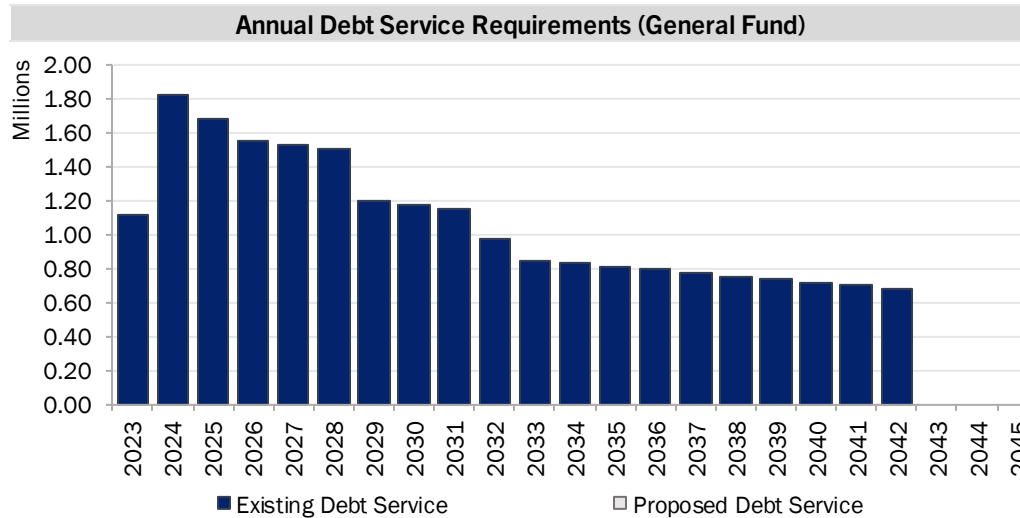


Inputs (Existing Debt Service)

- All of the Town’s existing debt service is loaded up into the model to identify opportunities to leverage debt rolling off and mitigate the impact of new debt and/or capital/operations coming online.

General Obligation Bonds						
Series	Description	Par Outstanding	Final Maturity	Call Provision	Avg. Coupon	Use of Proceeds
Series 2013	General Obligation Sidewalk and Greenways Bonds	2,100,000	2/1/2032	2/1/2023	2.500%	Sidewalks and Greenways
Total		2,100,000			2.500%	

Installment Purchase Agreements						
Series	Description	Par Outstanding	Final Maturity	Call Provision	Avg. Coupon	Use of Proceeds
Series 2009	Installment Purchase Agreement - Improvements	325,000	7/15/2024	Interest Pmt Date @ 101%	2.590%	Municipal Buildings
Series 2020	Installment Purchase Agreement - Equipment	1,350,810	11/1/2027	Current @ 103%	1.040%	Vehicles
Series 2022	Installment Purchase Agreement - 203 Project	12,578,000	3/1/2042	4/5/2032 @ 100%	2.820%	203 Project
Total		14,253,810			2.646%	
Grand Total		16,353,810			2.627%	



Inputs (Capital Improvement Plan)

- As shown below and on the following slide, the Town can input its entire capital improvement plan and / or project wish list and specify the relevant assumptions on a project-by-project basis.
- Existing debt service payable by fund is inputted into the model (not shown), allowing the paydown of existing debt over time to be incorporated into the results of the model.
- Each project can be turned on/off (column 1) with the resulting financial impact calculated immediately.

Turn projects on or off		Specify project description, amount, and timing			Specify funding type		Customize repayment structure			
1	2	3	4	5	6	7	8	9	10	11
On/Off	Description	Amount	Par Amount / Project Fund	Timing (FY)	Fund / Revenue Source	Financing Type	Structure	Term	Principal Deferral	Rate
On	Vehicle Replacements	824,000		2024	General Fund	Installment Financing	Level D/S	5	0	4.00%
On	Vehicle Replacements	882,000		2025	General Fund	Installment Financing	Level D/S	5	0	4.00%
On	Vehicle Replacements	855,000		2026	General Fund	Installment Financing	Level D/S	5	0	4.00%
On	Vehicle Replacements	503,000		2027	General Fund	Installment Financing	Level D/S	5	0	4.00%
On	Replace Fire Engine 2	724,500		2026	General Fund	Installment Financing	Level D/S	10	0	4.25%
Off	Town Hall Renovations	7,300,000		2025	General Fund	Installment Financing	Level Principal	20	0	5.00%
On	Century Center Renovation	3,025,000		2025	General Fund	Installment Financing	Level Principal	20	0	5.00%
Off	Fire Station 1 Renovation	2,350,000		2025	General Fund	Installment Financing	Level Principal	20	0	5.00%
On	Public Works Renovation	2,450,000		2025	General Fund	Installment Financing	Level Principal	20	0	5.00%
Off										
Off										
Off										
Off										
Off										
Off										

SAMPLE



Outputs (Projected Impact)

- ▶ The key financial metrics of each fund in the model are tracked both in table format (below) and in graphical format (shown on subsequent slides).

	General Fund				
				Target	35.0%
				Minimum	22.5%
	12	13	14	15	16
	Current Tax Rate	Value of a Penny	Growth Rate	Unassigned Fund Balance	FB as a % of Expenditures
Total					
2023	58.94	266,675		12,328,841	39.0%
2024	58.94	270,675	1.50%	12,190,373	42.6%
2025	58.94	274,735	1.50%	11,417,217	38.1%
2026	58.94	315,941	15.00%	12,525,875	40.4%
2027	58.94	320,684	1.50%	13,243,575	41.7%
2028	58.94	325,495	1.50%	13,689,341	42.0%
2029	58.94	330,277	1.50%	14,127,555	42.6%
2030	58.94	335,331	1.50%	14,260,052	41.9%
2031	58.94	340,263	1.50%	14,067,108	40.3%
2032	58.94	345,408	1.50%	13,680,010	38.3%
2033	58.94	350,650	1.50%	13,023,868	35.6%
2034	58.94	355,910	1.50%	11,972,076	31.9%
2035	58.94	361,248	1.50%	10,500,559	27.2%
2036	58.94	366,667	1.50%	8,584,234	21.7%
2037	58.94	372,167	1.50%	6,196,976	15.2%
2038	58.94	377,750	1.50%	3,311,578	7.9%
2039	58.94	383,416	1.50%	(100,287)	-0.2%
2040	58.94	389,167	1.50%	(4,068,106)	-9.2%

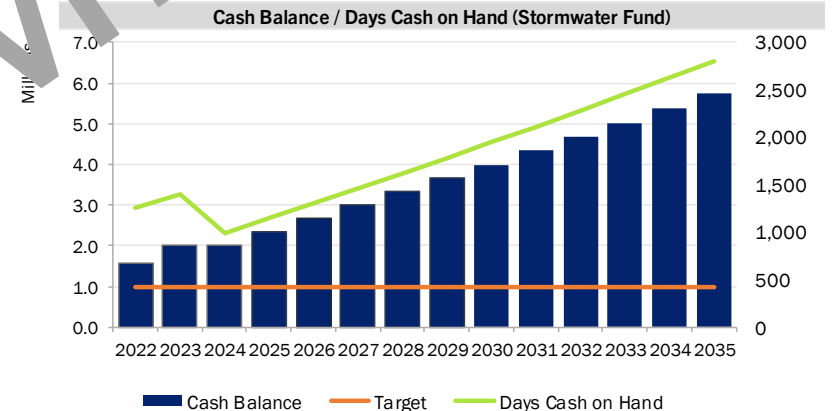
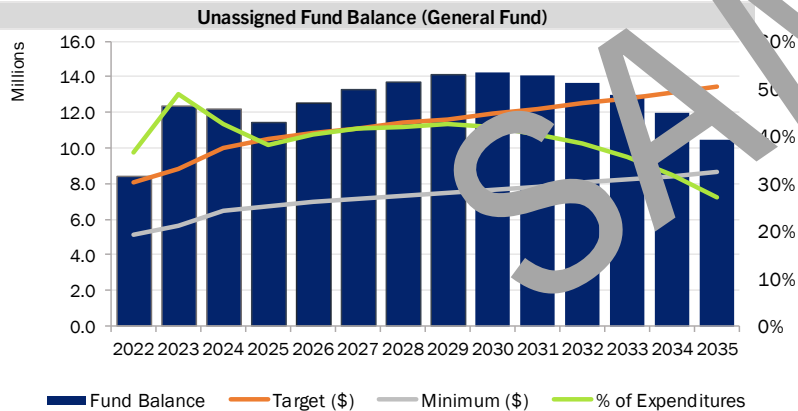
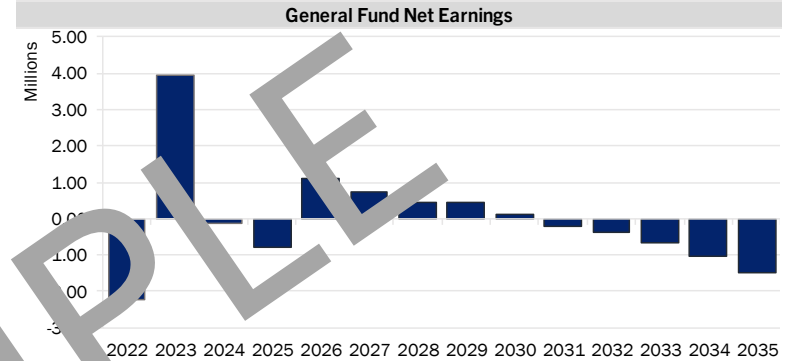
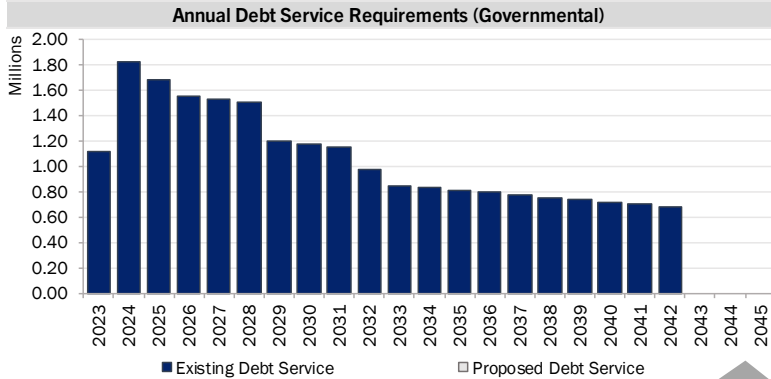
SAMPLE



Outputs (Financial Metrics)

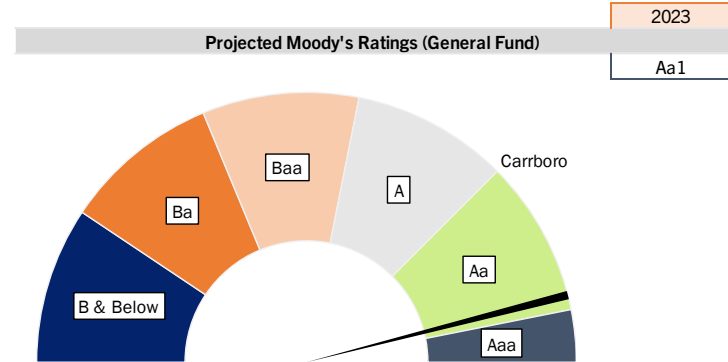
- Key graphical outputs include annual debt service requirements, additions to / reductions from fund/cash balances, and tracking of ongoing fund and cash balances.

Dashboard Graphics



Outputs (Financial Metrics)

- ▶ The model also tracks the estimated impact to the Town's credit rating based on forecasted operating revenues and expenditures as well as the execution of the Town's capital improvement plan.



Factor	Weight	Value	Score	Weighted Score	Rating
Economy/Tax Base					
Resident Income (% of USA)	10.0%	115.6	2.16	0.22	Aa1
Full Value Per Capita	10.0%	134,338	3.21	0.32	Aa2
Economic Growth (vs. USA)	10.0%	0.0	1.49	0.15	Aaa
Finances					
Available Fund Balance Ratio (%)	20.0%	71.1	0.50	0.10	Aaa
Liquidity Ratio (%)	10.0%	63.5	0.83	0.08	Aaa
Management					
Institutional Framework	10.0%	NC	1.00	0.10	Aaa
Debt/Pensions					
Long-Term Liabilities Ratio (%)	20.0%	174.2	3.73	0.75	Aa3
Fixed-Costs Ratio (%)	10.0%	6.1	1.11	0.11	Aaa
Implied Rating				1.83	Aa1

Min	Max	Implied Rating
0.5	1.5	Aaa
1.5	2.5	Aa1
2.5	3.5	Aa2
3.5	4.5	Aa3
4.5	5.5	A1
5.5	6.5	A2
6.5	7.5	A3
7.5	8.5	Baa1
8.5	9.5	Baa2
9.5	10.5	Baa3
10.5	11.5	Ba1
11.5	12.5	Ba2
12.5	13.5	Ba3
13.5	14.5	B1
14.5	15.5	B2
15.5	16.5	B3 and below

Factor Definitions:

Resident Income (% of USA): Median Household Income (MHI) Adjusted for Regional Price Parity (RPP) / US MHI

Full Value Per Capita: Full Valuation of the Tax Base / Population

Economic Growth (vs. USA): Difference Between Five-Year Compound Annual Growth Rate (CAGR) in Real Gross Domestic Product (GDP) and Five-Year CAGR in US Real GDP

Available Fund Balance Ratio (%): (Available Fund Balance + Net Current Assets) / Revenue

Liquidity Ratio (%): Unrestricted Cash / Revenue

Long-Term Liabilities Ratio (%): (Debt + Adjusted Net Pension Liabilities + Adjusted Net OPEB Liabilities + Other Long-Term Liabilities) / Revenue

Fixed-Costs Ratio (%): Adjusted Fixed Costs / Revenue

Other Definitions:

Available Fund Balance: Available fund balance of governmental funds + Net current assets of business-type activities + Net current assets of internal service funds

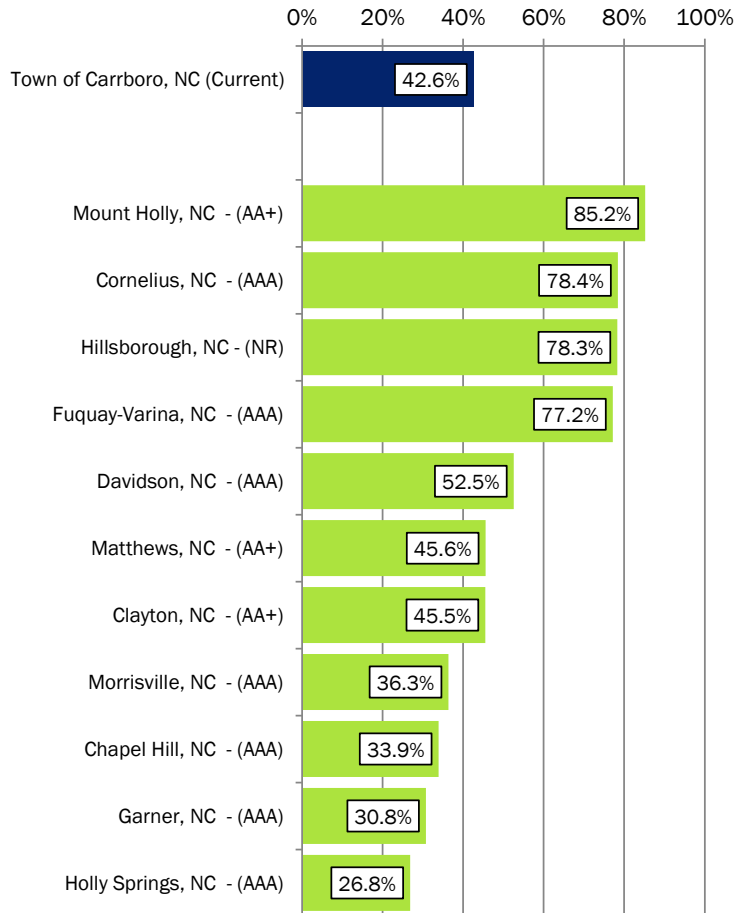
Net Current Assets: Current Assets less Current Liabilities

Adjusted Fixed Costs: Implied debt service + Pension tread water indicator + OPEB contributions + Implied carrying costs for other long-term liabilities

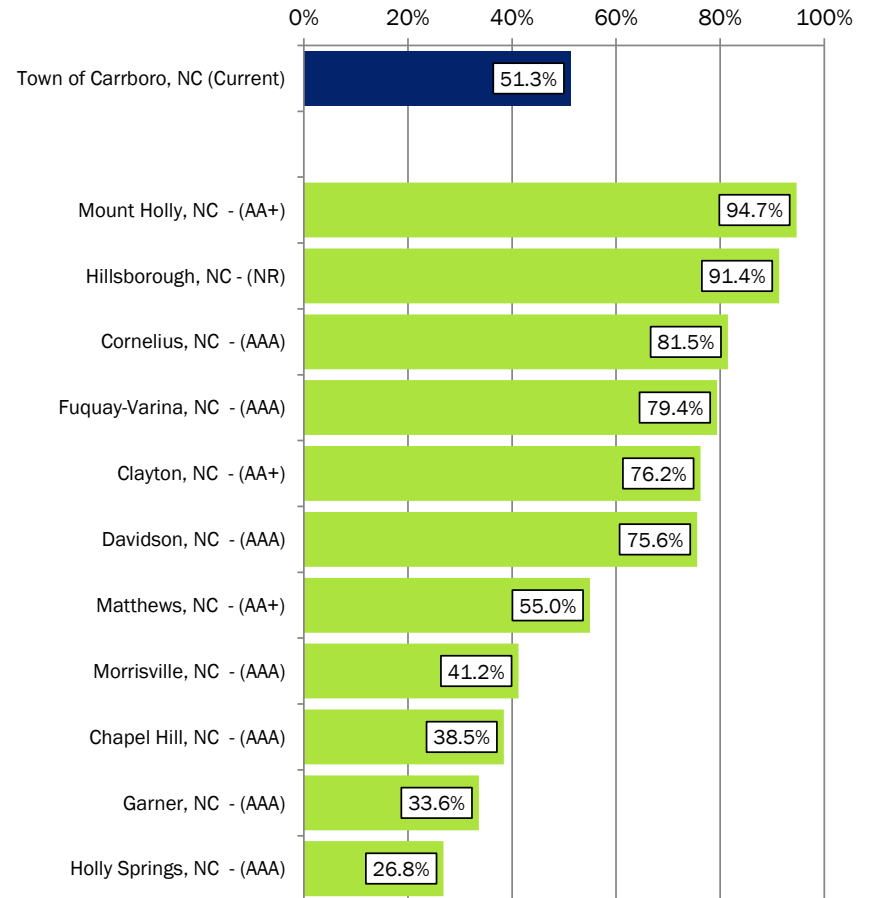


Outputs (Peer Comparisons)

Unassigned FB as a % of Expenditures

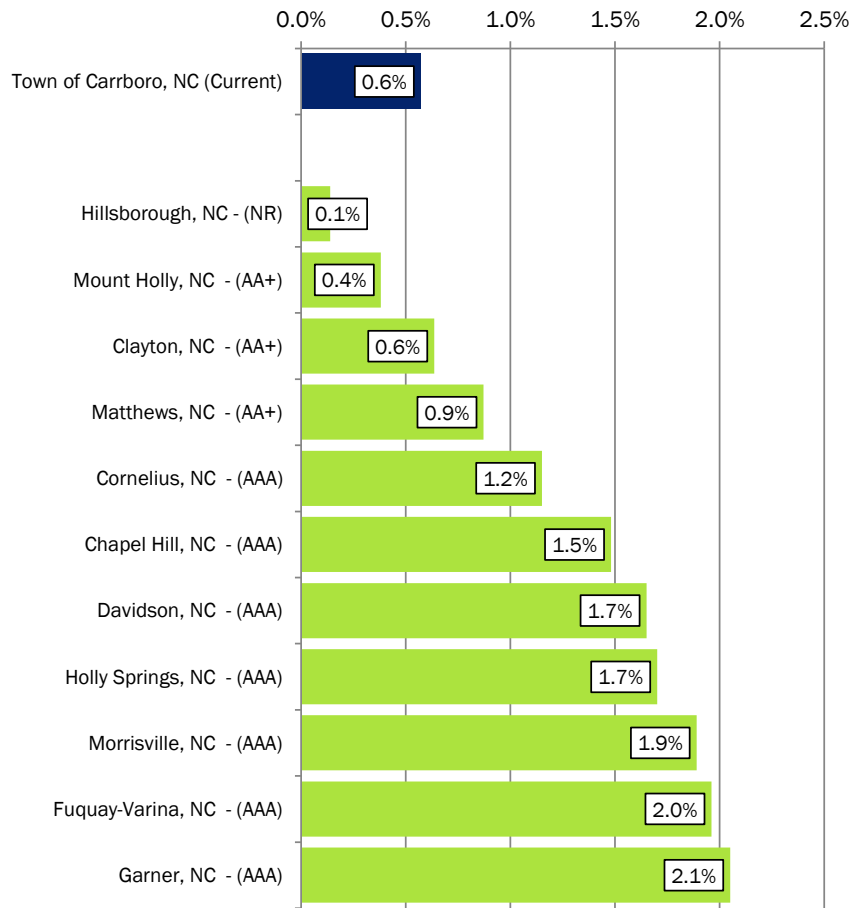


Available FB as a % of Expenditures

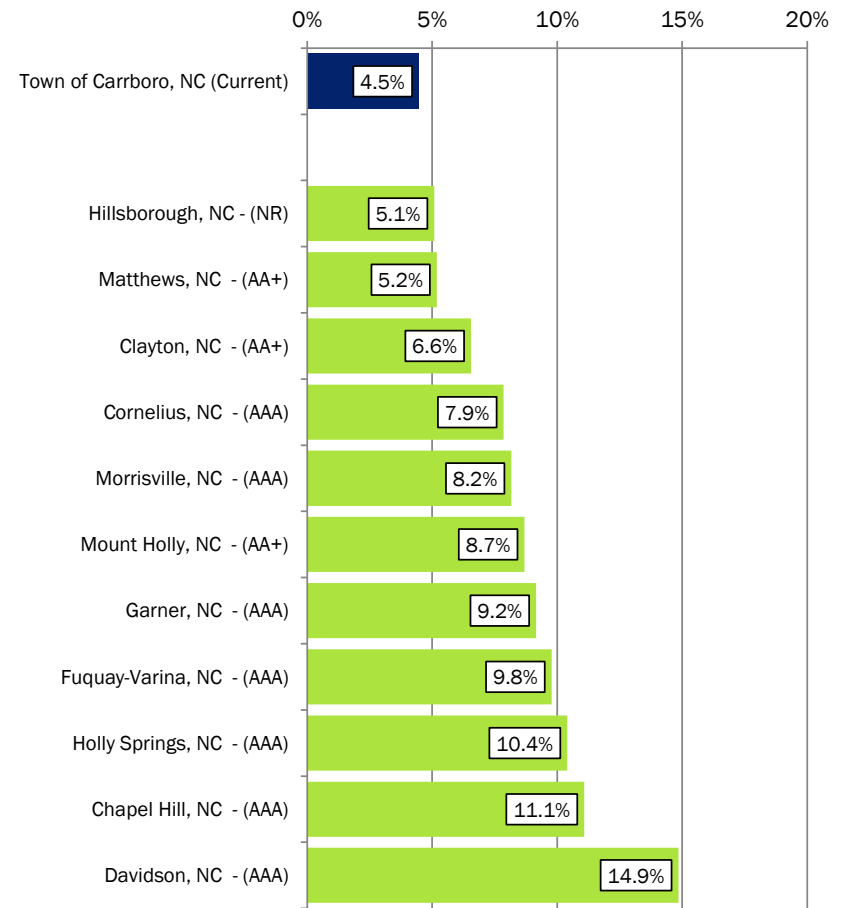


Outputs (Peer Comparisons)

Debt to Assessed Value

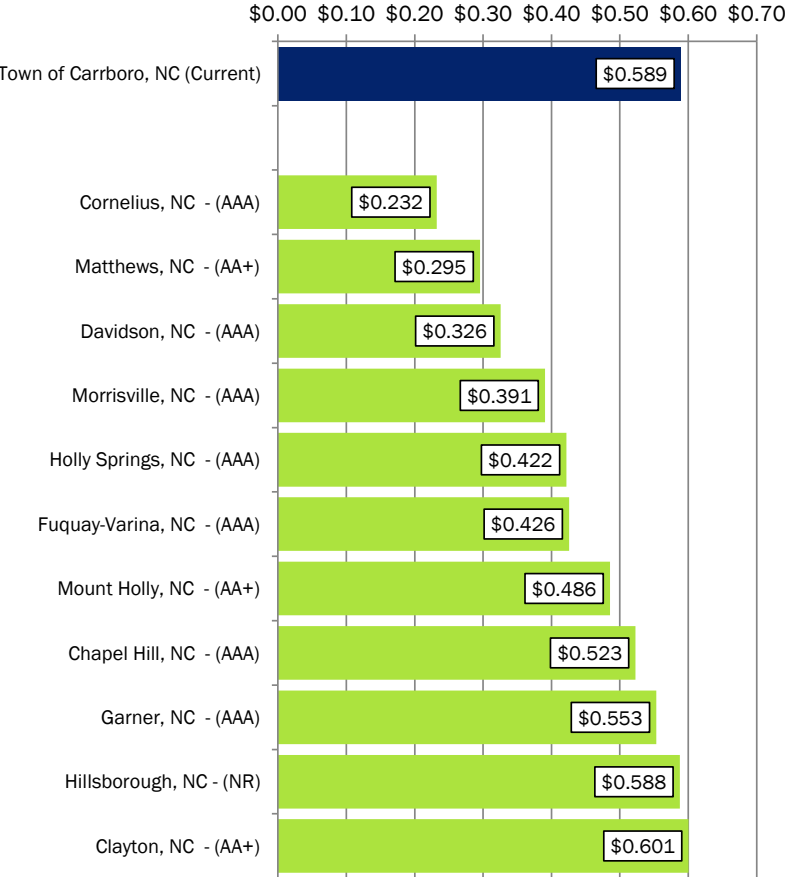


Debt Service to Expenditures



Outputs (Peer Comparisons)

Property Tax Rate





Capital Planning Model Demo

First Tryon Advisors

SIMPLIFYING PUBLIC FINANCE

FIRSTTRYON.COM

MSRB Registrant

DISCLAIMER: This communication was prepared by First Tryon Advisors, LLC (“First Tryon Advisors”) and is for informational purposes only and should not be construed as an offer or solicitation to sell or buy any securities. This material does not provide tax, regulatory, accounting, or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory, and accounting characteristics and consequences, of the proposed transaction.

Any proposal included in this communication is confidential information of First Tryon Advisors and is solely for the benefit of the recipient(s), and the recipient(s) is (are) not authorized to sell, redistribute, forward or deliver this communication to any other person without the prior written consent of First Tryon Advisors.

The statements within this material constitute the views, perspective and judgment of First Tryon Advisors at the time of distribution and are subject to change without notice. First Tryon Advisors gathers its data from sources it considers reliable; however, it does not guarantee the accuracy or completeness of the information provided within this communication. The material presented reflects information known to First Tryon Advisors at the time this communication was prepared, and this information is subject to change without notice. First Tryon Advisors makes no warranties regarding the accuracy of this material.

Any forecasts, projections, or predictions of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue, and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or performance. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes only to simplify the presentation and/or calculation of any projections or estimates, and First Tryon Advisors does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated projections will be realized or that actual performance results will not materially differ from those estimated herein.

First Tryon Advisors is registered as a municipal advisor with the Securities and Exchange Commission (“SEC”) and the Municipal Securities Rulemaking Board (“MSRB”). Neither the SEC, MSRB, nor any other regulatory organization endorses, indemnifies, or guarantees First Tryon Advisors’ business practices or selling methods.