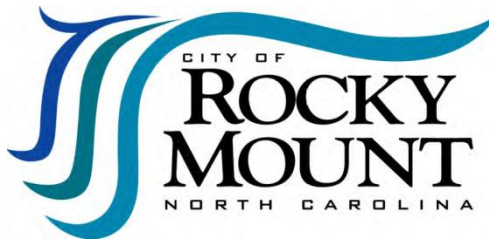


---

**Capital Funding Analysis  
City of Rocky Mount, NC**



**Prepared By  
Davenport & Company LLC**  
Member NYSE - FINRA - SIPC

---

**March 23, 2015 (Revised)**

# Goals and Objectives

---



- Present a Detailed Analysis of the City's Existing Tax Supported Debt Profile.
- Analyze a Series of Key Financial Ratios so as to Better Understand the City's Existing Debt Profile and Future Debt Capacity.
- Provide an initial perspective on the City's Debt Affordability as it relates to funding the identified Capital Improvement Program.
- Work towards Establishing a Comprehensive Plan of Finance for the identified Capital Improvement Projects and the proposed Event Center Project consistent with the City's stated objectives.

# Capital Funding Summary



## Event Center and Other City Capital Projects Overview

### Event Center Funding

Taxable Lease Revenue Bond (3.90%) <sup>1</sup>	\$	32,845,000
New Market Tax Credit Subsidy (3.00%) <sup>2</sup>		8,155,000
<b>Total</b>	<b>\$</b>	<b>41,000,000</b>

### Other City Capital Projects (FY 2016 - 2021)

Future Equipment / Construction Installments <sup>3</sup>	\$	12,273,386
Annual CIP Pay-GO (\$2,570,460 per year)		15,422,760
Future Debt Capacity (FY 2019 - 2021) <sup>4</sup>		10,485,000
<b>Total</b>	<b>\$</b>	<b>38,181,146</b>

### Key Debt Ratios

	Current	Post Issuance
Debt to Assessed Value <sup>5</sup>	0.53%	1.51%
Debt Per Capita <sup>5</sup>	\$375	\$1,067
Debt Service to Expenditures <sup>6</sup>	7.12%	9.28%
10-Year Payout Ratio <sup>7</sup>	84.20%	55.48%
City Legal Debt Limit (FY 14) <sup>8</sup>	\$320,636,293	\$320,636,293

### Estimated Incremental Tax Equivalent<sup>9</sup>

2015	--
2016	2.83¢
2017	0.91¢
2018	1.89¢
2019	0.22¢
<b>Total</b>	<b>5.85¢</b>

## Annual Funding Requirements

FY	Existing Debt Service	Future Equip./Const. Installments <sup>3</sup>	CIP Pay-Go Cash	Event Center Operating Loss (Surplus) <sup>10</sup>	New Market Tax Credit Debt Service <sup>2</sup>	Lease Revenue Bond Debt Service <sup>1</sup>	Total	Estimated Incremental Tax Equivalent <sup>8</sup>
Total	23,913,033	41,517,666	56,550,120	(4,806,905)	1,712,550	49,593,940	168,480,404	5.85¢
2015	4,281,364	-	2,570,460	-	-	-	6,851,824	--
2016	3,668,224	593,750	2,570,460	-	183,488	960,716	7,976,638	2.83¢
2017	2,863,105	1,378,855	2,570,460	-	244,650	1,280,955	8,338,025	0.91¢
2018	2,392,041	1,729,391	2,570,460	872,163	244,650	1,280,955	9,089,660	1.89¢
2019	2,292,196	1,808,375	2,570,460	682,815	244,650	1,575,105	9,173,600	0.22¢
2020	1,099,456	2,014,073	2,570,460	264,778	244,650	2,617,491	8,810,908	--
2021	967,584	2,124,576	2,570,460	(60,795)	244,650	2,617,843	8,464,317	--
2022	945,903	2,124,576	2,570,460	(359,017)	244,650	2,615,951	8,142,523	--
2023	923,932	2,124,576	2,570,460	(376,968)	61,163	2,616,866	7,920,029	--
2024	901,816	2,124,576	2,570,460	(395,816)	-	2,615,441	7,816,477	--
2025	879,555	2,124,576	2,570,460	(415,607)	-	2,616,530	7,775,514	--
2026	857,149	2,124,576	2,570,460	(436,388)	-	2,620,035	7,735,832	--
2027	834,612	2,124,576	2,570,460	(458,207)	-	2,615,956	7,687,398	--
2028	811,967	2,124,576	2,570,460	(458,207)	-	2,619,050	7,667,846	--
2029	194,133	2,124,576	2,570,460	(458,207)	-	2,619,219	7,050,181	--
2030	-	2,124,576	2,570,460	(458,207)	-	2,616,560	6,853,389	--
2031	-	2,124,576	2,570,460	(458,207)	-	2,615,830	6,852,659	--
2032	-	2,124,576	2,570,460	(458,207)	-	2,616,931	6,853,761	--
2033	-	2,124,576	2,570,460	(458,207)	-	2,619,474	6,856,303	--
2034	-	2,124,576	2,570,460	(458,207)	-	2,618,604	6,855,433	--
2035	-	2,124,576	2,570,460	(458,207)	-	2,619,175	6,856,004	--
2036	-	2,124,576	2,570,460	(458,207)	-	2,615,253	6,852,082	--

<sup>1</sup> Provided by Piper Jaffray and Stern Agee. Preliminary as of March 19, 2015 and subject to change.

<sup>2</sup> Provided by BWC Consulting. Preliminary and subject to change.

<sup>3</sup> Future Equipment / Construction Installments assumes 5-Year Level Debt Service at 3.50% (subject to change in market conditions).

<sup>4</sup> Future Debt Capacity assumes 20-Year Level Principal at 5.00% . Preliminary and subject to change.

<sup>5</sup> Includes existing City debt, future Equipment / Construction Installments, Taxable Lease Revenue Bond, and NMTC Loan. Principal on the NMTC Loan is assumed to be forgiven in FY 2023.

<sup>6</sup> Includes existing City debt, future Equipment / Construction Installments, Taxable Lease Revenue Bond, and interest on the NMTC Loan.

<sup>7</sup> Includes existing City debt, Taxable Lease Revenue Bond, and NMTC Loan principal forgiveness in FY 2023.

<sup>8</sup> North Carolina General Statute 159-55(c) limits the City's net debt to 8% of the appraised value of property subject to taxation within the City. Source: City FY 2014 CAFR (p. 176).

<sup>9</sup> Based upon a value of 1¢ = \$399,000. Assumes 0.00% growth in the value of 1¢.

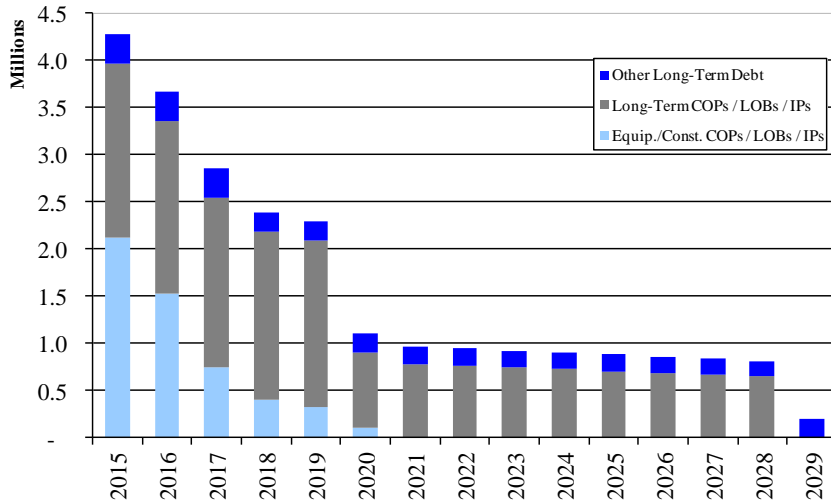
<sup>10</sup> Provided by SFA / SFM. FY 2027 Operating Loss (Surplus) assumed to remain constant in future years.

*Note: Plan of Finance subject to continued review & discussions with LGC Staff.*

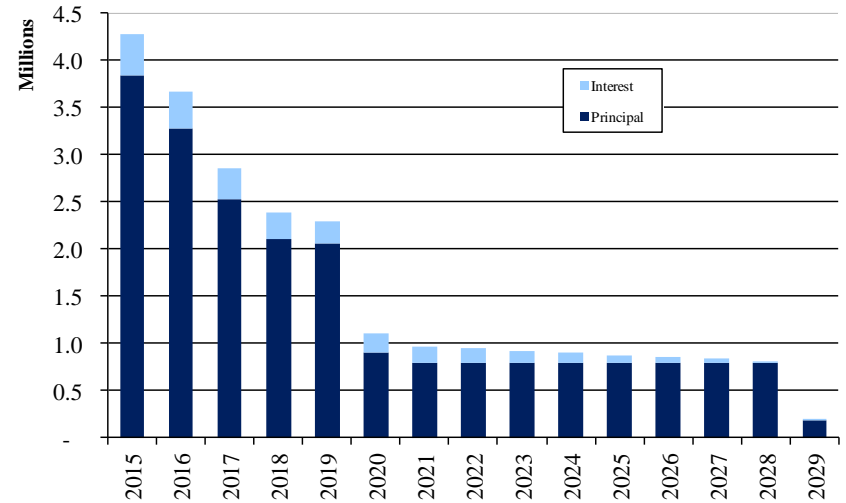
# Existing Tax-Supported Debt Service



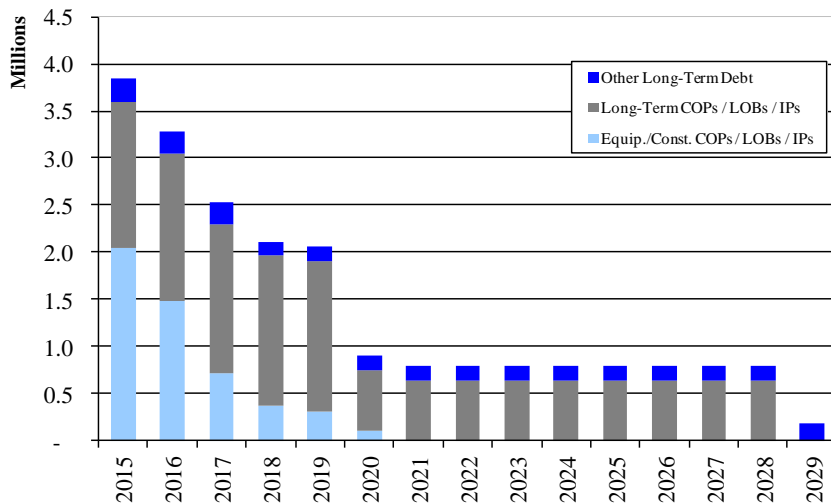
## Debt Service by Type



## Debt Service (P&I)



## Principal by Type



- Outstanding Tax Supported Debt      \$21,248,008
  - Equip./Const. COPs/LOBs/IPs      \$5,038,613
  - Long-Term COPs/LOBs/IPs      \$13,689,395
  - Other Long-Term Debt      \$2,520,000

Notes:  
 - Estimated as of June 30, 2014  
 Source: City CAFR / LGC Bond Ledger

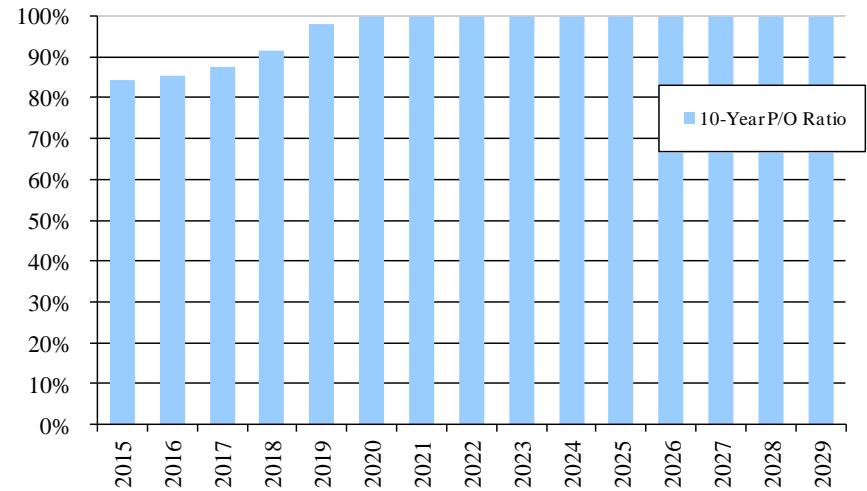
# Tax-Supported Payout Ratio



## Existing Tax-Supported Debt Service

FY	Principal	Interest	Total	10-Year P/O Ratio
Total	21,248,008	2,665,025	23,913,033	
2015	3,841,845	439,518	4,281,364	84.2%
2016	3,287,453	380,770	3,668,224	85.3%
2017	2,533,540	329,566	2,863,105	87.4%
2018	2,109,080	282,961	2,392,041	91.5%
2019	2,054,527	237,669	2,292,196	98.0%
2020	898,230	201,226	1,099,456	100.0%
2021	791,667	175,917	967,584	100.0%
2022	791,667	154,236	945,903	100.0%
2023	791,667	132,265	923,932	100.0%
2024	791,667	110,149	901,816	100.0%
2025	791,667	87,888	879,555	100.0%
2026	791,667	65,482	857,149	100.0%
2027	791,667	42,945	834,612	100.0%
2028	791,667	20,300	811,967	100.0%
2029	190,000	4,133	194,133	100.0%

## 10-Year Payout Ratio



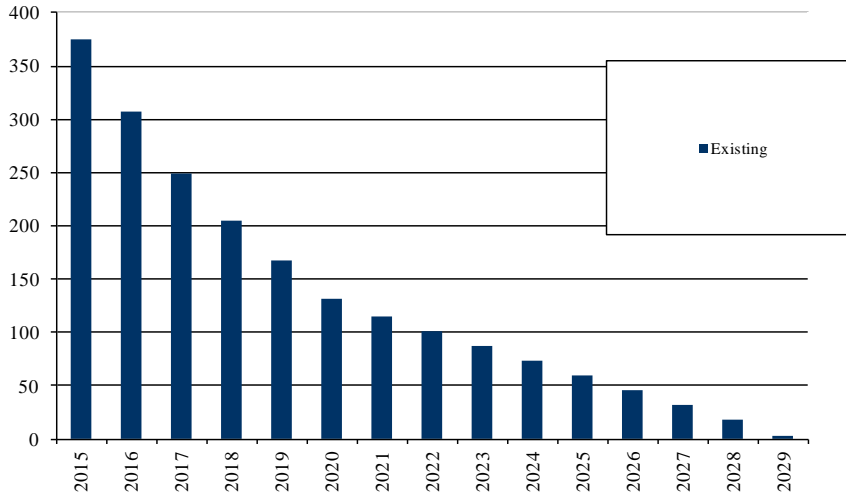
■ FY 2015: 84.2%

Notes:  
 - Estimated as of June 30, 2014  
 Source: City CAFR / LGC Bond Ledger

# Existing Debt Ratios – Tax-Supported Debt

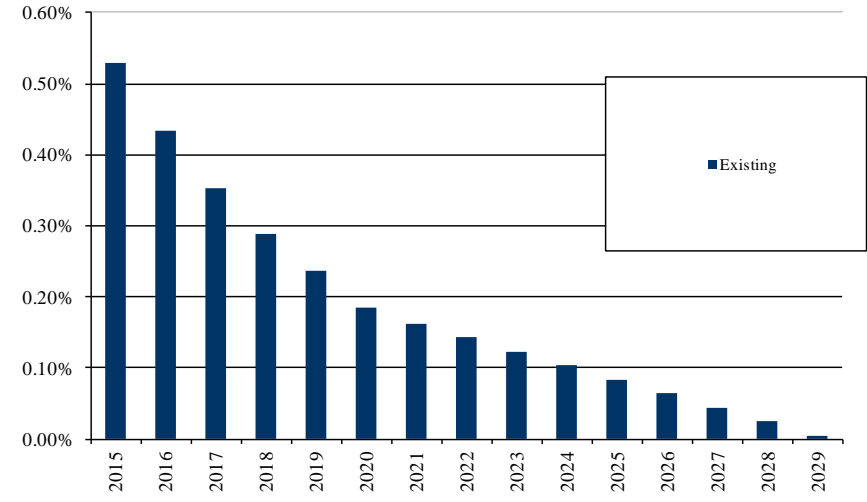


## Debt Per Capita



- FY 2015 \$375
- Growth Assumptions:
  - FY 2014 Population: 56,650
  - FY 2015 & Beyond: 0.00%

## Debt to Assessed Value

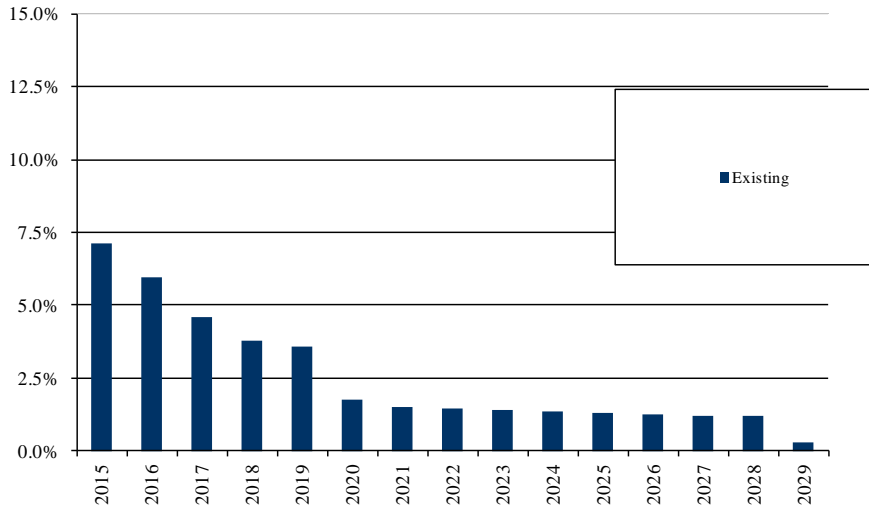


- FY 2015: 0.53%
- Growth Assumptions:
  - FY 2014 Assessed Value: \$4,007,953,661
  - FY 2015 & Beyond: 0.00%

# Existing Debt Ratios – Tax-Supported Debt



## Debt Service to Expenditures



- FY 2015: 7.12%
- Growth Assumptions:
  - FY 2014 Adjusted Expenditures: \$55,296,521
  - FY 2015 & Beyond: 1.00%

Note: Governmental Expenditures represent the ongoing operating expenditures of the City. In this analysis, debt service and capital expenditures are excluded.

Source: City CAFR

# Capital Projects Under Consideration and Overall Approach



- Rocky Mount has developed a multi year Capital Improvement Program that will be incorporated into this overall Plan of Finance.
- The City is considering an Event Center Project that will be addressed as part of the Capital Planning effort.
- The City and its consultants have been working over the last several months to assess multiple funding options for the Capital Projects, including the Event Center, as detailed on the following pages.
- The City’s existing Tax-Supported Debt is funded in a sustainable fashion.

Capital Funding	FY 2016-2021
Future Equipment / Construction Installments <sup>1</sup>	\$12,273,386
Event Center	\$41,000,000
Event Center Operating Loss (Surplus)	\$1,758,961
Annual CIP Pay-Go (\$2,570,460 per year)	\$15,422,760
Future Debt Capacity (FY 2019 - 2021) <sup>2</sup>	\$10,485,000
<b>Total Funding (FY 2016 – 2021)</b>	<b>\$80,940,107</b>

<sup>1</sup> Future Equipment / Installments assumes 5-Year Level Debt Service at 3.50% (subject to change in market conditions).

<sup>2</sup> Future Debt Capacity assumes 20-Year Level Principal at 5.00% (subject to change in market conditions).



# Sources and Uses – Event Center Project



Sources	Amount
Senior Debt (Term Loan)	\$ 32,845,000
NMTC Equity	8,155,000
<b>Total</b>	<b>\$ 41,000,000</b>

Uses	Amount
Events Center all in GMP Budget	\$ 32,000,000
Site remediation	500,000
Owner's Rep	240,000
Cost of Issuance	2,105,000
Owner Contingency	920,000
CDE Fees	2,000,000
Predev & Other	1,001,000
PM during construction	120,000
Accounting/Title/Survey/Local Legal	140,194
Accounting/Audit/Insur - Post Close	154,000
Tenant Allowance - Operational Start-up	1,179,806
Pre Marketing	640,000
<b>Total</b>	<b>\$ 41,000,000</b>

Note: Provided by BWC Consulting. Preliminary and subject to change.

# Proposed Financing Assumptions – Event Center Project



## *Taxable Lease Revenue Bond*

- Piper Jaffray & Co. (“Piper Jaffray”) and Stern, Agee, & Leach Inc. (“Stern Agee”) prepared a Draft Term Sheet for the City on February 12<sup>th</sup> that provides an initial pricing estimate of the City’s Taxable Lease Revenue Bond to fund the Event Center Project.
- Proceeds from the Taxable Lease Revenue Bond, with an estimated par amount of \$32,845,000, will be used to fund a portion of the City’s \$41,000,000 Event Center Project.
- The following financing assumptions summarize the City’s proposed funding approach for the Event Center Project Taxable Lease Revenue Bond. This structure is subject to review & discussions with LGC Staff.
- Taxable Lease Revenue Bond Financing Assumptions<sup>1</sup>:
  - Par Amount: \$32,845,000
  - Interest Rate: 3.90%<sup>2</sup> (Fixed for Full Term of the Financing)
  - Prepayment: Non-Callable for Years 1-7 and Callable at Par Thereafter
  - Timing:
    - Issuance: 9/1/2015 (FY 2016)
    - Term: 20 Years
    - Final Maturity: 9/1/2035 (FY 2036)
    - First Interest: 12/1/2015 (FY 2016) (Quarterly Thereafter)
    - First Principal: 9/1/2018 (FY 2019) (Semi-Annually Thereafter)
  - Debt Structure<sup>3</sup>:
    - FY 2016 - 2018: Interest Only
    - FY 2019: \$150,000 Principal Payments on 9/1/2018 and 3/1/2019
    - FY 2020-2036: Principal Payments structured to create Level Debt Service beginning 9/1/2019 through 9/1/2035

<sup>1</sup> Provided by Piper Jaffray and Stern Agee. Preliminary and subject to change.

<sup>2</sup> Preliminary as of March 19, 2015 and subject to change.

<sup>3</sup> Subject to continued review and discussion with LGC Staff.

# Proposed Financing Assumptions – Event Center Project



## *New Market Tax Credits*

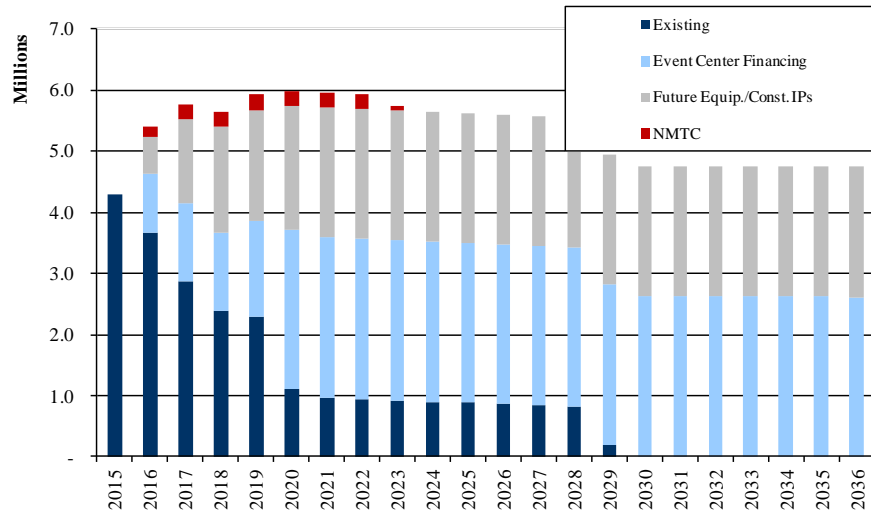
- The City anticipates the Event Center Project receiving an estimated \$8,155,000 of New Market Tax Credit Subsidy to be used in conjunction with the \$32,845,000 Taxable Lease Revenue Bond to fund the full \$41,000,000 Event Center Project.
- Under the New Market Tax Credit structure, the proposed financing plan assumes a 7-year interest only period and potential principal forgiveness of the full \$8,155,000 on 9/1/2022. This structure is subject to review & discussions with LGC Staff.
- New Market Tax Credit Financing Assumptions<sup>1</sup>:
  - Par Amount: \$8,155,000
  - Interest Rate: 3.00%
  - Timing:
    - Issuance: 9/1/2015 (FY 2016)
    - Term: 7 Years
    - First Interest: 12/1/2015 (FY 2016) (Quarterly Thereafter)
    - Principal Forgiveness: 9/1/2022 (FY 2023)

<sup>1</sup> Provided by BWC Consulting. Preliminary and subject to change.

# Proposed Debt Service – Event Center Project



## Proposed Debt Service<sup>1,2</sup>



## Proposed Event Center Financing<sup>1,2</sup>

FY	Taxable Lease Revenue Bonds <sup>1</sup>			NMTC <sup>2</sup>	Grand Total
	Principal	Interest	Total	Interest	
Total	32,845,000	16,748,940	49,593,940	1,712,550	51,306,490
2015	-	-	-	-	-
2016	-	960,716	960,716	183,488	1,144,204
2017	-	1,280,955	1,280,955	244,650	1,525,605
2018	-	1,280,955	1,280,955	244,650	1,525,605
2019	300,000	1,275,105	1,575,105	244,650	1,819,755
2020	1,375,000	1,242,491	2,617,491	244,650	2,862,141
2021	1,430,000	1,187,843	2,617,843	244,650	2,862,493
2022	1,485,000	1,130,951	2,615,951	244,650	2,860,601
2023	1,545,000	1,071,866	2,616,866	61,163	2,678,029
2024	1,605,000	1,010,441	2,615,441	-	2,615,441
2025	1,670,000	946,530	2,616,530	-	2,616,530
2026	1,740,000	880,035	2,620,035	-	2,620,035
2027	1,805,000	810,956	2,615,956	-	2,615,956
2028	1,880,000	739,050	2,619,050	-	2,619,050
2029	1,955,000	664,219	2,619,219	-	2,619,219
2030	2,030,000	586,560	2,616,560	-	2,616,560
2031	2,110,000	505,830	2,615,830	-	2,615,830
2032	2,195,000	421,931	2,616,931	-	2,616,931
2033	2,285,000	334,474	2,619,474	-	2,619,474
2034	2,375,000	243,604	2,618,604	-	2,618,604
2035	2,470,000	149,175	2,619,175	-	2,619,175
2036	2,590,000	25,253	2,615,253	-	2,615,253

<sup>1</sup> Provided by Piper Jaffray and Stern Agee as of 2.12.15, preliminary and subject to change.

<sup>2</sup> Provided by BWC Consulting. Preliminary and subject to change.

Plan of Finance subject to continued review & discussions with LGC Staff.



# Municipal Advisor Disclosure

---



The U.S. Securities and Exchange Commission (the “SEC”) has clarified that a broker, dealer or municipal securities dealer engaging in municipal advisory activities outside the scope of underwriting a particular issuance of municipal securities should be subject to municipal advisor registration. Davenport & Company LLC (“Davenport”) has registered as a municipal advisor with the SEC. As a registered municipal advisor Davenport may provide advice to a municipal entity or obligated person. An obligated person is an entity other than a municipal entity, such as a not for profit corporation, that has commenced an application or negotiation with an entity to issue municipal securities on its behalf and for which it will provide support. If and when an issuer engages Davenport to provide financial advisory or consultant services with respect to the issuance of municipal securities, Davenport is obligated to evidence such a financial advisory relationship with a written agreement.

When acting as a registered municipal advisor Davenport is a fiduciary required by federal law to act in the best interest of a municipal entity without regard to its own financial or other interests. Davenport is not a fiduciary when it acts as a registered investment advisor, when advising an obligated person, or when acting as an underwriter, though it is required to deal fairly with such persons.

This material was prepared by public finance, or other non-research personnel of Davenport. This material was not produced by a research analyst, although it may refer to a Davenport research analyst or research report. Unless otherwise indicated, these views (if any) are the author’s and may differ from those of the Davenport fixed income or research department or others in the firm. Davenport may perform or seek to perform financial advisory services for the issuers of the securities and instruments mentioned herein.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security/instrument or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the securities, instruments or transactions and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the completeness of this material. Davenport has no obligation to continue to publish information on the securities/instruments mentioned herein. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors or issuers. Recipients should seek independent financial advice prior to making any investment decision based on this material. This material does not provide individually tailored investment advice or offer 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 transaction. You should consider this material as only a single factor in making an investment decision.

The value of and income from investments and the cost of borrowing may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions or companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. 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 or to simplify the presentation and/or calculation of any projections or estimates, and Davenport does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. This material may not be sold or redistributed without the prior written consent of Davenport.