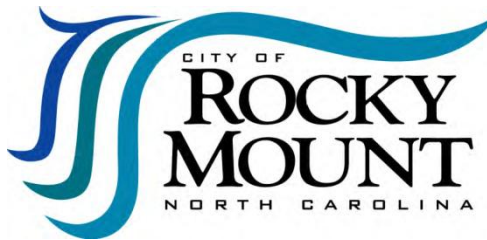

**Capital Funding Analysis
City of Rocky Mount, NC**



**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%) ¹	\$	32,845,000
New Market Tax Credit Subsidy (3.00%) ²		8,155,000
Total	\$	41,000,000

Other City Capital Projects (FY 2016 - 2021)

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

Key Debt Ratios

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

Estimated Incremental Tax Equivalent⁹

2015	--
2016	2.83¢
2017	0.91¢
2018	1.89¢
2019	0.22¢
Total	5.85¢

Annual Funding Requirements

FY	Existing Debt Service	Future Equip./Const. Installments ³	CIP Pay-Go Cash	Event Center Operating Loss (Surplus) ¹⁰	New Market Tax Credit Debt Service ²	Lease Revenue Bond Debt Service ¹	Total	Estimated Incremental Tax Equivalent ⁸
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	--

¹ Provided by Piper Jaffray . Preliminary as of March 19, 2015 and subject to change.

² Provided by BWC Consulting. Preliminary and subject to change.

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

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

⁵ 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.

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

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

⁸ 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).

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

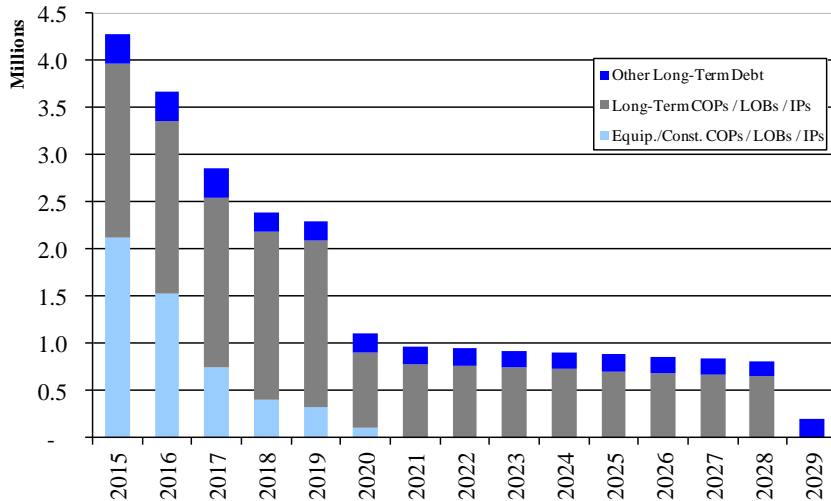
¹⁰ Provided by SFA / SFM. FY 2027 Operating Loss (Surplus) assumed to remain constant in future years.

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

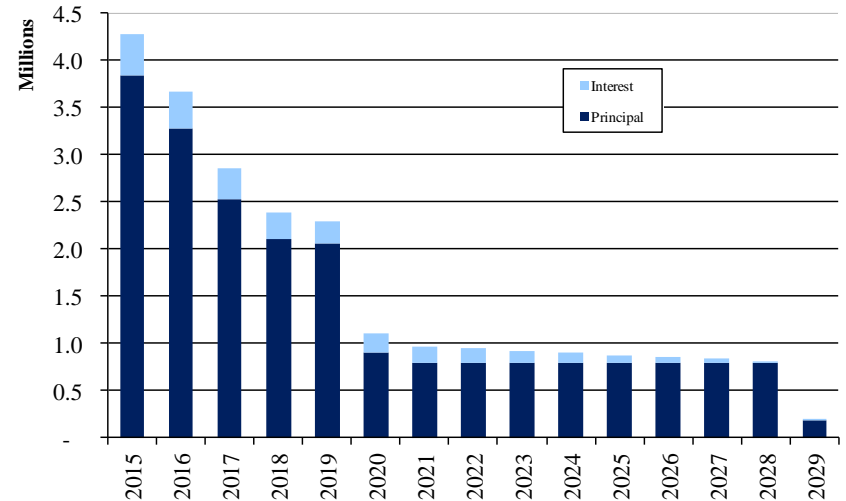
Existing Tax-Supported Debt Service



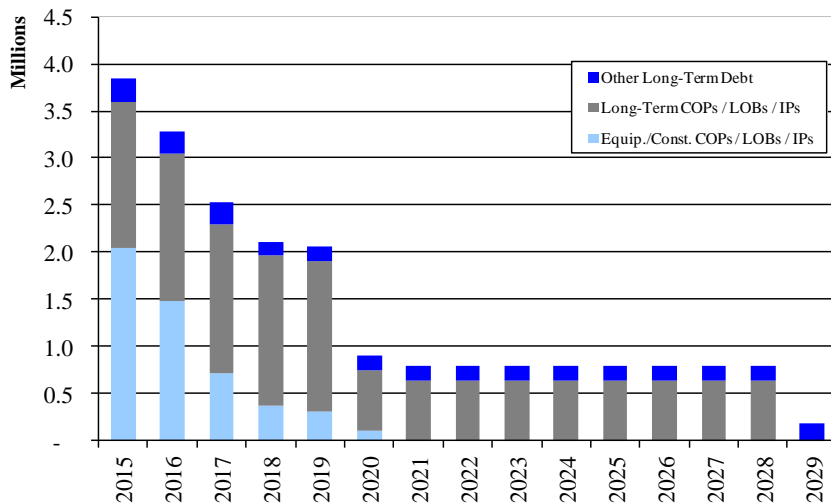
Debt Service by Type



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

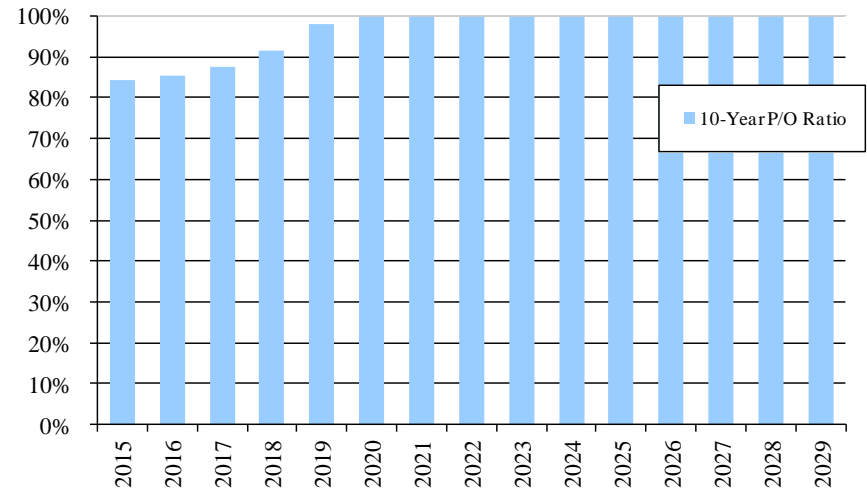
Tax-Supported Payout Ratio



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



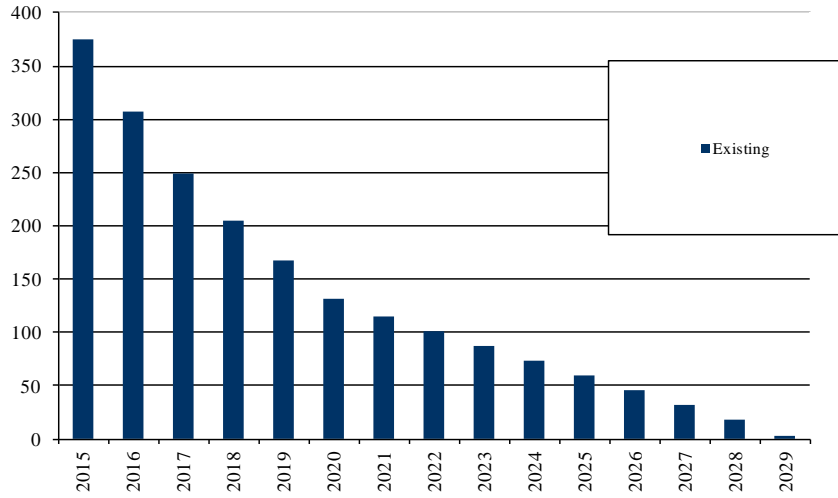
■ FY 2015: 84.2%

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

Existing Debt Ratios – Tax-Supported Debt

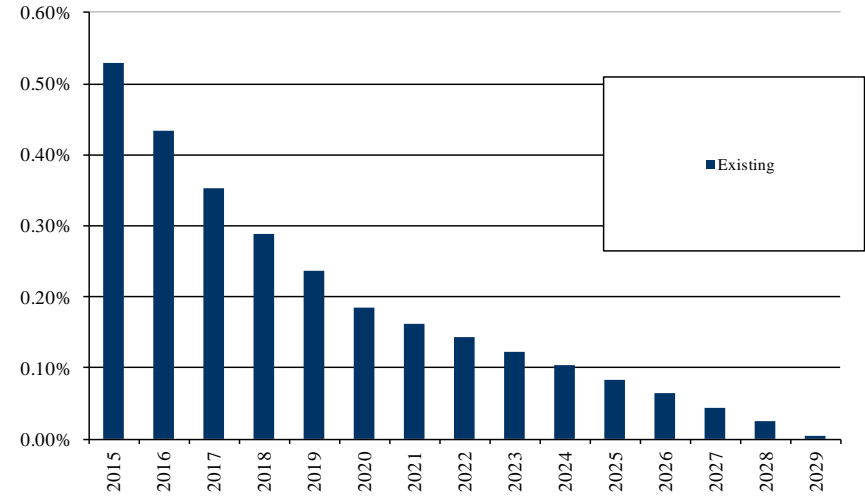


Debt Per Capita



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

Debt to Assessed Value

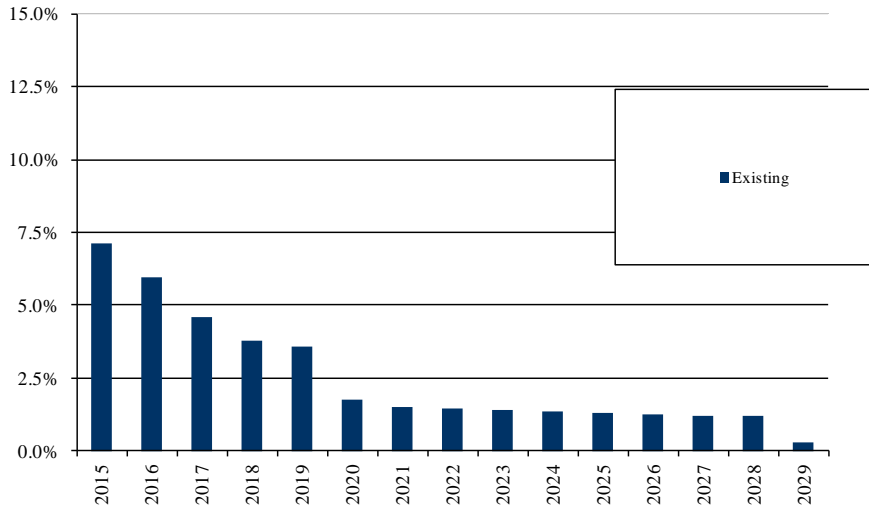


- FY 2015: 0.53%
- Growth Assumptions:
 - FY 2014 Assessed Value: \$4,007,953,661
 - FY 2015 & Beyond: 0.00%

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 ¹	\$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) ²	\$10,485,000
Total Funding (FY 2016 – 2021)	\$80,940,107

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

² 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
Total	\$ 41,000,000

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
Total	\$ 41,000,000

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”) prepared a Draft Term Sheet for the City on February 12th 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 Assumptions¹:
 - Par Amount: \$32,845,000
 - Interest Rate: 3.90%² (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 Structure³:
 - 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

¹ Provided by Piper Jaffray. Preliminary and subject to change.

² Preliminary as of March 19, 2015 and subject to change.

³ Subject to continued review and discussion with LGC Staff.

Proposed Financing Assumptions – Event Center Project



New Market Tax Credits

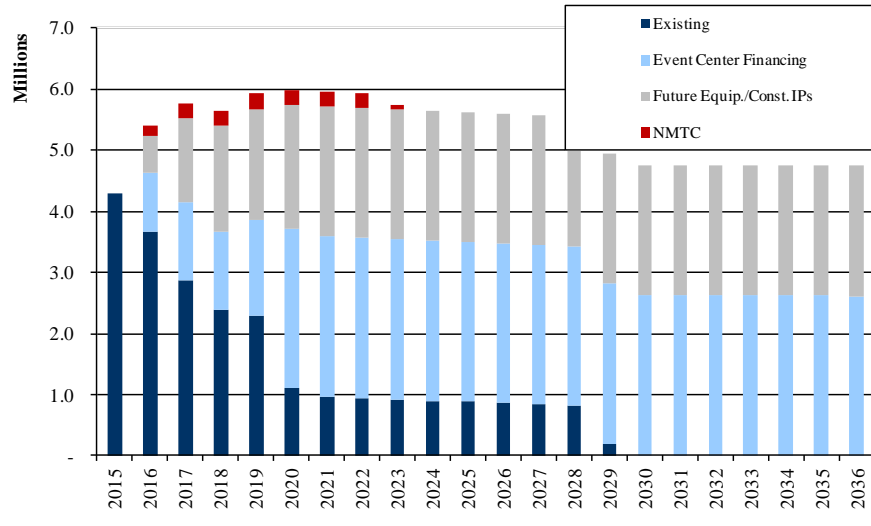
- The City anticipates the Event Center Project receiving an estimated \$8,155,000 of New Market Tax Credit Subsidy to be used in conjunction with the \$32,845,000 Taxable Lease Revenue Bond to fund the full \$41,000,000 Event Center Project.
- Under the New Market Tax Credit structure, the proposed 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 Assumptions¹:
 - 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)

¹ Provided by BWC Consulting. Preliminary and subject to change.

Proposed Debt Service – Event Center Project



Proposed Debt Service^{1,2}



Proposed Event Center Financing^{1,2}

FY	Taxable Lease Revenue Bonds ¹			NMTC ²	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

¹ Provided by Piper Jaffray as of 2.12.15, preliminary and subject to change.

² Provided by BWC Consulting. Preliminary and subject to change.

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

Debt Affordability Analysis



Existing Debt Service, Future Equipment / Construction Installments, Event Center, & Pay-Go

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	
FY	Debt Service Requirements										Revenue Available for DS					Debt Service Cash Flow Surplus (Deficit)						
	Existing Equip./Const. Installments	Existing Long-Term Installments	Existing Other Long-Term Debt	Future Equip./Const. Installments ¹	New Market Tax Credit ²	Event Center Debt Service ³	Event Center Operating Loss (Surplus) ⁴	CIP Pay-Go Cash	Total Debt Service Requirements	General Fund Budgeted Debt Service	BAB Subsidy ⁵	Community Dev. Block Grant	CIP Pay-Go Cash	Occupancy Tax	Total Revenues Available	Surplus/(Deficit)	Revenue From Prior Tax Increase	Capital Reserve Utilized	Adjusted Surplus/(Deficit)	Estimated Incremental Tax Equivalent	Debt Service Fund Balance	
2015	2,124,576	1,835,865	320,922	-	-	-	-	2,570,460	6,851,824	3,682,178	8,724	110,461	2,570,460	480,000	6,851,824	-	-	-	-	-	-	
2016	1,530,826	1,819,375	318,022	593,750	183,488	960,716	-	2,570,460	7,976,638	3,682,178	7,376	109,011	2,570,460	480,000	6,849,025	(1,127,612)	-	-	(1,127,612)	2,83¢	-	
2017	745,721	1,802,885	314,499	1,378,855	244,650	1,280,955	-	2,570,460	8,338,025	3,682,178	5,961	107,249	2,570,460	480,000	6,845,848	(1,492,177)	-	-	(1,492,177)	0.91¢	-	
2018	395,185	1,786,395	210,460	1,729,391	244,650	1,280,955	872,163	2,570,460	9,089,660	3,682,178	4,475	105,230	2,570,460	480,000	6,842,344	(2,247,317)	1,492,177	-	(755,140)	1.89¢	-	
2019	316,202	1,769,905	206,089	1,808,375	244,650	1,575,105	682,815	2,570,460	9,173,600	3,682,178	2,915	103,044	2,570,460	480,000	6,838,598	(2,335,002)	2,247,317	-	(87,686)	0.22¢	-	
2020	110,503	787,519	201,434	2,014,073	244,650	2,617,491	264,778	2,570,460	8,810,908	3,682,178	1,278	100,717	2,570,460	480,000	6,834,634	(1,976,275)	2,335,002	-	358,728	-	358,728	
2021	-	771,029	196,555	2,124,376	244,650	2,617,843	(60,795)	2,570,460	8,464,317	3,682,178	-	98,277	2,570,460	480,000	6,830,916	(1,633,402)	2,335,002	-	701,601	-	1,060,328	
2022	-	754,539	191,364	2,124,376	244,650	2,615,951	(359,017)	2,570,460	8,142,523	3,682,178	-	95,682	2,570,460	480,000	6,828,320	(1,314,203)	2,335,002	-	1,020,799	-	2,081,128	
2023	-	738,049	185,883	2,124,376	-	2,616,866	(376,968)	2,570,460	7,920,029	3,682,178	-	92,941	2,570,460	480,000	6,825,580	(1,094,449)	2,335,002	-	1,240,553	-	3,321,681	
2024	-	721,559	180,257	2,124,376	-	2,615,441	(395,816)	2,570,460	7,816,477	3,682,178	-	90,128	2,570,460	480,000	6,822,767	(993,710)	2,335,002	-	1,341,292	-	4,662,973	
2025	-	705,069	174,486	2,124,376	-	2,616,530	(415,607)	2,570,460	7,775,514	3,682,178	-	87,243	2,570,460	480,000	6,819,881	(955,633)	2,335,002	-	1,379,370	-	6,042,343	
2026	-	688,579	168,570	2,124,376	-	2,620,035	(436,388)	2,570,460	7,735,832	3,682,178	-	84,285	2,570,460	480,000	6,816,923	(918,909)	2,335,002	-	1,416,094	-	7,458,436	
2027	-	672,089	162,523	2,124,376	-	2,615,996	(458,207)	2,570,460	7,687,398	3,682,178	-	81,262	2,570,460	480,000	6,813,900	(873,498)	2,335,002	-	1,461,505	-	8,919,941	
2028	-	655,599	156,368	2,124,376	-	2,619,050	(458,207)	2,570,460	7,667,846	3,682,178	-	78,184	2,570,460	480,000	6,810,822	(857,024)	2,335,002	-	1,477,979	-	10,397,919	
2029	-	-	194,133	2,124,376	-	2,619,219	(458,207)	2,570,460	7,050,181	3,682,178	-	97,066	2,570,460	480,000	6,829,705	(220,476)	2,335,002	-	2,114,526	-	12,512,446	
2030	-	-	-	2,124,376	-	2,616,560	(458,207)	2,570,460	6,853,389	3,682,178	-	-	2,570,460	480,000	6,732,638	(130,751)	2,335,002	-	2,214,251	-	14,726,697	
2031	-	-	-	2,124,376	-	2,615,830	(458,207)	2,570,460	6,852,659	3,682,178	-	-	2,570,460	480,000	6,732,638	(130,021)	2,335,002	-	2,214,981	-	16,941,678	
2032	-	-	-	2,124,376	-	2,616,931	(458,207)	2,570,460	6,853,761	3,682,178	-	-	2,570,460	480,000	6,732,638	(121,122)	2,335,002	-	2,213,880	-	19,155,558	
2033	-	-	-	2,124,376	-	2,619,474	(458,207)	2,570,460	6,856,303	3,682,178	-	-	2,570,460	480,000	6,732,638	(123,665)	2,335,002	-	2,211,338	-	21,366,896	
2034	-	-	-	2,124,376	-	2,618,604	(458,207)	2,570,460	6,855,433	3,682,178	-	-	2,570,460	480,000	6,732,638	(122,795)	2,335,002	-	2,212,208	-	23,579,103	
2035	-	-	-	2,124,376	-	2,619,175	(458,207)	2,570,460	6,856,004	3,682,178	-	-	2,570,460	480,000	6,732,638	(123,366)	2,335,002	-	2,211,636	-	25,790,739	
2036	-	-	-	2,124,376	-	2,615,253	(458,207)	2,570,460	6,852,082	3,682,178	-	-	2,570,460	480,000	6,732,638	(119,444)	2,335,002	-	2,215,559	-	28,006,298	
2037	-	-	-	2,124,376	-	-	(458,207)	2,570,460	4,236,829	3,682,178	-	-	2,570,460	480,000	6,732,638	2,495,809	2,335,002	-	4,830,811	-	32,837,109	
2038	-	-	-	2,124,376	-	-	(458,207)	2,570,460	4,236,829	3,682,178	-	-	2,570,460	480,000	6,732,638	2,495,809	2,335,002	-	4,830,811	-	37,667,921	
2039	-	-	-	2,124,376	-	-	(458,207)	2,570,460	4,236,829	3,682,178	-	-	2,570,460	480,000	6,732,638	2,495,809	2,335,002	-	4,830,811	-	42,498,732	
2040	-	-	-	2,124,376	-	-	(458,207)	2,570,460	4,236,829	3,682,178	-	-	2,570,460	480,000	6,732,638	2,495,809	2,335,002	-	4,830,811	-	47,329,543	
2041	-	-	-	2,124,376	-	-	(458,207)	2,570,460	4,236,829	3,682,178	-	-	2,570,460	480,000	6,732,638	2,495,809	2,335,002	-	4,830,811	-	52,160,354	
2042	-	-	-	2,124,376	-	-	(458,207)	2,570,460	4,236,829	3,682,178	-	-	2,570,460	480,000	6,732,638	2,495,809	2,335,002	-	4,830,811	-	56,991,166	
2043	-	-	-	2,124,376	-	-	(458,207)	2,570,460	4,236,829	3,682,178	-	-	2,570,460	480,000	6,732,638	2,495,809	2,335,002	-	4,830,811	-	61,821,977	
																Total	-	-	Total Tax Effect	5.85¢	-	-

¹ Solved to maintain FY 2015 Debt Service level for Equipment / Construction Installments. Future Equipment / Construction Installments assumes 5-Year Level Debt Service at 3.50% (subject to change in market conditions).

² Provided by BWC Consulting. Preliminary and subject to change.

³ Provided by Piper Jaffray. Preliminary as of March 19, 2015 and subject to change.

⁴ Provided by SFA / SFM. FY 2027 Operating Loss (Surplus) assumed to remain constant in future years.

⁵ Reduced by 7.3% due to federal sequestration.

- Assumed FY 2015 value of 1¢: \$399,000
- Assumed growth
 - FY 2016 and Beyond: 0.0%

Note: Future changes in the operating budget have not been incorporated in this analysis. Plan of Finance subject to continued review & discussions with LGC Staff.

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