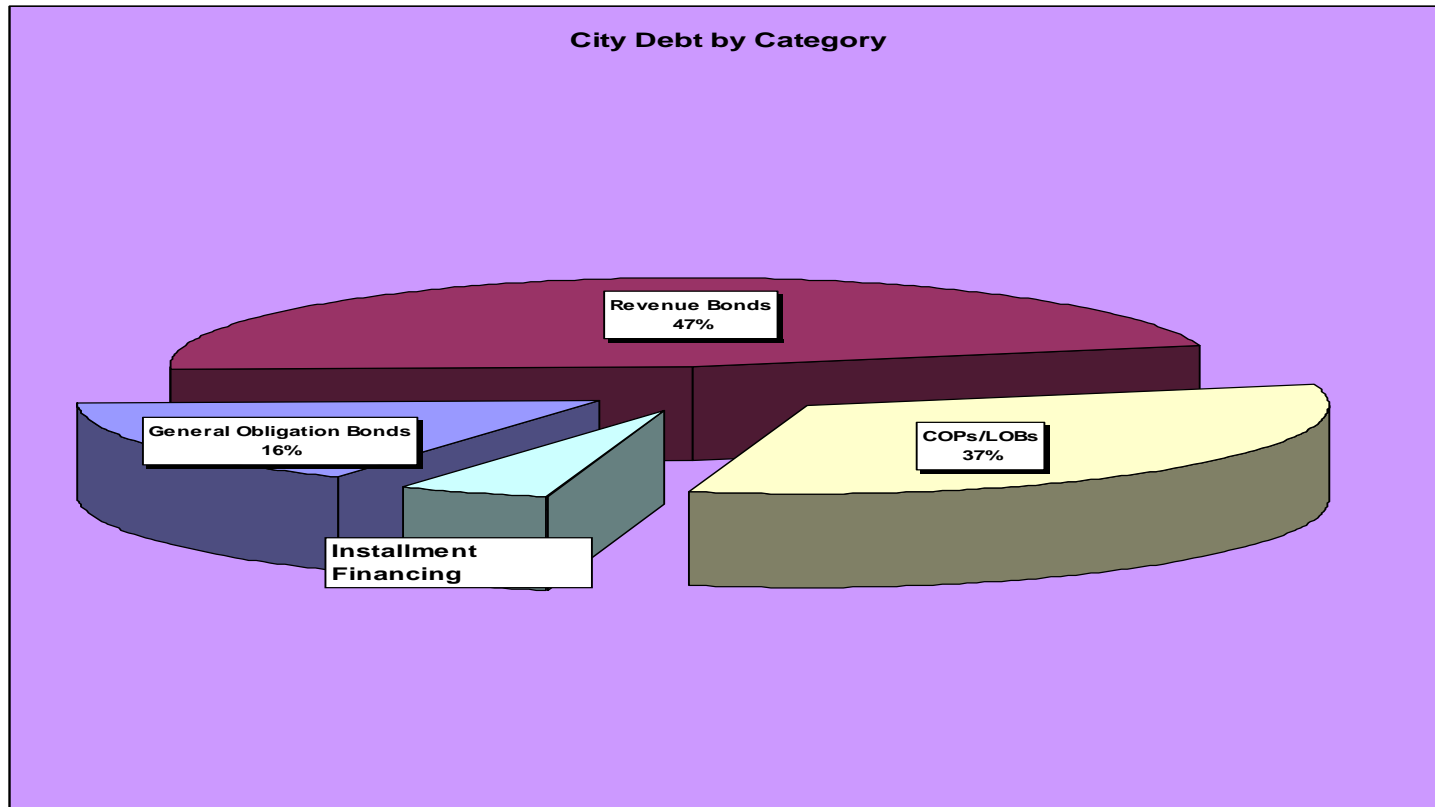


City of Raleigh Debt Program





Key Debt Characteristics

- City's debt is highly rated by credit rating agencies
 - General debt is rated Aaa/AAA/AAA
 - Water and sewer debt is rated AAA/AAA/AA1
 - Parking debt: AA category
 - Convention Center debt: AA2/AA+/AA
- Debt is moderate in both amount and impact on budget
 - Only 10% of General Fund's budget is for debt service
 - City has issued only 21% of the debt that state statute allows
 - 73% of City's debt is paid for by Other than general government resources
 - Water/sewer bills
 - Parking fees
 - Occupancy and Prepared Food Taxes
- Debt is issued only after significant public exposure and approvals
 - Over half of general governmental debt was voter approved
 - All issues involve broad review and/or approval by City management, City Council, the Local Government Commission and national rating agencies and often involve media reporting and required public hearings



How do we select projects for debt issuance?

- Debt plans are linked to the adoption of the 10-year Capital Improvement Program (CIP) and are only for capital needs
- CIP includes capital facility projects of at least \$25,000 lasting over 10 years
- Approximately 75% of capital program funded by debt, with 25% funded by Pay-Go resources and miscellaneous income



How do projects match up with type of debt instruments used?

- 3 types of debt:
 - General Obligation
 - Utility Revenue Bonds
 - COP's/LOB's
- Because of need for compliance with laws and regulations, all utility related debt is done with Revenue Bonds
 - Revenue bond issue often includes 80 or more separate projects

(cont.)



Match of projects to debt types (continued)

- GO issues used for broad general government types of projects
 - Parks and Recreation
 - Streets
 - Housing
- COP's/LOB's used for projects that have a more unique utilization character and typically have a more direct collateralization nature
 - Often part of Enterprise operations such as convention center and parking
 - Often involve more complex financings and debt structures



What is our review process for debt issuances?

- Processes vary by type of debt but generally have common components
 - Administrative review of projects and City's debt model impacts
 - Budgetary processes related to the CIP
 - Multiple City Council approval actions
 - Certain statutorily required public hearings
 - Application to and Review by Local Government Commission
 - Frequent media press releases
 - Extensive deliberations involving financing team, including City's bond counsel and financial advisor, underwriter and counsel, and LGC staff
 - Review by all 3 national credit rating firms



How is the public involved?

- Very transparent steps in the review process
- Council input from citizens
- Formal public hearings
- Press releases and media coverages
- Posting on City's website of proposed capital plans
- Documentation of all stages of consideration in public documents
- Detailed debt information published in City's annual financial report



What is the value of the LGC?

- Is a fundamental and valuable part of the financial integrity that North Carolina debt issues have
- Review by LGC staff ensures necessary compliance with law and meeting of “necessary” and “reasonableness” criteria
- Commission approvals provide market that NC issues are solid and will be paid back
- Rating agencies factor in strength of the LGC oversight role in their reviews



Summary Points

- Local Government Bond Issues in North Carolina are Characterized By:
 - Strong professional management
 - Extremely transparent processes
 - Very competent financial teams
 - High levels of public knowledge and representation
 - Valuable oversight by LGC
 - High credit ratings by rating agencies resulting in the lowest interest rates and the best access to financial markets