

# **Town of Carrboro**

*301 W. Main St., Carrboro, NC 27510*



## **Meeting Agenda - Final**

**Tuesday, March 12, 2024**

**7:00 PM**

**COUNCIL WORK SESSION**

**Council Chambers - Room 110**

**Town Council**

**7:00-Until****TOWN COUNCIL WORK SESSION**

*The Council occasionally holds work sessions to allow time for in-depth consideration of certain topics and to provide feedback to the town manager. The Council does not take formal action or receive public comment during work sessions.*

[24-043](#) Financial Planning Model

**PURPOSE:** This item is for the Town's financial advisors, First Tryon, and Finance staff to present the current financial planning model to show Council the short and long-term impacts on revenue assumptions, operating expenses, and capital expenditures.

**Attachments:** [A - Discussion Material - Town of Carrboro NC](#)  
[B - Pocket Questions for Financial Model Work Session](#)



## Agenda Item Abstract

**File Number:** 24-043

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**Agenda Date:** 3/12/2024  
**In Control:** Town Council  
**Version:** 1

**File Type:** Agendas

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Financial Planning Model

**PURPOSE:** This item is for the Town's financial advisors, First Tryon, and Finance staff to present the current financial planning model to show Council the short and long-term impacts on revenue assumptions, operating expenses, and capital expenditures.

**DEPARTMENT:** Finance

**CONTACT INFORMATION:** Bret Greene, Finance Director, (919) 918-7439, [bgreene@carrboronc.gov](mailto:bgreene@carrboronc.gov)

**INFORMATION:** Each year the Town is required to develop budgets for its programs and various funds. These funds include operating (the largest by far), capital projects, affordable housing, debt services, and others. A common element of each budget is the balancing of anticipated revenues with expenses. Under state law, the Town may not adopt a budget that is unbalanced and is expected to remain in good financial health. The Town Manager and staff have been working with First Tryon Advisors to develop a tool to help gauge the financial impact of decisions related to potential operating and capital projects. Factors included with this tool will help to evaluate impact(s) on tax rate, cash reserves, debt service, as well as other financing strategies.

Chazzo Habliston, V, Vice President, at First Tryon Advisors will present an overview of this financial planning tool, then work with Town staff to layer in identified priorities in the 2024-2025 FY and implications into future years surrounding the health of the town's finances. This session is an introduction to the functionality of actual recommendations and real capital needs for prioritization over a five-year forecast with implications to the Town extending 20 years and beyond. This tool will be further utilized by staff and included in the 2024-2025 FY budget work session in May 2024.

**FISCAL IMPACT:** Initial fiscal impact has already been incurred bringing First Tryon in as a partner. As town staff becomes trained and competent working with the model, the reliance on the First Tryon team will decrease.

**RECOMMENDATION:** It is recommended that Council continue to relay priorities through the Town Manager for financial priorities as they are identified so staff can update model and continue to utilize in an effective manner.



# First Tryon Advisors

SIMPLIFYING PUBLIC FINANCE

**DAVID CHEATWOOD**  
MANAGING DIRECTOR

Office: 704.926.2447

Email: [dcheatwood@firsttryon.com](mailto:dcheatwood@firsttryon.com)

6101 Carnegie Blvd Suite 210  
Charlotte NC 28209

**CHAZZO HABLISTON**  
VICE PRESIDENT

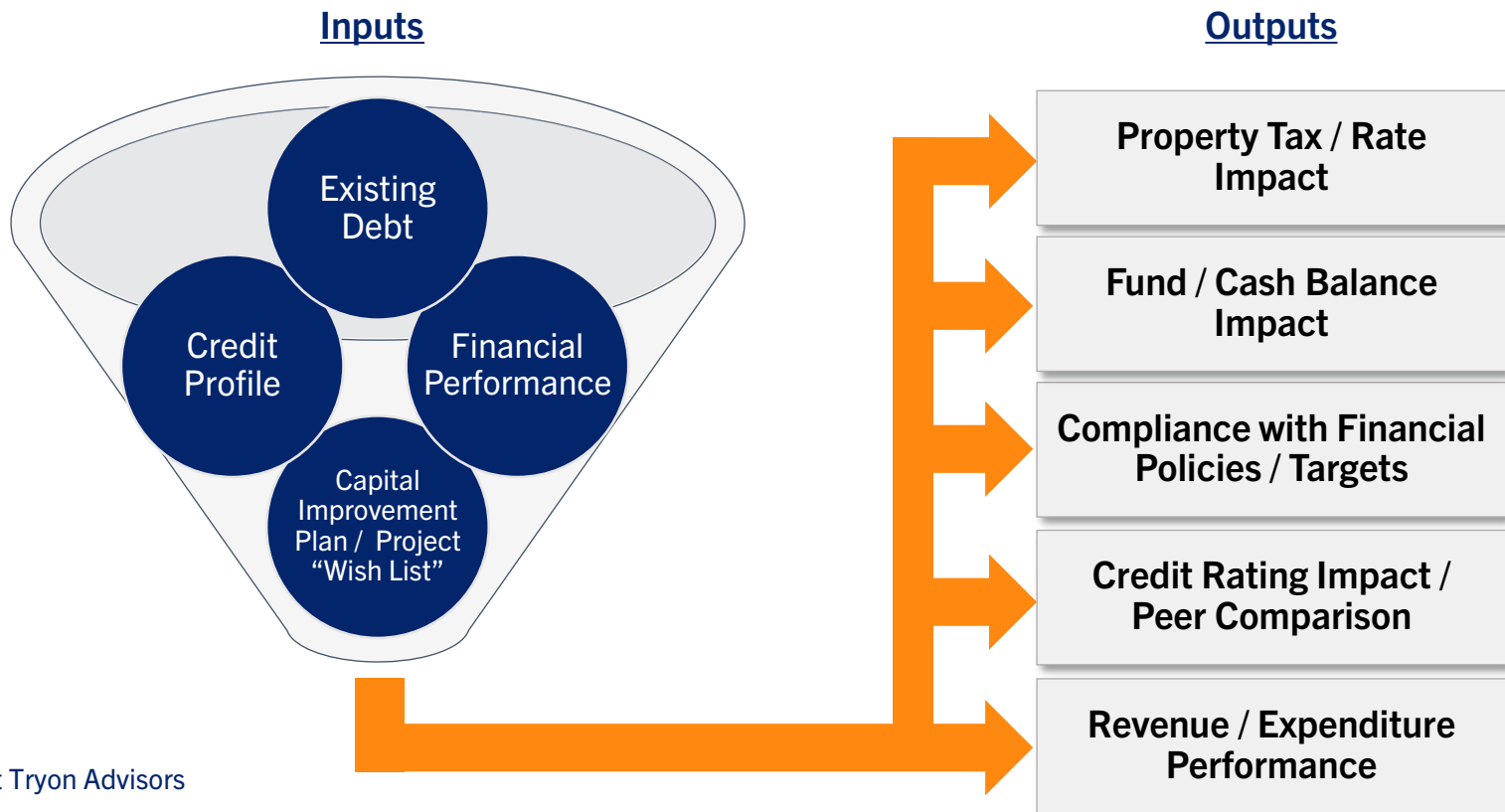
Office: 704.926.2456

Email: [chabliston@firsttryon.com](mailto: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
<b>Revenues:</b>						
Total - Ad Valorem Taxes	12,921,946	13,113,521	13,275,170	13,452,024	15,527,154	15,777,404
<b>Local Option Sales Tax</b>						
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%
<b>Expenditures:</b>						
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
<b>Other Financing Sources (Uses):</b>						
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
<b>Fund Balances:</b>						
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

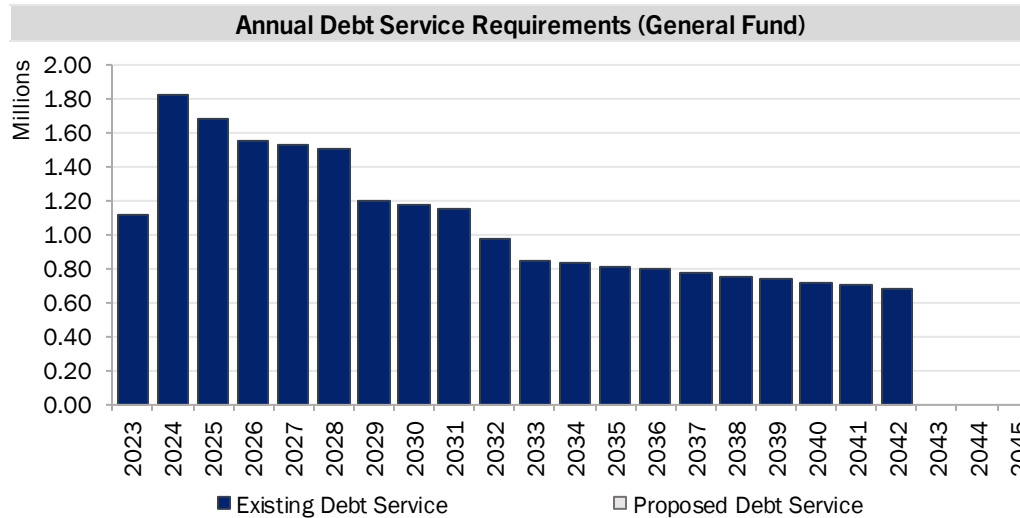


# Inputs (Existing Debt Service)

- 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										
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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%

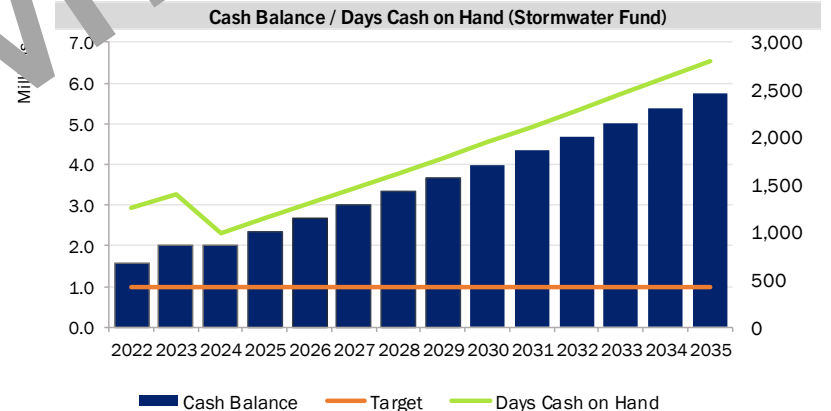
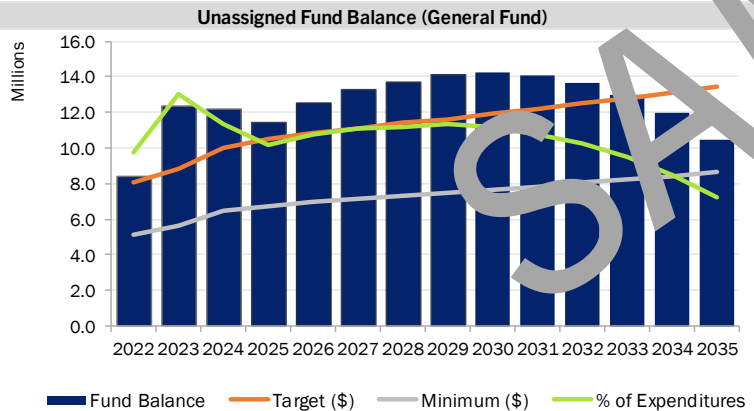
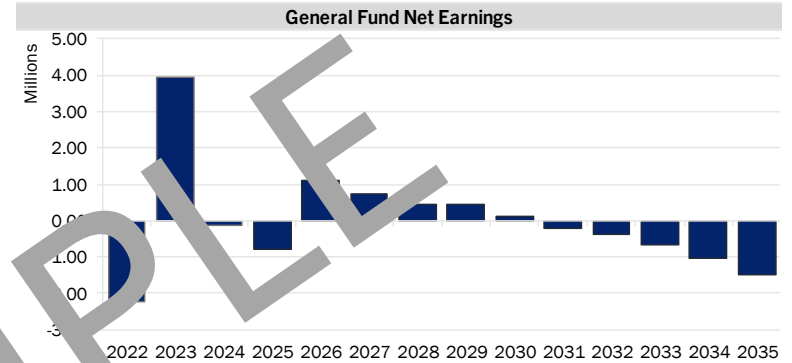
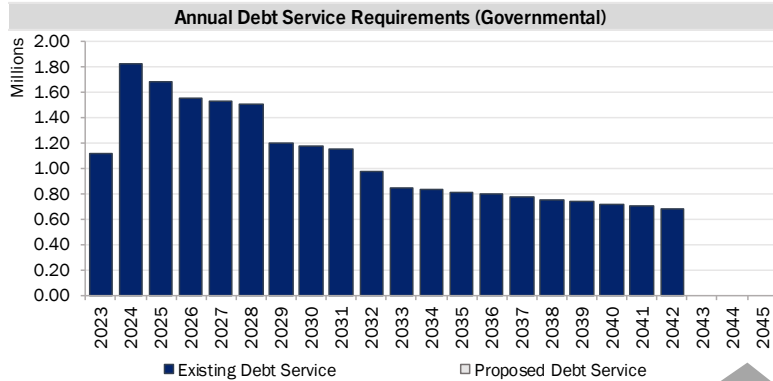
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# Outputs (Financial Metrics)

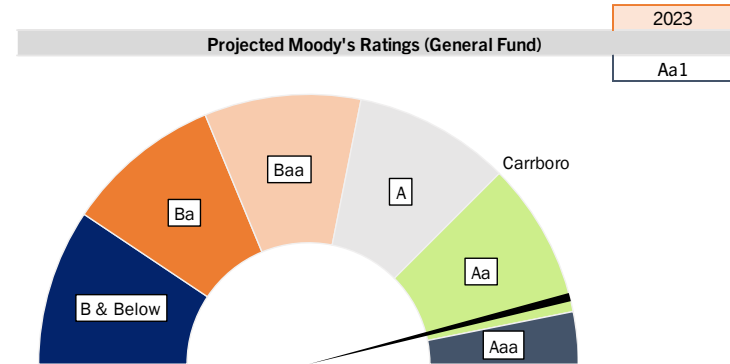
- Key graphical outputs include annual debt service requirements, additions to / reductions from fund/cash balances, and tracking of ongoing fund and cash balances.

## 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
<b>Economy/Tax Base</b>					
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
<b>Finances</b>					
Available Fund Balance Ratio (%)	20.0%	71.1	0.50	0.10	Aaa
Liquidity Ratio (%)	10.0%	63.5	0.83	0.08	Aaa
<b>Management</b>					
Institutional Framework	10.0%	NC	1.00	0.10	Aaa
<b>Debt/Pensions</b>					
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
<b>Implied Rating</b>				<b>1.83</b>	<b>Aa1</b>

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

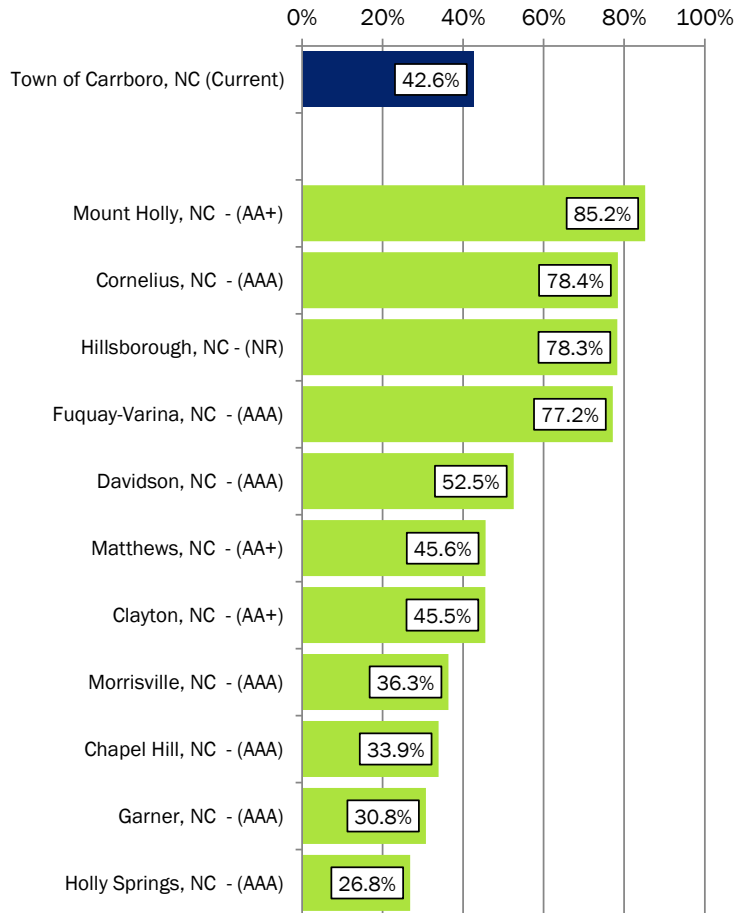
**Net Current Assets:** Current Assets less Current Liabilities

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

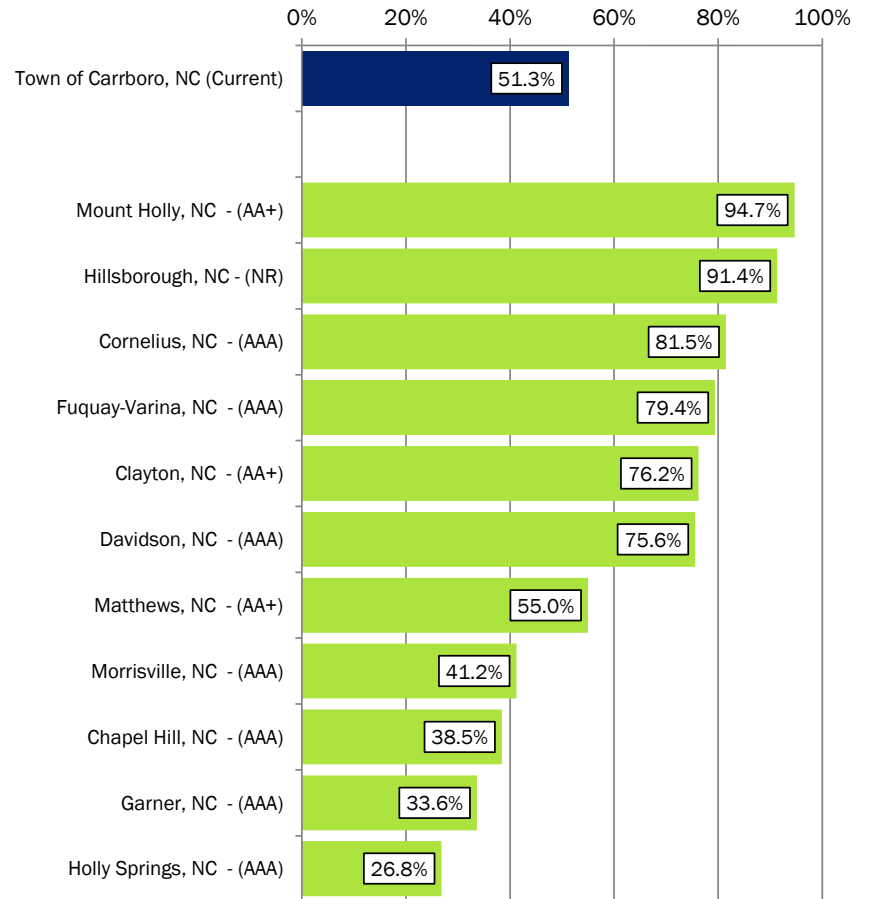


# Outputs (Peer Comparisons)

## Unassigned FB as a % of Expenditures

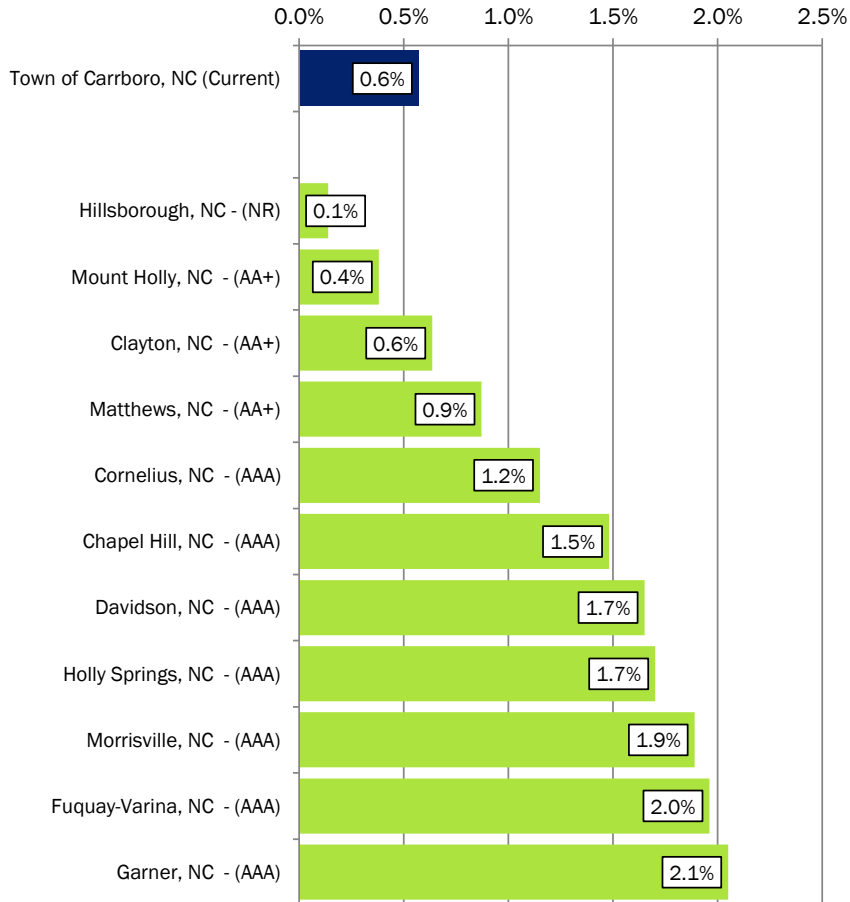


## Available FB as a % of Expenditures

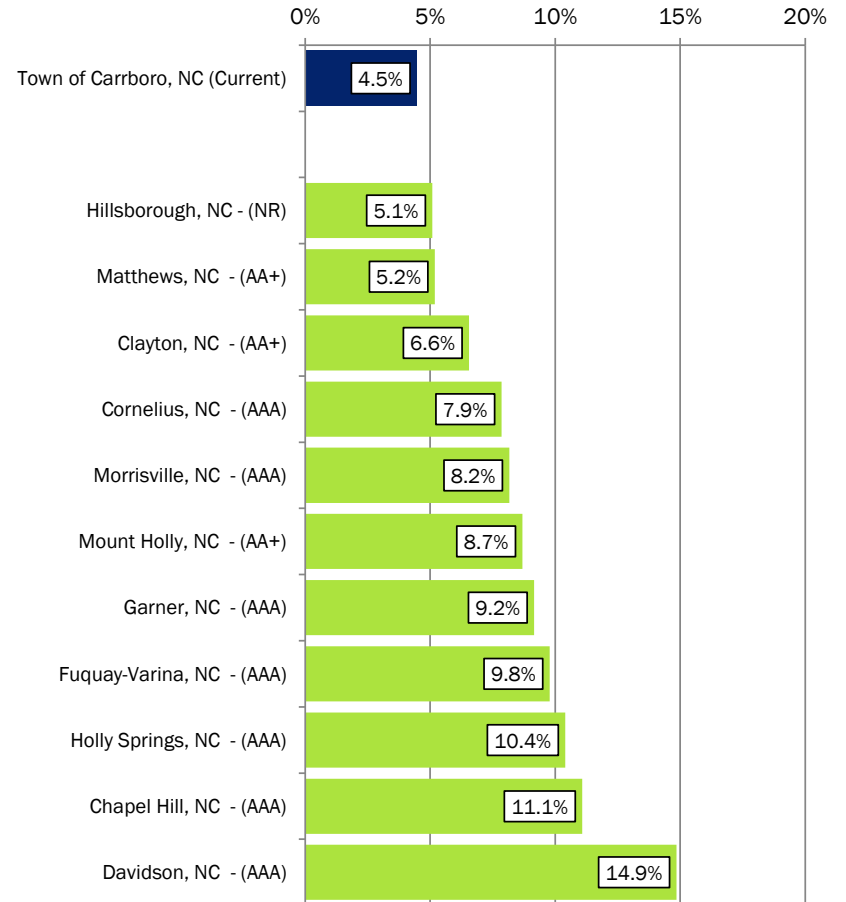


# Outputs (Peer Comparisons)

## Debt to Assessed Value

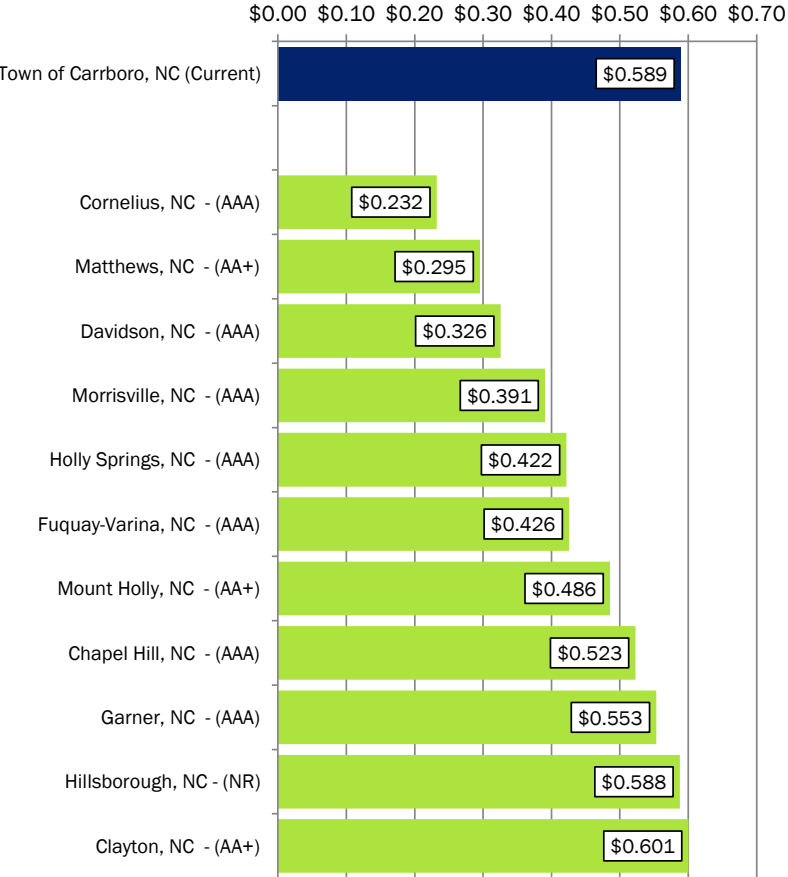


## Debt Service to Expenditures



# Outputs (Peer Comparisons)

## Property Tax Rate





# Capital Planning Model Demo



# First Tryon Advisors

SIMPLIFYING PUBLIC FINANCE

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MSRB Registrant

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## **Race and Equity Pocket Questions**

**Title and purpose of this initiative:** Financial Planning Model

The purpose of this item is for the Town's financial advisors (First Tryon) and finance staff to present the current financial planning model to show Council the short and long-term impacts on revenue assumptions, operating expenses, and capital expenditures.

**Department:** Finance

### **What are the racial and equity impacts?**

No racial or equity impacts are identified with the presentation and working of the Excel financial model.

### **Who is or will experience community burden?**

No community burden is directly expected from this model or the work session. With the outputs of the model, financial decisions for the Town might be recommended. This could include taking on additional debt or bond offerings which could lead to an increase in property taxes for residents. This would not be a direct impact to this model but could show Council when revenues would need to be increased via a tax increase weighed with the financial needs and goals of the Town.

### **Who is or will experience community benefit?**

The community will benefit from the ability to see how today's decisions impact future obligations on the Town's finances. A holistic financial model is essential for both short-term and long-term financial decision making and essential in developing operating and capital priorities. The community will further benefit by the ability to more frequently publicly update operating outlooks and capital improvement programs.

### **What are the root causes of inequity?**

As related to this financial modeling, some root causes of inequity are access to modeling software and training on how to make model inputs and interpret model results. Historical lack of inclusion for disadvantaged businesses in the municipal financial advisor space is also a root cause of inequity.

### **What might be the unintended consequences of this action or strategy?**

Unintended consequences for over-reliance on a financial model is that it is a model, or an informed prediction of how a financial decision today changes the financial outlook of the Town in the future. A model can capture many externalities, but inherently becomes less reliable the further out in time it trying to predict. For Town staff, relying on model outputs to govern financial decision-making in future years could be inaccurate. Some of these external forces include inflation, unemployment rate, political climate, national emergencies/disasters/conflicts,



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and societal norms. Town staff needs to recognize this model as a tool in the belt to reinforce sound financial decision-making, but still consider financial history and results as the governors for financial recommendations to Council.

**How is your department planning to mitigate any burdens, inequities, and unintended consequences?**

To proactively mitigate these potential consequences, the Finance Department has put deliberate efforts into transparent communication with Council on this financial model. First presented in October 2023, the financial model is now ready to be deployed as a functional tool for the Finance Department. We encourage the fostering of ideas by our representative Council to ask about unintended consequences in this work session to ensure the Town is working effectively and deliberately in developing its long-term financial strategy.