

FIVE-YEAR REVENUE AND COST PROJECTIONS FOR MAJOR OPERATING FUNDS

INTRODUCTION AND OVERVIEW

This section of the budget outlines in summary form projected revenues and costs for the five fiscal years beyond 2017-18 for the Town's General Fund, Transit Fund and Debt Service Fund. A summary schedule is provided for each fund identifying differences between the projected revenues and costs.

The Projections section of the budget is an important tool in developing long-range financial strategies for the Town's major operations and in maintaining sound financial condition. We believe our projections include all the vital elements and principal drivers of revenue and costs. In short, we have included in the projections the important elements that are "big enough to matter," on both the revenue and cost sides of the budgets presented. Our presentation includes projections for operations and for additions and adjustments to ongoing operations. The largest additions relate to capital programs and related debt service.

Capital Programs and Related Debt Service

In November 2015 the Town held a general obligation bond referendum consisting of five bond orders totaling \$40.3 million. All five bond orders were approved by the voters. The bond orders and amounts are described below:

| | |
|-------------------------|------------------|
| Streets & sidewalks | \$16,200,000 |
| Trails and greenways | 5,000,000 |
| Recreation facilities | 8,000,000 |
| Solid waste facilities | 5,200,000 |
| Stormwater improvements | <u>5,900,000</u> |
| Total | \$40,300,000 |

The first sale of the bonds began in February, 2017 and included the following projects:

| | |
|-----------------------|---------------------|
| | <u>Amount</u> |
| Streets & Sidewalks | \$3,000,000 |
| Trails and greenways | 5,000,000 |
| Recreation facilities | <u>1,000,000</u> |
| Total | <u>\$ 9,000,000</u> |

In addition to the referendum bonds the Town is also planning on financing about \$33 million for public safety facilities over the same timeframe.

There was also a sale of Two-Thirds General Obligation Bonds in February, 2017 to purchase Public Safety Equipment. The sale included the following projects:

| | |
|----------------------------|---------------------|
| | <u>Amount</u> |
| 100 Foot Fire Ladder Truck | \$1,348,000 |
| Public Safety Radios | 168,816 |
| Body Cameras | 72,506 |
| Bond Issuance Expenses | <u>25,381</u> |
| Total | <u>\$ 1,614,703</u> |

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The final sale of the General Obligation bonds approved by voters in November 2003 was held in the fall of 2010 and included the following projects:

| | <u>Amount</u> |
|--------------------|----------------------|
| Library | \$14,260,000 |
| Sidewalk/Street | 2,450,000 |
| Parks & Recreation | 3,700,000 |
| Total | <u>\$ 20,410,000</u> |

The bonds were issued in two forms, \$12,250,000 in Build America Bonds (BABs) and \$8,160,000 in traditional general obligation debt. The FY18 annual debt service payment on the combined issuance totals \$1.61 million, but the BABs have a federal subsidy that will refund 32% of interest costs through the American Recovery and Reinvestment Act. The net debt service on this bond issuance is \$1.42 million for FY18.

In addition to the final issuance of authorized bonds, the Council approved the issuance of \$1.7 million in Two-Thirds Bonds in July 2012. NC General Statutes allow units to issue bonds each year in an amount equal to two-thirds of the principal amount of debt retired in the previous year. These bonds may be issued without a referendum but must be approved by the LGC and Council in the same manner as other debt financing. The Two-Thirds bonds were used for Parks and Recreation and Streets projects, and annual debt service on the bonds is \$113,000.

In June of 2012 the Town issued \$28,800,000 of limited obligation bonds. The bonds were used to pay for underground parking at the 140 West Project (\$6,700,000) as part of a mixed use development and to refund outstanding Certificates of Participation for the Wallace Deck and Town Operations Center (\$22,100,000). Construction of the 140 West Project was completed during FY13 for a total cost of \$5.96 million. The total debt service payment for FY18 is \$2.75 million, consisting of \$906,831 paid through the Parking Fund and \$1,847,000 paid from the General Fund. The projections assume that the Parking Fund will provide for the cost of this debt service (\$906,831) as a transfer to the Debt Fund.

Lower interest rates during the last few years have allowed the Town to refund some existing debt by issuing lower interest refunding bonds. Recent refunding issues include \$26.755 million in 2012 and \$3.05 million in 2013. Total savings for these transactions is \$746,580 over the remaining life of the bonds.

In June 2015, the Town entered into an installment financing agreement to finance public safety equipment and improvements to public buildings. The Town borrowed \$2,395,000 for a 15 year term at a rate of 2.24%. The debt service payment for FY18 is \$208,250.

In March 2016, the Town entered into an installment financing agreement to fund the following projects:

| | |
|--------------------------------------|--------------------|
| Ephesus Fordham Road Improvements | \$4,779,000 |
| Town Hall Renovations | 1,865,000 |
| Public Safety Facilities & Equipment | 1,185,000 |
| Community Center Pool Improvements | <u>50,000</u> |
| Total | <u>\$7,879,000</u> |

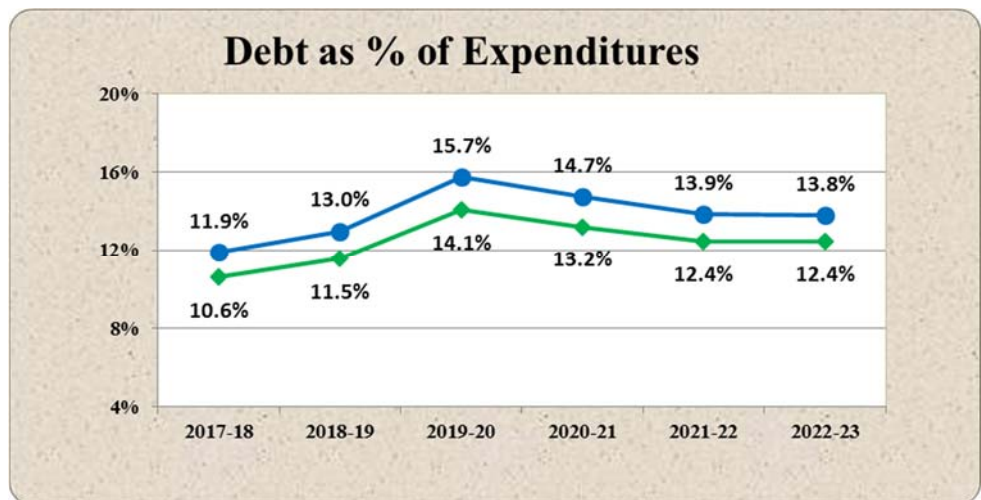
The financing agreement has a 15 year term and a rate of 2.32%. The debt service payment for FY18 for

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this installment financing is \$690,304. The Ephesus Fordham Road portion of the borrowing is structured as a synthetic tax increment financing. Growth in tax receipts in the Ephesus Fordham District will be used to offset the cost of debt service for the project. In addition, NCDOT will reimburse the Town approximately \$1.79 million at the completion of roadway construction.

While the Town has historically had low debt as a percentage of budgeted expenditures, recent borrowings have increased the Town’s debt load. The Town’s measures of debt capacity, including debt per capita and debt as a percent of assessed value, are below our peer group (Triple A rated Municipalities in North Carolina). The Town has traditionally kept debt service below 10% of budgeted general fund expenditures, but with the recent investment in public facilities this ratio has risen to 11.9% in 2017-18 and to 10.6% as a percent of governmental revenues (general fund plus debt fund). Debt as a percentage of governmental revenues approximates the basis used before the debt fund was created in 2010. Debt service as a percentage of expenditures is expected to rise in the next few years as the Town continues to invest in public facilities and infrastructure.

In response to the added debt burden, a Debt Management Plan was adopted for the FY2008-09 budget that includes dedicating a portion of the property tax rate to pay debt service instead of transferring funds for debt service needs from the General Fund. Previously, debt service costs competed with other priorities for General Fund revenues, but now have a dedicated revenue source, which also provides for future debt as existing debt is paid off. Maintaining affordable levels of debt is an important factor in retaining the Town’s current AAA ratings.



The adopted budget for 2017-18 includes a tax rate at \$8.2 cents per \$100 valuation. The debt fund has capacity to pay existing and planned debt service through the 2019-20 fiscal year.

Some of the other key factors affecting revenues and costs are outside the Town's control, such as State-shared revenues affected by State legislation, and numerous State and federal regulations which affect funding for the Transit system and the Housing Department, primarily. We project no significant withholding of State-shared revenues. The county has the option each year to change the sales tax distribution formula from the current per capita basis to an ad-valorem basis. Changing from a per capita basis to an ad-valorem distribution would reduce the Town’s Sales Tax revenues by approximately \$2.5 million. The County has indicated that they will not make a change to the distribution for 2017-18, but they may revisit this option in subsequent fiscal years.

The main points included in the revenue and cost projections for the General Fund, Transit Fund and the

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Debt Service Fund are summarized on the following pages. The differences between revenues and expenditures are expressed as tax rate equivalents.

As the budget increases, the total reserved fund balance needs to increase proportionally to retain fund balance reserves at a minimum of 12% of the budget. The gap between revenues and costs could be closed by service reductions, revenue enhancements, tax rate adjustments or any combination of these options.

GENERAL FUND

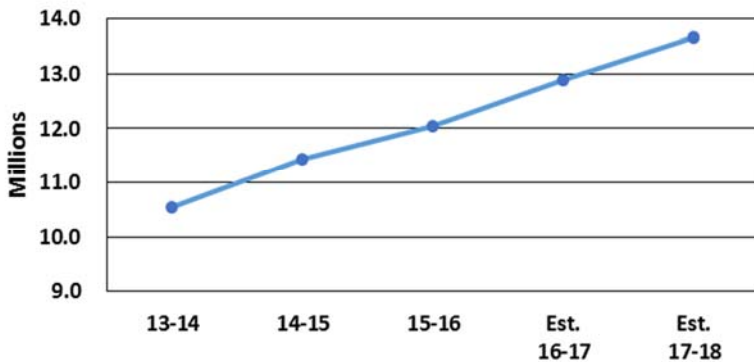
Revenues

The most important revenue sources for General Fund operations continue to be property taxes and sales tax revenues that, combined, comprise about 68% of total General Fund revenues. The estimate of assessed valuation for the tax base in 2017-18 is about \$7.87 billion. There was a revaluation of property assessments that went into effect during the FY2017-18 budget process, when real property values increased by approximately 24% and the motor vehicle and personal property valuations were decreased by about 10%. The Council adopted a property tax rate that was revenue neutral rate for the FY2017-18 Budget.

The tax levy projections assume that the General Fund tax rate will continue to be split with the Debt Service Fund. The rate adopted in FY12 moved \$1.8 cents of the tax rate from the Debt Fund to the General Fund.

Two factors may affect our ability to project and collect property taxes in the future. The first relates to

Sales Tax History



Orange County's tax system. The Town relies on Orange County to assess and record most property tax. (A small portion is collected by Durham County for the citizens that reside in Chapel Hill and Durham County.) Orange County replaced its tax collection software system in the fall of 2010. The new system is still in implementation stage, but should improve our ability to obtain reports and analyze data. It also requires the Town to pay an additional subsidy for a portion of the system installation and maintenance.

The second factor relates to the change in State law that will move the responsibility for motor vehicle tax collection from the

County to the State. Orange County has been efficient and effective in collecting motor vehicle taxes. The collection rate and charges for the service changed once the State assumed the responsibility of collecting motor vehicle taxes. These projections assume continuation of the same collection rate.

Estimated additions to the tax base through growth of 1.5%, slightly lower than historical average, at a tax rate for 2017-18 of \$37.6 cents for the General Fund, would yield increases in property tax revenues

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of about \$530,000 each year.

The second largest source of Town revenue, sales tax, is a more volatile source than property tax. Revenues increase when the economy is good and grow at a slower pace or decrease when the economy is slow. Based on FY17 receipts to date, we estimate FY17 receipts at about \$12.9 million, a slight increase from what was originally budgeted. Based on local trends and state forecasts, we anticipate growth of about 6% for FY17-18.

Based on legislation adopted in 2002-03 by the North Carolina General Assembly (providing greater but not absolute protection for certain State-shared revenues withheld in past years), we believe it is reasonable to include full State-shared revenues in our five year projections for the General Fund. These State-shared revenues include revenue from utility franchise taxes (estimated at about \$4.4 million in 2016-17 and \$4.4 million in 2017-18) and Video Programming Tax, estimated to remain relatively flat in FY17 and FY18.

State-shared revenues also include revenue from fuel tax funds for street maintenance (about \$1.46 million in 2016-17) with no projected growth over the next five years, and Beer and Wine Taxes. The State withheld two-thirds of its distribution of beer and wine tax to municipalities in 2009-10 but indications are that we will receive the full share in FY17 and thereafter.

State Fire Protection Funds held the line in FY17 to \$1,097,500. We recommend that the Council continue to seek additional fire protection funding consistent with the costs associated with providing fire protection for state owned property located in the Town.

The most important revenue sources for the General Fund are shown in the two tables which follow, titled Projected Tax Base and Projected State-Shared Revenues. There are potential changes arising from ongoing State budget proposals that could impact the Town negatively, but most likely we will not know the full impact until after the budget is adopted.

Operating and Capital Improvement Costs

Projected costs for general operations are based on a continuation of most service levels and programs for 2017-18. Personnel and operating costs are based on assumptions as noted on the attached tables. The projections also include estimated contributions required to provide needed capital maintenance for future years. In 2017, the Town issued \$9 million of 2015 referendum bonds to pay for streets and sidewalks, trails and greenways, and recreation facilities. Due to the issuance of referendum bonds, the amount of pay-go capital funding in the areas of greenways and streets and sidewalks decreased by about \$337,000.

Personnel costs for FY 2017-18 include a 2.5% of market rate pay adjustment effective July 2017 and an increase in medical insurance costs of 12.0% based on the contracted agreement with Blue Cross Blue Shield. There are also pay adjustments based on a recent market compensation study that identified 41 positions that were determined to have salary ranges below market. Projections include annual pay increases of 3%, 5% increases in medical insurance costs each year, and an increase of 0.25% each year from the FY18 rate of 7.25% to the retirement contribution rate. Operating costs are estimated to increase about 3% annually.

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Our analysis indicates projected costs for basic operations and the proposed additions to operations would exceed revenues in FY2017-18 and beyond. As we come closer to the actual projected years, we will need to update assumptions. Under the current projection assumptions, the Council would need to increase revenues or decrease costs for each of the next five years.

TRANSIT FUND

The budget for 2017-18 assumes the continuation of fare-free transit services as well as the continuation of the cost-sharing arrangement with the University of North Carolina and Carrboro. Due to the occasional unknown nature of the State operating assistance, we are conservatively budgeting \$2.54 million for this revenue source. Federal assistance is estimated to continue at \$1.44 million next year, a 2.5% decrease from FY17.

The 2017-18 Adopted Budget represents a 12.3% increase from the previous year due to an approximately \$2,267,000 increase in appropriated fund balance. The Transit budget also includes \$967,000 for debt payments on the purchase of new buses that began in 2016-17. The adopted budget for 2016-17 includes slight contribution increases on behalf of the partners. The projections assume continuation of the 5.0 cent rate in the next five years. Subsequent years show the need for a tax increase from 0.1 to 0.2 cents through 2020-21.

| Adopted Tax Rate | Cents per \$100 valuation | | |
|-----------------------|---------------------------|-------------|-------------|
| | FY16-17 | FY17-18 | \$ Change |
| General Fund | 38.8 | 37.6 | -1.2 |
| Debt Fund | 8.5 | 8.2 | -0.3 |
| Transit Fund | 5.1 | 5.0 | -0.1 |
| Total Tax Rate | 52.4 | 50.8 | -1.6 |

DEBT SERVICE FUND

The projections for the Debt Service Fund include maintaining the adopted tax rate of 8.2 cents. This tax rate will generate about \$6.44 million in revenues in 2017-18 which, along with the transfer from Parking, will provide for projected debt service costs. Cost projections include debt service on the \$9 million general obligations issued in February 2017 and the \$1.46 million 2/3 bonds issued in February 2017. Our projections include the planned issuance of about \$50 million of new debt in the next 5 years, including the GO bonds authorized in the 2015 referendum and the financing of public safety facilities. In addition, our projections indicate an increase will be needed in the tax rate for debt service for 2020-21.

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CONCLUSION

Based on the assumptions contained in the analysis of projected revenues and costs for the Town's tax-funded operating funds for the next five years, differences between revenues and costs for future years could require cost or service reductions, revenue enhancements, or tax rate adjustments. The differences expressed as tax rate equivalents are summarized as follows:

Tax Rate Equivalents of Needed Revenue (in cents)

| | 2017-18 Adopted Increase | 2018-19 Estimated Increase | 2019-20 Estimated Increase | 2020-21 Estimated Increase | 2021-22 Estimated Increase | 2022-23 Estimated Increase |
|--------------|--------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| General Fund | 0.0 | 4.9 | 1.6 | 0.9 | 0.8 | 0.9 |
| Debt Service | 0.0 | 0.0 | 0.0 | 1.2 | 1.4 | 0.0 |
| Transit Fund | 0.0 | 0.4 | (0.1) | 0.2 | 0.2 | 0.2 |
| Total | 0.0 | 5.3 | 1.5 | 2.3 | 2.4 | 1.1 |

The largest concern in the budget projection is the expected imbalance between revenues and expenditures in the General Fund. In past years, fund balance has been available to supplement revenues and eliminate or reduce the need to increase taxes. We will need to more closely balance spending with available revenues in future budget years due to the diminishing availability of fund balance available for appropriation.

**GENERAL FUND
PROJECTED TAX BASE
2017/2018- 2022/2023**

| Category | 2017-18 Adopted | 2018-19 Estimated | 2019-20 Estimated | 2020-21 Estimated | 2021-22 Estimated | 2022-23 Estimated |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assessed Valuation (Real & Personal Property) | \$ 7,868,838,338 | \$ 8,010,480,000 | \$ 8,154,670,000 | \$ 8,301,450,000 | \$ 8,450,880,000 | \$ 8,603,000,000 |
| Tax Levy - General Fund Only* | 29,587,000 | 30,119,000 | 30,662,000 | 31,213,000 | 31,775,000 | 32,347,000 |
| Estimated Collections at 99% | 29,470,000 | 30,000,000 | 30,550,000 | 31,090,000 | 31,650,000 | 32,220,000 |
| Estimated Prior Year Collections | 115,000 | 115,000 | 115,000 | 115,000 | 115,000 | 115,000 |
| TOTALS | \$ 29,585,000 | \$ 30,115,000 | \$ 30,665,000 | \$ 31,205,000 | \$ 31,765,000 | \$ 32,335,000 |
| Tax rate | 37.6 | 37.6 | 37.6 | 37.6 | 37.6 | 37.6 |

1¢ on the tax rate = \$ 784,000

* Based on continuing the General Fund tax rate of \$37.6 cents/\$100, with estimated growth as follows:

| | |
|------|-------|
| 2019 | 1.80% |
| 2020 | 1.80% |
| 2021 | 1.80% |
| 2022 | 1.80% |
| 2023 | 1.80% |

GENERAL FUND

PROJECTED STATE-SHARED REVENUES

2017/2018- 2022/2023

| Category | 2017-18 Adopted | 2018-19 Estimated | 2019-20 Estimated | 2020-21 Estimated | 2021-22 Estimated | 2022-23 Estimated |
|--|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Utility Sales Tax ¹ | \$ 4,400,000 | \$ 4,422,000 | \$ 4,444,000 | \$ 4,466,000 | \$ 4,488,000 | \$ 4,510,000 |
| Video Programming Tax | 700,000 | 700,000 | 700,000 | 700,000 | 700,000 | 700,000 |
| Supplemental PEG support | 83,000 | 90,000 | 90,000 | 90,000 | 90,000 | 90,000 |
| Beer, Wine Tax ² | 270,000 | 273,000 | 276,000 | 279,000 | 282,000 | 285,000 |
| 1% Local Option Sales Tax (Article 39) ³ | 4,711,000 | 4,947,000 | 5,194,000 | 5,454,000 | 5,727,000 | 6,013,000 |
| 1/2% Local Option Sales Tax (Article 40) ³ | 3,227,000 | 3,388,000 | 3,557,000 | 3,735,000 | 3,922,000 | 4,118,000 |
| 1/2% Local Option Sales Tax (Article 42) ³ | 2,361,000 | 2,479,000 | 2,603,000 | 2,733,000 | 2,870,000 | 3,014,000 |
| 1/2% Local Option Sales Tax (Article 44 Hold Harmless) ³ | 35,000 | 37,000 | 39,000 | 41,000 | 43,000 | 45,000 |
| City Hold Harmless ³ | 3,343,000 | 3,510,000 | 3,686,000 | 3,870,000 | 4,064,000 | 4,267,000 |
| Total Local Option Sales Taxes | 13,677,000 | 14,361,000 | 15,079,000 | 15,833,000 | 16,626,000 | 17,457,000 |
| Fuel Tax (Powell Bill) ⁴ | 1,463,000 | 1,463,000 | 1,463,000 | 1,463,000 | 1,463,000 | 1,463,000 |
| State Fire Protection ⁵ | 1,115,590 | 1,115,590 | 1,115,590 | 1,115,590 | 1,115,590 | 1,115,590 |
| Solid Waste Disposal Tax | 38,000 | 38,000 | 38,000 | 38,000 | 38,000 | 38,000 |
| TOTAL | \$ 21,746,590 | \$ 22,462,590 | \$ 23,205,590 | \$ 23,984,590 | \$ 24,802,590 | \$ 25,658,590 |

¹ Utility sales tax distribution has been changed in recent years and is now distributed to municipalities based on the application of the 7% combined general sales tax rate of sales of electricity and natural gas to public utility providers.

² Except when withheld by the state in recent years, beer and wine taxes have been stable. Distributed based on population, they are expected to grow at 1% in future.

³ Estimating a normal growth of 5% in FY19 and thereafter.

⁴ Powell Bill revenues are distributed by a formula that is based on both street miles and population.

⁵ State Fire Protection funding is subject to annual appropriation, and is expected to return to prior levels in future years.

GENERAL FUND
REVENUE PROJECTIONS
2017/2018 - 2022/2023

| Category | 2017-18 Adopted | 2018-19 Estimated | 2019-20 Estimated | 2020-21 Estimated | 2021-22 Estimated | 2022-23 Estimated |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Property Taxes* | \$ 29,635,000 | \$ 30,115,000 | \$ 30,665,000 | \$ 31,205,000 | \$ 31,765,000 | \$ 32,335,000 |
| Sales Taxes | \$ 13,677,000 | \$ 14,361,000 | \$ 15,079,000 | \$ 15,833,000 | \$ 16,626,000 | \$ 17,457,000 |
| Other Taxes & Licenses | 1,300,000 | 1,300,000 | 1,300,000 | 1,300,000 | 1,300,000 | 1,300,000 |
| Licenses/Permits/Fines/ Forfeitures | 2,129,000 | 2,129,000 | 2,129,000 | 2,129,000 | 2,129,000 | 2,129,000 |
| State-Shared Revenues | 8,069,000 | 8,101,590 | 8,126,590 | 8,151,590 | 8,176,590 | 8,201,590 |
| Grants | 800,000 | 809,000 | 818,000 | 827,000 | 836,000 | 845,000 |
| Service Charges | 4,748,000 | 4,758,000 | 4,768,000 | 4,778,000 | 4,788,000 | 4,798,000 |
| Interest on Investments | 50,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Other Revenues | 413,000 | 413,000 | 413,000 | 413,000 | 413,000 | 413,000 |
| Interfund Transfers | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 |
| TOTAL | \$ 60,866,000 | \$ 62,056,590 | \$ 63,368,590 | \$ 64,706,590 | \$ 66,103,590 | \$ 67,548,590 |

* Based on continuing the current General Fund tax rate of \$37.6 cents/\$100, with estimated growth as follows:

| | |
|------|-------|
| 2019 | 1.80% |
| 2020 | 1.80% |
| 2021 | 1.80% |
| 2022 | 1.80% |
| 2023 | 1.80% |

**GENERAL FUND
PROJECTED COSTS
2017/2018 - 2022/2023**

| | 2017-18 Adopted | 2018-19 Estimated | 2019-20 Estimated | 2020-21 Estimated | 2021-22 Estimated | 2022-23 Estimated |
|--|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Personnel Services ¹ | \$ 46,773,000 | \$ 48,725,000 | \$ 50,990,000 | \$ 52,686,000 | \$ 54,443,000 | \$ 56,264,000 |
| Operations | | | | | | |
| Operating & Maintenance ² | 15,052,000 | 16,000,000 | 16,283,000 | 16,634,000 | 16,933,000 | 17,300,000 |
| Capital | | | | | | |
| Equipment ³ | 117,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Transfer to Capital Improvements Program ⁴ | 477,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Other | | | | | | |
| Human Service contracts, hotel/ motel allocations and grants to other agencies | 1,112,000 | 1,112,000 | 1,112,000 | 1,112,000 | 1,112,000 | 1,112,000 |
| TOTAL COSTS OF CURRENT PROGRAMS AND ADDITIONS/ | | | | | | |
| TOTALS | \$ 63,531,000 | \$ 66,937,000 | \$ 69,485,000 | \$ 71,532,000 | \$ 73,588,000 | \$ 75,776,000 |

Assumptions for years after 2019, reflected on base cost estimates for 2018-19:

¹ Assumptions include:

- Annual increase of 3%.
- 5% increase in medical insurance each year
- Increase of 0.25% of the Retirement rate per year until 2020-21.

² Increase in most operating costs of 2.5% each year.

³ Estimated cost of routine replacement of miscellaneous non-vehicular capital equipment.

⁴ General Fund contribution for Capital Improvements Program.

GENERAL FUND

ANALYSIS OF REVENUE AND COST PROJECTIONS

2017/2018 - 2022/2023

| | 2017-18 Adopted | 2018-19 Estimated | 2019-20 Estimated | 2020-21 Estimated | 2021-22 Estimated | 2022-23 Estimated |
|---|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Estimated Total Costs | \$ 63,531,000 | \$ 66,937,000 | \$ 69,485,000 | \$ 71,532,000 | \$ 73,588,000 | \$ 75,776,000 |
| Estimated Total Revenues | 60,866,000 | 62,056,590 | 63,368,590 | 64,706,590 | 66,103,590 | 67,548,590 |
| Revenues Needed | 2,665,000 | 4,880,410 | 6,116,410 | 6,825,410 | 7,484,410 | 8,227,410 |
| Fund Balance Available | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| One-time use of Fund Balance | 1,665,000 | - | - | - | - | - |
| Additional Revenue Needed/ (Available) | \$ - | \$ 3,880,410 | \$ 5,116,410 | \$ 5,825,410 | \$ 6,484,410 | \$ 7,227,410 |
| Change in Tax Rate in cents in Specific Years* | - | 4.9 | 1.6 | 0.9 | 0.8 | 0.9 |

*Value of a cent = \$784,000

TRANSIT FUND
REVENUE PROJECTIONS
2017/2018 - 2022/2023

| | 2017-18 Adopted | 2018-19 Estimated | 2019-20 Estimated | 2020-21 Estimated | 2021-22 Estimated | 2022-23 Estimated |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Taxes ¹ | \$ 3,933,702 | \$ 4,074,000 | \$ 4,144,000 | \$ 4,224,000 | \$ 4,294,000 | \$ 4,374,000 |
| Vehicle Taxes ² | 454,350 | 456,000 | 458,000 | 460,000 | 462,000 | 464,000 |
| TTA-Shared Revenues | 1,739,000 | 1,756,000 | 1,774,000 | 1,792,000 | 1,810,000 | 1,828,000 |
| Federal Operating Assistance ³ | 4,484,414 | 4,484,000 | 4,484,000 | 4,484,000 | 4,484,000 | 4,484,000 |
| UNC Contract (Net) ⁴ | 7,288,468 | 7,398,000 | 7,509,000 | 7,622,000 | 7,736,000 | 7,852,000 |
| Carrboro Contract (Net) ⁴ | 1,481,821 | 1,504,000 | 1,527,000 | 1,550,000 | 1,573,000 | 1,597,000 |
| Service Charges ⁵ | 918,155 | 937,000 | 956,000 | 975,000 | 995,000 | 1,015,000 |
| Advertising | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 |
| Other | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| Appropriated Fund Balance | 2,423,082 | 2,423,082 | 2,423,082 | 2,423,082 | 2,423,082 | 2,423,082 |
| TOTAL | \$ 22,875,992 | \$ 23,185,082 | \$ 23,428,082 | \$ 23,683,082 | \$ 23,930,082 | \$ 24,190,082 |

Revenue Notes:

¹ Based on the adopted tax rate of 5.0 cents through 2022-23

² Assumes continuing levy of \$15 vehicle tax for Transit

³ Assumes continuing level of State and Federal Operating Assistance.

⁴ Assumes continued participation by the University and Carrboro, including assumptions on cost sharing for adopted fare-free services, assuming 1.5% growth each year.

⁵ Based on continuing fare-free services, with remaining service charge revenue generated primarily by Tarheel Express and Triangle Transit routes, assuming 2% growth each year.

TRANSIT FUND
COST PROJECTIONS
2017/2018 - 2022/2023

| | 2017-18 Adopted | 2018-19 Estimated | 2019-20 Estimated | 2020-21 Estimated | 2021-22 Estimated | 2022-23 Estimated |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Personnel Services ¹ | \$ 14,952,412 | \$ 15,384,000 | \$ 15,899,000 | \$ 16,434,000 | \$ 16,988,000 | \$ 17,454,000 |
| Operations ² | 6,956,580 | 7,175,000 | 7,402,000 | 7,636,000 | 7,879,000 | 8,130,000 |
| Capital Reserve Fund ³ | 967,000 | 967,000 | 967,000 | 967,000 | 967,000 | 967,000 |
| TOTAL | \$ 22,875,992 | \$ 23,526,000 | \$ 24,268,000 | \$ 25,037,000 | \$ 25,834,000 | \$ 26,551,000 |

Assumptions for years after 2017-18

¹ Assumptions include:

- Annual increase of 3%.
- 5% increase in medical insurance each year
- Continuation of 7.5% Retirement rate.

² Increase in operating costs of 2.5% annually for most operating costs and 5% for fuel and tires.

³ Amounts allocated for Capital Equipment Reserve Fund for replacement of buses, purchase of capital equipment, and local cost of Transit facilities.

***TRANSIT FUND
REVENUE AND COST PROJECTIONS
2017/2018 - 2022/23***

| | 2017-18 Adopted | 2018-19 Estimated | 2019-20 Estimated | 2020-21 Estimated | 2021-22 Estimated | 2022-23 Estimated |
|---|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Estimated Costs | \$ 22,875,992 | \$ 23,526,000 | \$24,268,000 | \$ 25,037,000 | \$ 25,834,000 | \$ 26,551,000 |
| Estimated Revenues | 22,875,992 | 23,185,082 | 23,428,082 | 23,683,082 | 23,930,082 | 24,190,082 |
| Revenue Needed/(Excess) | - | 340,918 | 839,918 | 1,353,918 | 1,903,918 | 2,360,918 |
| Additional Revenue Needed | \$ - | \$ 340,918 | \$ 839,918 | \$ 1,353,918 | \$ 1,903,918 | \$ 2,360,918 |
| Change in Tax Rate in Specific Years | - | 0.4 | (0.1) | 0.2 | 0.2 | 0.2 |

1 cent on the tax rate = \$784,000

Assumptions on future revenues and costs:

- Same revenue sources as available in 2017-18 (assumes current level of State funding for operating assistance).
 - Assumes constant level of federal operating assistance.
 - Includes estimated adjustments of 3% in salaries and most operating costs after FY18.
 - Includes estimated adjustments of 5% in fuel and tire costs after FY18.
-

DEBT SERVICE FUND
PROJECTED TAX BASE AND OTHER REVENUES
2017/2018- 2022/2023

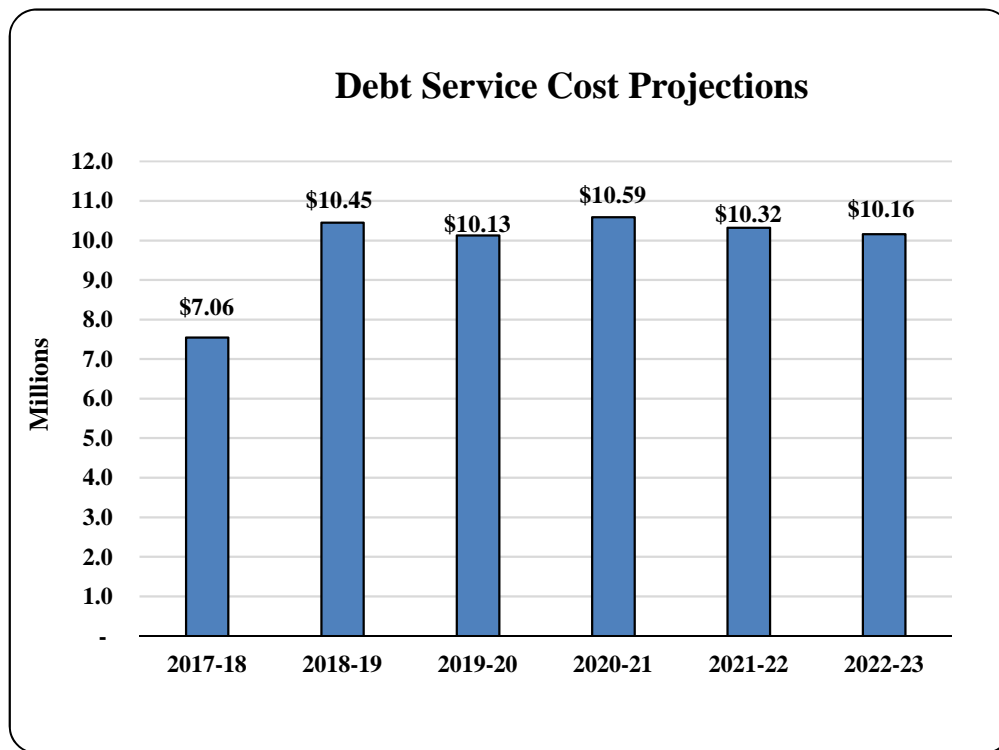
| Category | 2017-18 Adopted | 2018-19 Estimated | 2019-20 Estimated | 2020-21 Estimated | 2021-22 Estimated | 2022-23 Estimated |
|---|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assessed Valuation (Real & Personal Property) | \$ 7,868,838,000 | \$ 8,010,480,000 | \$ 8,154,670,000 | \$ 8,301,450,000 | \$ 8,450,880,000 | \$ 8,603,000,000 |
| Tax Levy - Debt Service Fund Only* | 6,452,000 | 6,569,000 | 6,687,000 | 6,807,000 | 6,930,000 | 7,054,000 |
| Estimated Collections at 99% | 6,430,000 | 6,540,000 | 6,660,000 | 6,780,000 | 6,900,000 | 7,030,000 |
| TOTAL TAXES | \$ 6,430,000 | \$ 6,540,000 | \$ 6,660,000 | \$ 6,780,000 | \$ 6,900,000 | \$ 7,030,000 |
| BABS Interest Subsidy | 170,000 | 170,000 | 170,000 | 170,000 | 170,000 | 170,000 |
| Interest Income | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 |
| Transfer from Parking | 907,000 | 907,000 | 907,000 | 907,000 | 907,000 | 907,000 |
| TOTAL REVENUES | \$ 7,514,500 | \$ 7,624,500 | \$ 7,744,500 | \$ 7,864,500 | \$ 7,984,500 | \$ 8,114,500 |

* Based on a continued tax rate of \$8.2 cents for the Debt Fund through 2022-23, with estimated growth as follows:

| | |
|------|-------|
| 2019 | 1.80% |
| 2020 | 1.80% |
| 2021 | 1.80% |
| 2022 | 1.80% |
| 2023 | 1.80% |

**DEBT SERVICE FUND
PROJECTED COSTS
2017/2018 - 2022/2023**

| | 2017-18 Adopted | 2018-19 Estimated | 2019-20 Estimated | 2020-21 Estimated | 2021-22 Estimated | 2022-23 Estimated |
|------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Existing Debt | \$ 7,543,000 | \$ 7,384,000 | \$ 6,925,000 | \$ 6,614,000 | \$ 6,346,000 | \$ 6,183,000 |
| Two-Thirds Bonds | - | - | 137,000 | 137,000 | 137,000 | 137,000 |
| Future Issuance | - | 3,065,000 | 3,065,000 | 3,835,000 | 3,835,000 | 3,835,000 |
| TOTALS | \$ 7,543,000 | \$ 10,449,000 | \$ 10,127,000 | \$ 10,586,000 | \$ 10,318,000 | \$ 10,155,000 |



DEBT SERVICE FUND

ANALYSIS OF REVENUE AND COST PROJECTIONS 2017/2018 - 2022/2023

| | 2017-18 Adopted | 2018-19 Estimated | 2019-20 Estimated | 2020-21 Estimated | 2021-22 Estimated | 2022-23 Estimated |
|--|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Estimated Total Costs | \$ 7,543,000 | \$ 10,449,000 | \$ 10,127,000 | \$ 10,586,000 | \$ 10,318,000 | \$ 10,155,000 |
| Estimated Total Revenues | 7,514,500 | 7,624,500 | 7,744,500 | 7,864,500 | 7,984,500 | 8,114,500 |
| Revenue (Needed)/Available | (28,500) | (2,824,500) | (2,382,500) | (2,721,500) | (2,333,500) | (2,040,500) |
| Fund Balance Available | 28,500 | 2,824,500 | 2,382,500 | 1,783,570 | - | - |
| Reserved for future debt | - | - | - | - | - | - |
| Additional Revenue (Needed)/Available | - | - | - | (937,930) | (2,333,500) | (2,040,500) |
| Change in Tax Rate in Specific Years* | 0.0 | 0.0 | 0.0 | 1.2 | 1.4 | 0.0 |

Value of a cent = \$784,000