



Council Work Session Agenda

Tuesday, November 15, 2022 | 4:00 pm – 7:00 pm

Meeting Objectives:

- Set the upcoming budget process in the context of strategic plan implementation
- Receive updates on city finances and fiscal outlook
- Determine uses of the 2nd tranche of ARPA funds

Agenda

Welcome Remarks & Getting Started

- Mayor Michael & Michael Ferris, City Manager
- Centralina Team: Geraldine Gardner, Emily Parker

Strategic Planning Implementation & FY23-24 Budget Planning Kick Off – Centralina

- Strategic Plan Reminder – process, outcomes, monitoring
- “Living the Plan” Approaches
- Strategic Plan and Budget Connections

Finance Update – Kimber Hurlocker, Assistant Finance Director

- Overview of the city’s current financial status

FY24 Budget Impacts – Michael Ferris, City Manager

Dinner Break

First Tryon Presentation – David Cheatwood

Stretch Break

ARPA Tranche #2 Discussion

Wrap Up & Next Steps

- Overview of the next phase and timeline for upcoming meetings



ALBEMARLE

NORTH CAROLINA

Water. Air. Land. Opportunity.

Strategic Plan Progress Report Q1 FY23

OUR GOALS

ORGANIZATIONAL CAPACITY

Invest in our workforce to enhance City operations and efficiency to better serve the community.

SAFETY & SECURITY

Enhance resources and improve practices to protect our residents and safeguard the city in order to improve quality of life.

INFRASTRUCTURE

Invest in infrastructure needed to ensure reliable and consistent service delivery.

COMMUNITY & ECONOMIC GROWTH OPPORTUNITIES

Guide growth and facilitate economic opportunities in order to benefit all residents and businesses.

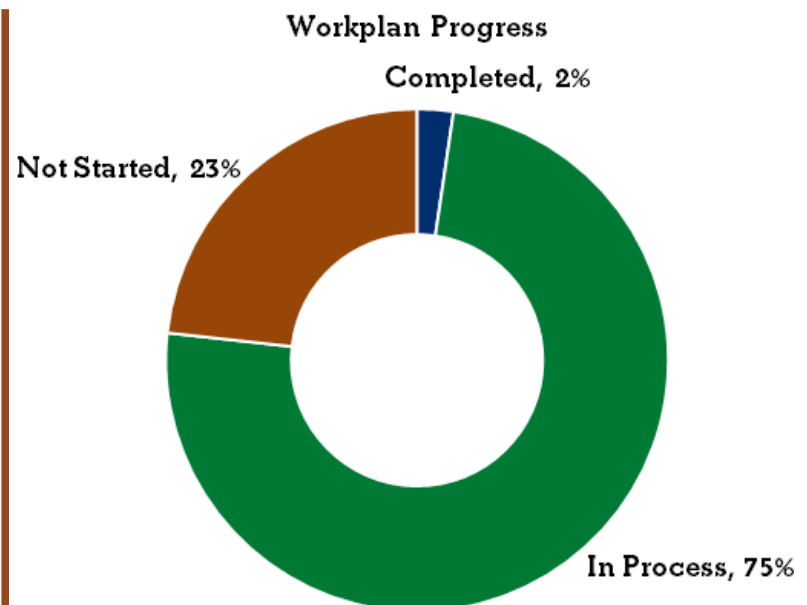
INCLUSIVE COMMUNITY ENGAGEMENT

Enhance community amenities, programs, and services to engage residents of different backgrounds, lifestyles, and generations.

OUR PROGRESS

This Report is the first quarterly report for our FY 23-26 Strategic Plan. Staff has work diligently to establish the procedures, forms, and processes to track our progress on the FY2023 approved Tactics. 42 approved Tactics, supporting 5 Goals, are being tracked and monitored. Tactics are the action items the City has committed to in the current fiscal year to further the Goals of the Strategic Plan. The monitoring and reporting provide the status of our progress.

At the close of the first quarter we have begun a very high percentage of our committed activities with 75% of Tactics in some stage of activity.



FIRST QUARTER HIGHLIGHTS & SUCCESS STORIES

Organizational Capacity

- Completed the implementation of a lower cost health plan for employees with dependents with transition to MedCost.
- Continuing increase of support staff and growth with filling of Assistant Fire Chief position, Risk and Safety Manager position, IS Business Analyst, and restructuring of Utility Billing and Customer Service.
- City-wide training provided on new performance management system.

Safety & Security

- Purchased new APD body cameras and in process of implementation.
- Fire Department is reviewing policies for alignment with accreditation standards and best practices. (Centers for Public Safety Excellence).
- Preliminary design and submission of funding request for new round of City Hall security improvements made.

Infrastructure

- Purchase of AMI meters approved and order placed.
- Bulk pad mount transformer purchase was made to ensure available inventory.
- Revised Stormwater Management Program developed and presented.
- Stormwater, Water & Sewer System study, and multiple Water & Sewer Infrastructure Grant applications developed and submitted.

Community & Economic Growth Opportunities

- Albemarle Business Center Construction is ongoing.
- Electric materials purchased and bids received for Albemarle Business Center electric installation.

Inclusive Community Engagement

- Conducted two Coffee with a Cop events.
- Conducted Food Truck Friday each month of the quarter.
- Parks & Recreation presence at participated and helped organize Back to School Bash at EE Waddell Community Center and participated in East Elementary PTA Night.



CENTRALINA
REGIONAL COUNCIL

City Council Meeting

November 15, 2022

Agenda Overview & Objectives

Objectives	Agenda
<ol style="list-style-type: none">1. Set the upcoming budget process in the context of strategic plan implementation2. Receive updates on city finances and fiscal outlook3. Determine uses of the 2nd tranche of ARPA funds	<ol style="list-style-type: none">1. Getting Started2. Strategic Planning Implementation & FY23-24 Budget Planning Kick Off3. Finance Update4. Dinner Break5. First Tryon Update6. ARPA Tranche 2 Discussion7. Next Steps



Ground Rules

Retreat success needs full participation.

- Be here now.
- One speaker at a time.
- No silent objectors.
- Silence cell phones.

Assume you have something to learn

- Practice mutual respect.
- Practice active listening.
- Respect comments and ideas of others.

Ask for what you need.

- Seek clarity on issues.
- There is no such thing as a dumb question.
- Check for understanding when needed.



Parking Lot

If we need it!





Reflections

Give Thanks

Icebreaker Exercise

- Share your appreciation and give thanks to your colleagues for specific support, activities, or accomplishments since the beginning of the fiscal year.
- Create as many Turkey Hands as you need!
- Report out to the group.



Part 1

**Strategic Planning
Implementation &
FY23-24 Budget Planning Kick-Off**

Your Accomplishments

From 2020 to 2022, the Centralina Regional Council supported the Council, Administration and staff of the City of Albemarle in developing a three-year strategic plan.

Through this engagement the City of Albemarle accomplished the following:

- Enhanced its annual budget development process to support strategic objectives and reflect citizen input (2020-2022);
- Implemented a citizen's survey to receive feedback from stakeholders on City priorities and community needs (2021);

Your Accomplishments, cont'd

- Established a framework for the strategic plan: a City vision, mission, and set of core values (2021);
- Set three-year goals and corresponding strategies to realize the vision (2022);
- Established a year one implementation plan for FY2023 (2022); and
- Developed a strategic plan evaluation and monitoring framework (2022)

Your Investment: 19 Meetings!

November 19 & 20, 2019	Work Session with Council – Budget Retreat
February 11, 2020	Work Session with Council – Budget Retreat
July 15, 2020	Leadership Team Retreat
October 28, 2020	Leadership Team Retreat
October – December 2020	Community Survey
November 9 & 10, 2020	Work Session with Council – Vision, Mission, Values
January 21, 2021	Leadership Team Retreat
February 8 & 9 2021	Work Session with Council - Vision, Mission, Values, Budget Priorities

August 8, 2021	Strategic Plan Kick-Off Meeting with City Manager
August 23, 2021	Strategic Plan Kick Off with Steering Committee
October 12, 2021	Steering Committee Meeting – Goal Setting
October 28, 2021	Leadership Team Meeting – Goal Setting
November 4, 2021	Work Session with Council – Goal Endorsement
November 30, 2021	Steering Committee Meeting – Strategy Development
December 1, 2021	Leadership Team Meeting -- Strategy Development
December 9, 2021	Leadership Team Meeting – Strategy Development, Monitoring & Evaluation
December 13, 2021	Work Session with Council – Strategy Endorsement
January 20, 2021	Leadership Team Meeting – FY23 Implementation Plan Development
January 26, 2022	Work Session with Council -FY 23 Implementation Plan Endorsement

OUR VISION

"Albemarle will be a place where all people can develop their potential, bringing neighbors together to support a connected community rich in water, air, land, and opportunity."



OUR MISSION

The mission of the City of Albemarle is to provide our citizens with a vibrant quality of life based on sound management, transparency, and good stewardship of resources.

OUR VALUES

Ethics

We honor the public's trust by displaying the highest standards of honesty, integrity, and accountability.

Leadership

We are servant leaders who prioritize the well-being of those in our community.

Vision

Our planning and decisions reflect the thriving community we aspire to be.

Plan Framework

Goal: Organizational Capacity

- 3 Strategies

Goal: Safety & Security

- 3 Strategies

Goal: Infrastructure

- 4 Strategies

Goal: Community & Economic Growth Opportunities

- 5 Strategies

Goal: Inclusive Community Engagement

- 4 Strategies



Tell Us Something Good!

Organizational Capacity

Invest in our workforce to enhance city operations and efficiency to better serve the community.

Safety & Security

Enhance resources and improve practices to protect our residents and safeguard the city in order to improve quality of life.

Infrastructure

Invest in infrastructure needed to ensure reliable and consistent service delivery.

Tell Us Something Good!

Community & Economic Growth Opportunities

Guide growth and facilitate economic opportunities in order to benefit all residents and businesses.

Inclusive Community Engagement

Enhance community amenities, programs, and services to engage residents of different backgrounds, lifestyles, and generations.

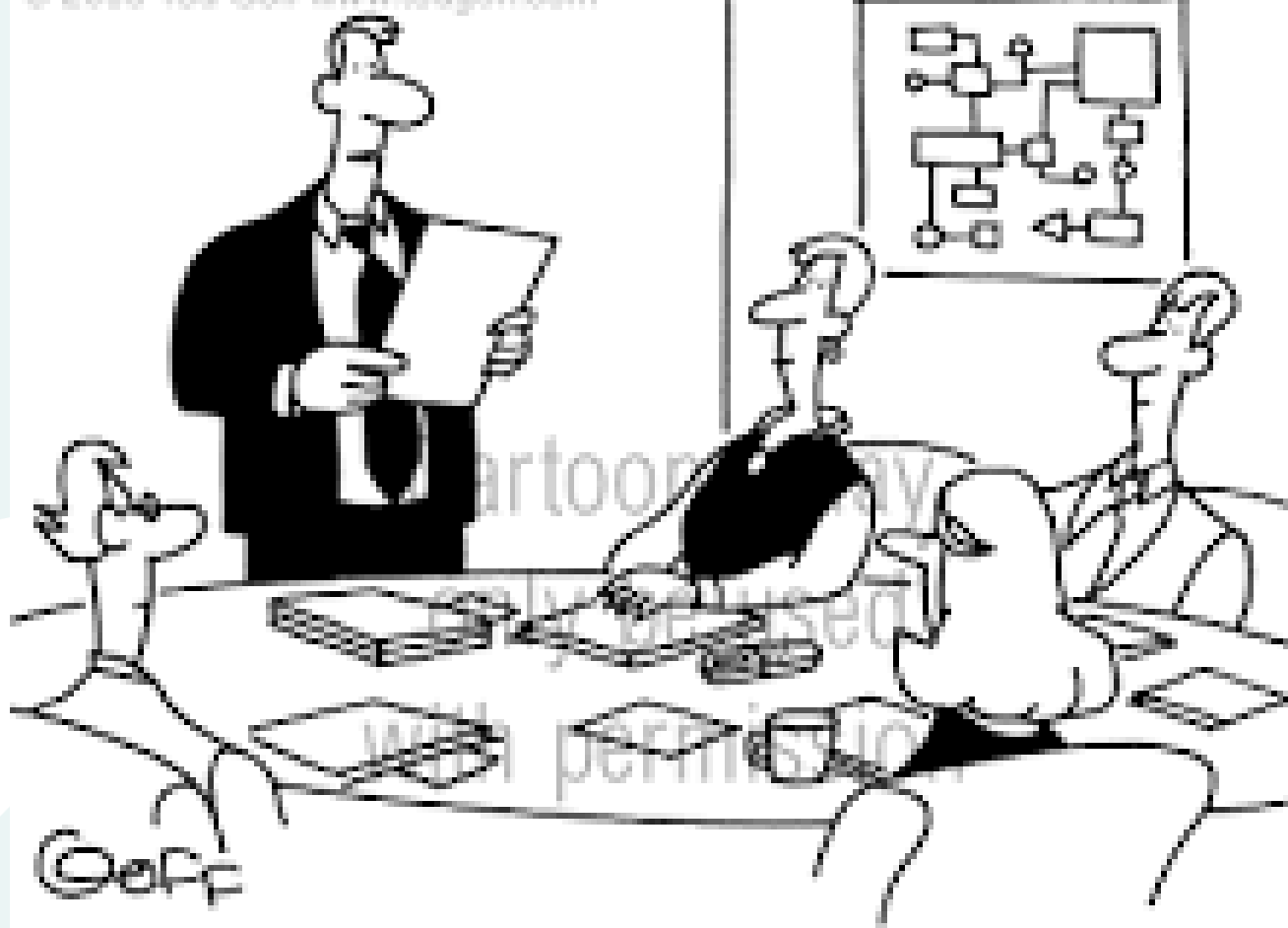


CENTRALINA
REGIONAL COUNCIL

Living the Plan



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"This plan will be much easier not to implement than the last plan we didn't implement."

Living the Plan Strategies

Monitoring
Reporting

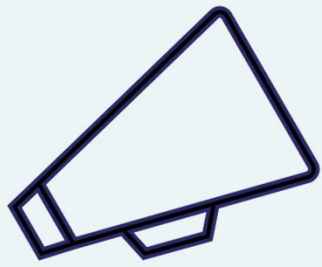
Internal
Communication

External
Communication

Employee
Engagement

Appreciation,
Awards &
Recognition

Budget
Alignment



Communications

- Identify plan Ambassadors at all levels of the organization!
 - Fluency in the plan and why it matters
- Build communication strategy for strategic plan implementation:
 - Examples of success stories, esp. community priorities
 - Manage expectations on long term projects
 - Highlight the work of non-government partners that also implements the plan
- Equip Ambassadors with tools and talking points
- Encourage active discussion of the plan and progress
 - Staff meetings at all levels
 - In community meetings and with constituents
- Embed in new employee orientation

Living the Plan Ambassadors

Core Questions

What's in the plan?

What are the benefits of having one?

How does it respond to the city's needs?

How is it being implemented ?



Engagement & Appreciation

According to Gallup

A 10% improvement in employees' connection with the mission or purpose of their organization would result in:

- a 12.7% reduction in safety incidents
- an 8.1% decrease in turnover
- a 4.4% increase in profitability

- Align performance system to strategic plan goals
- Connect individual staff work to larger City mission
- Establish a Council-led “Mission Moment” Item to recognize a SP accomplishment
- Recognize staff member’s work for implementing the plan, i.e. Employee Awards or Spotlight
- Submit the SP for an ICMA or other award!

FY23-24 Workplan & Budget Development

Annual Workplan

- Set of tactics to implement the strategies (and goals)
- Captures proposed new activities, affirms existing programs and services

Budget & CIP Alignment

- Evaluating and prioritizing requests based on strategy alignment



Keys to Success Engagement Instructions

- Individual Work: Review and follow instructions on Keys to Success worksheet.
- Whole Group: Report out top answer for “what I can do to ‘live the plan’” and “who do I need support from?”

Part 2

Finance Update

Dinner

Break

Part 3

First Tryon

Part 4

ARPA Tranche 2

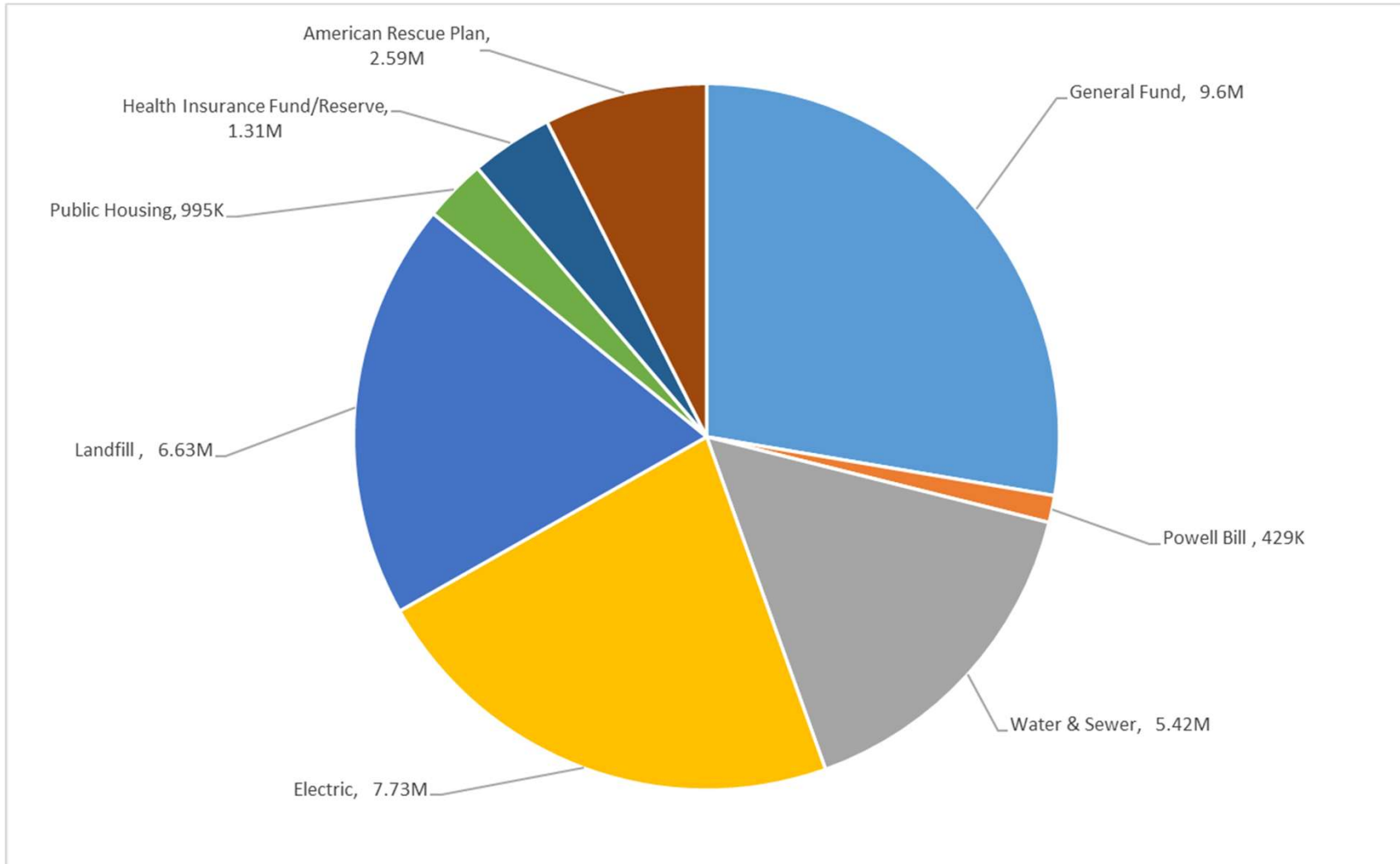
Financial Review

- Six Year Trend Review of:
 - Fund level cash (net of project commitments, restricted balances, and other assigned)
- Three Year Review of:
 - General Fund Available Fund Balance
- Quick Review of:
 - Property and Sales Tax Trends



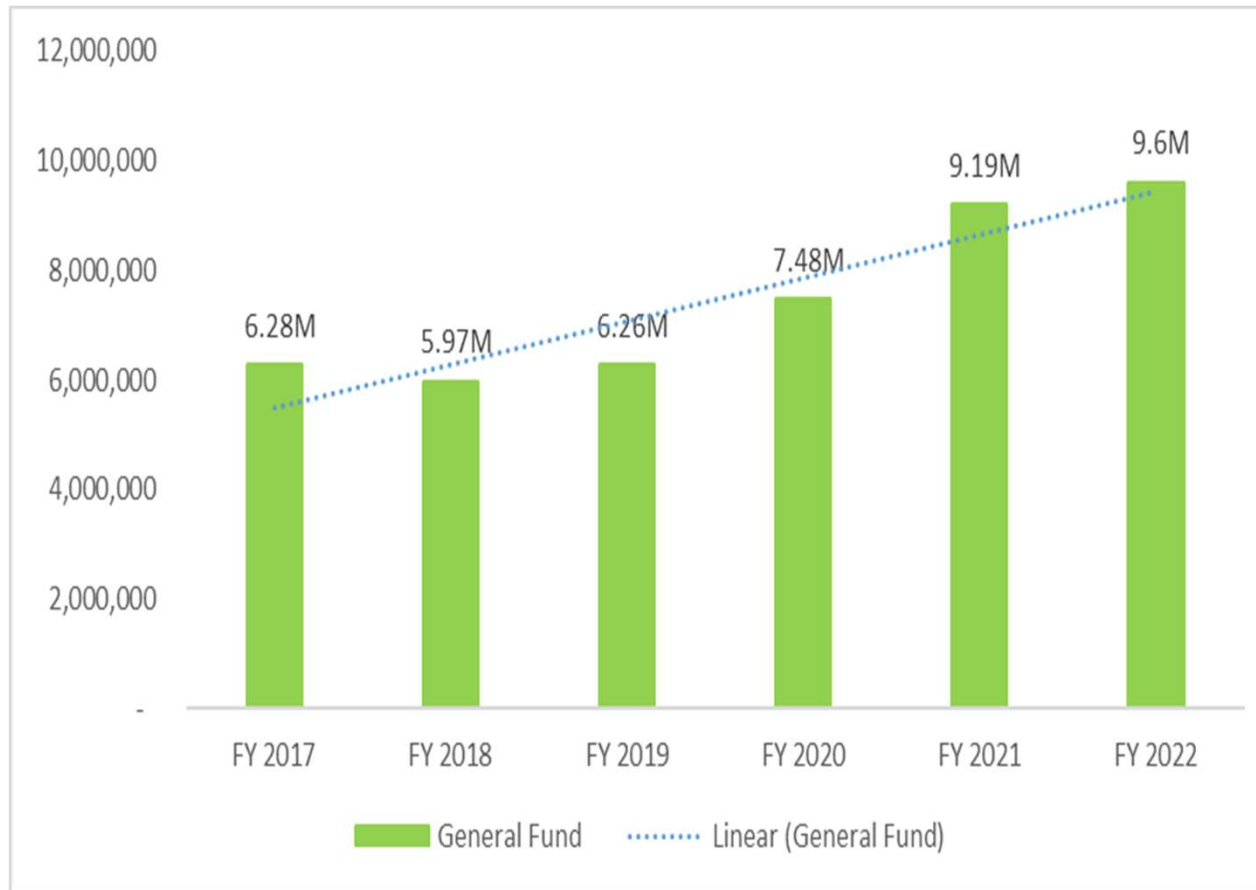
ALBEMARLE

What's our Cash?



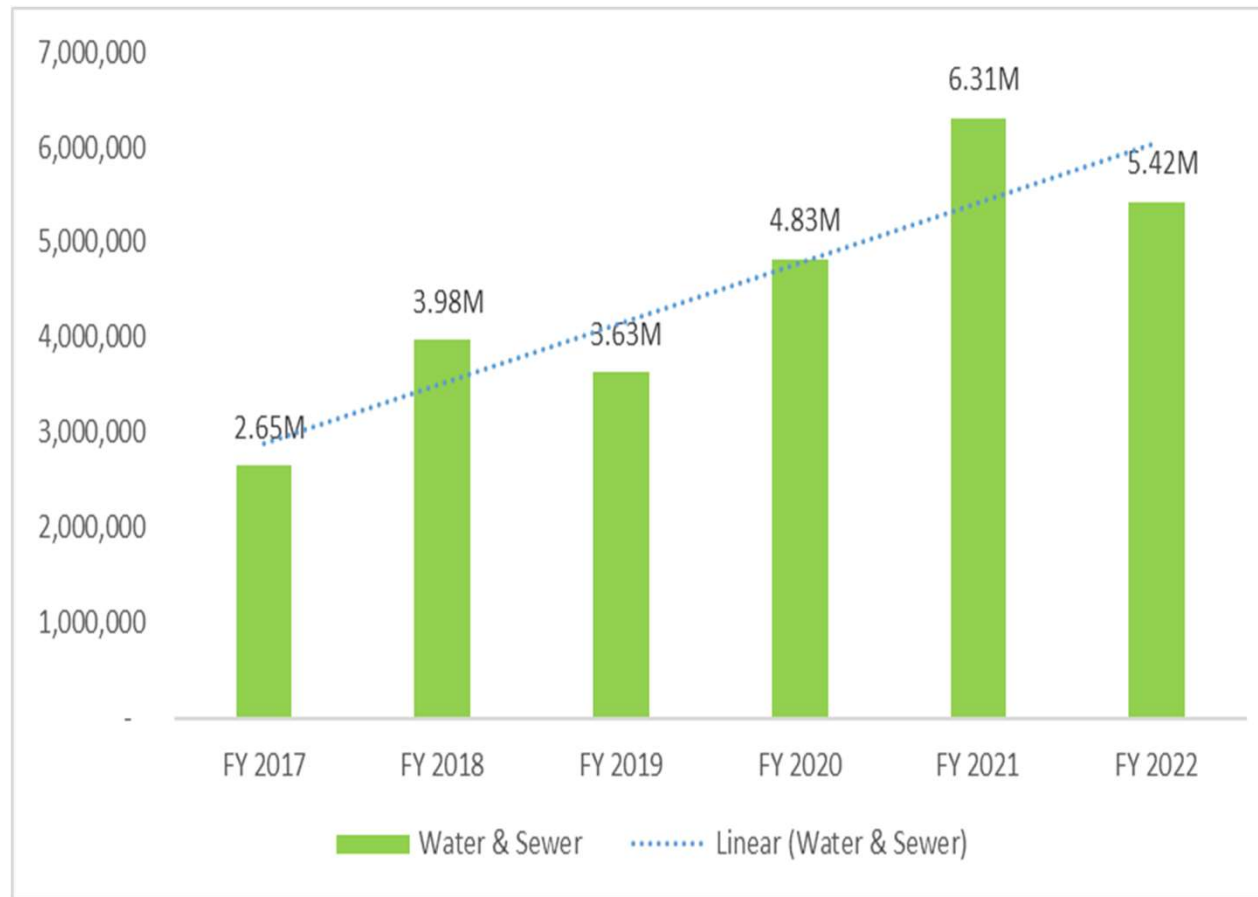
Figures reported are for fiscal year ending 06/30/2022 and are net of project commitments, restricted cash, and other special purposes (e.g., landfill closure/post closure, Electric NCMIPA rebate)

General Fund Cash



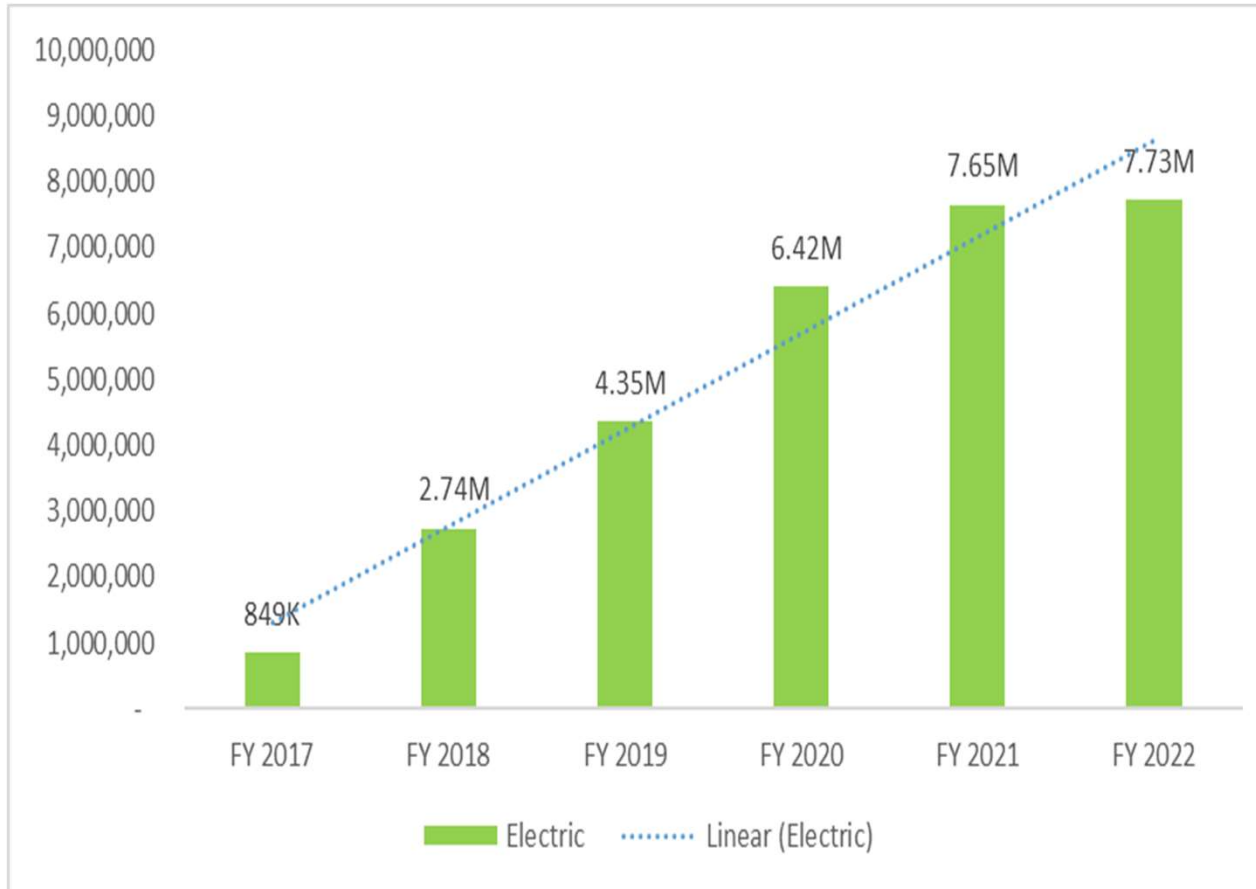
Not included above: Powell Bill cash (restricted) and cash in capital projects

Water & Sewer Fund Cash



Not included above: Customer deposits (restricted) and cash in capital projects.

Electric Fund Cash



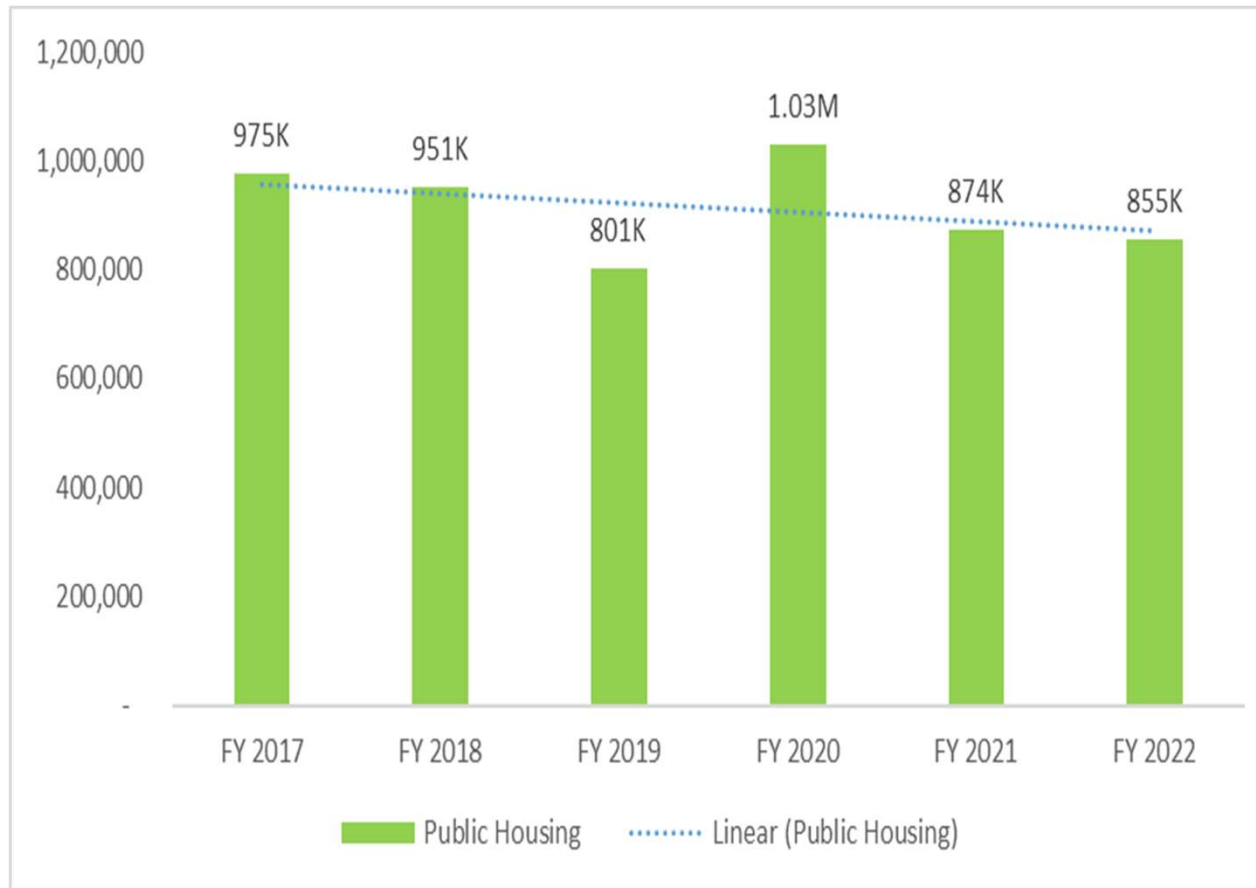
Not included above: Customer deposits (restricted), cash in capital projects, and the NCMPA rebates received for fiscal years 2020 and 2021

Landfill Fund Cash



Not included above: Landfill closure/post closure reserves and cash in capital projects

Public Housing Cash

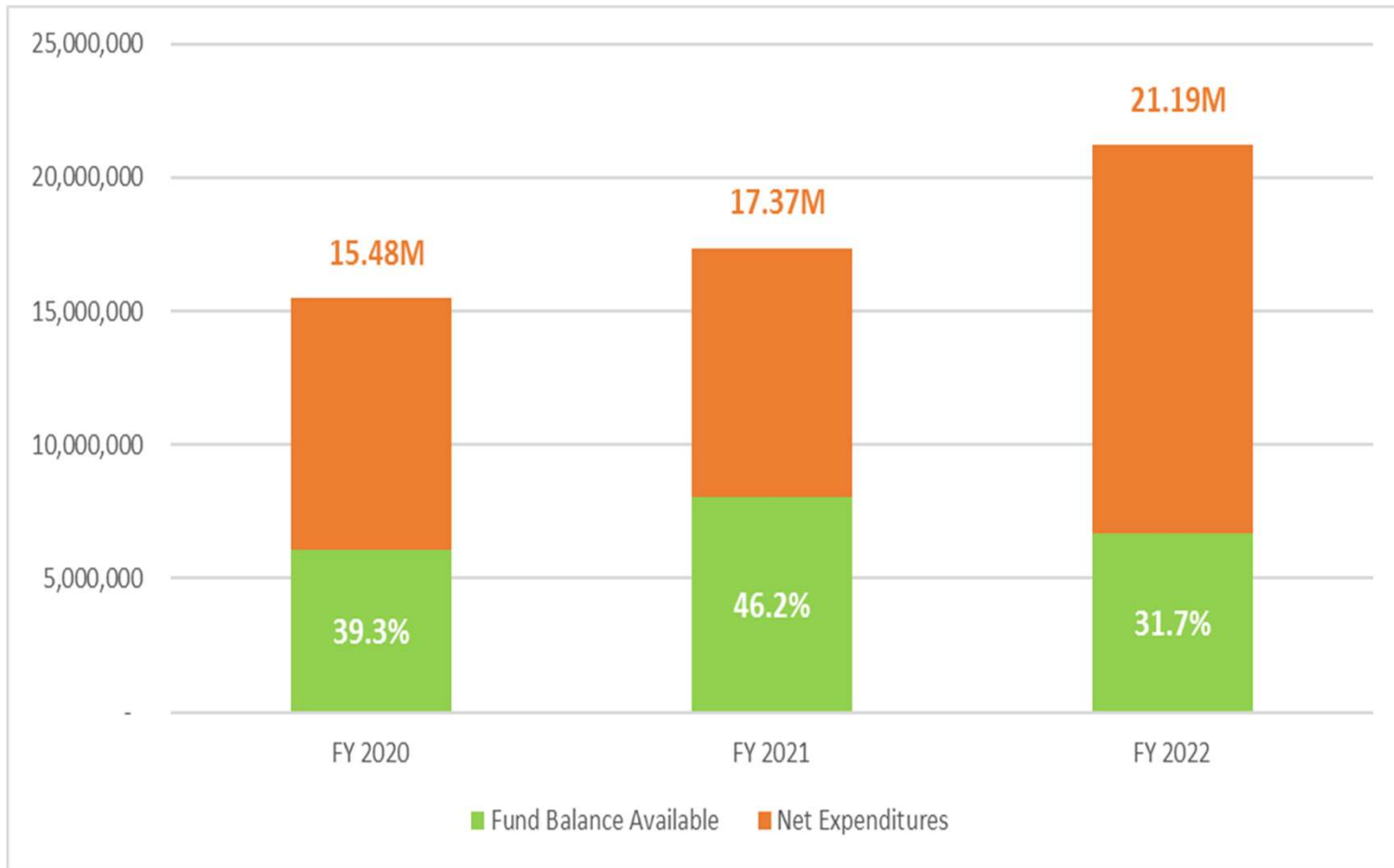


Not included above: Capital Funds, Customer Deposits and restricted insurance proceeds, per HUD (Burn Units), and other Restricted funds per HUD

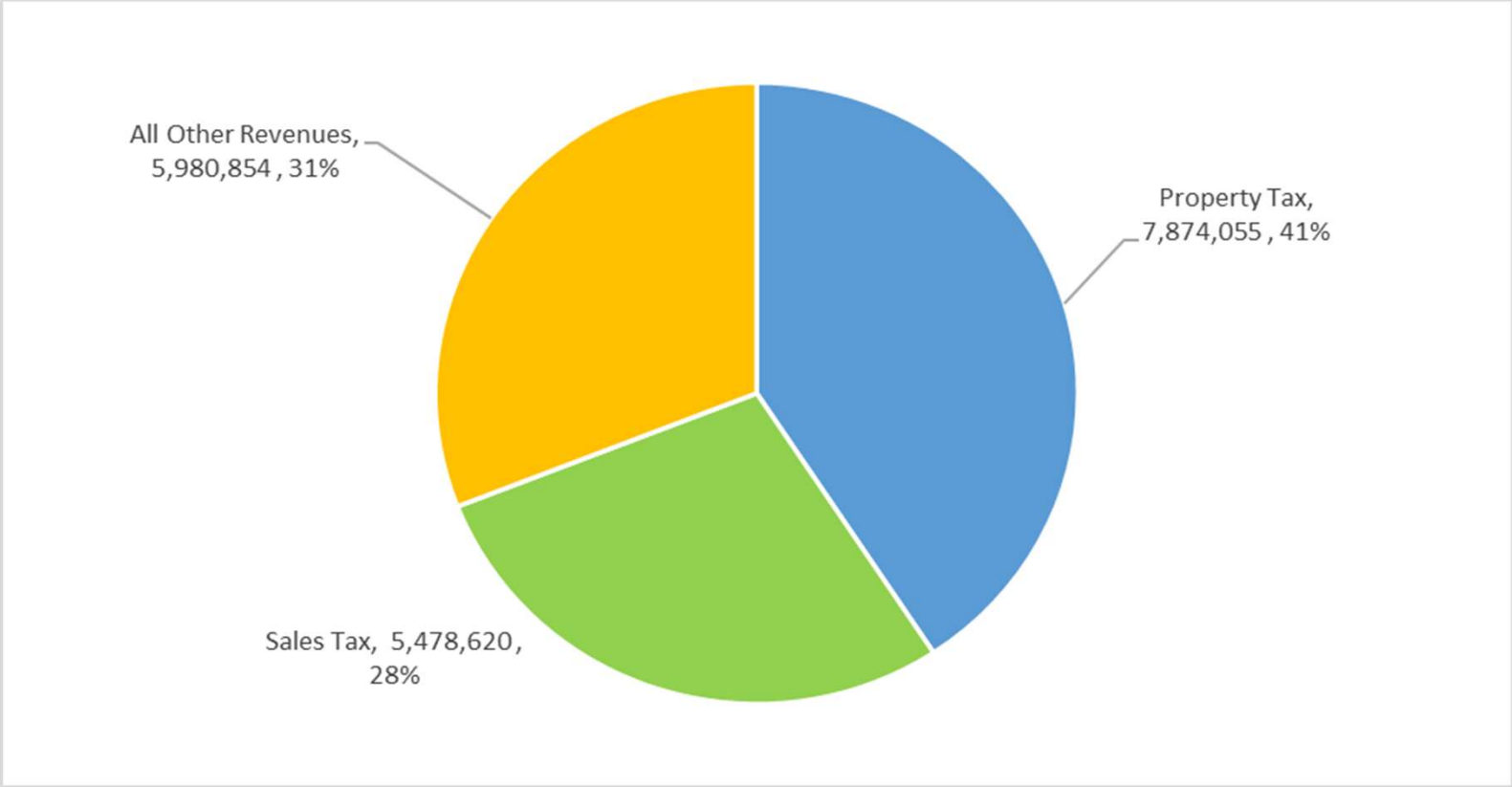
Fund Balance Available

- **Fund Balance Available***:
 - Total Fund Balance - Stabilization by State Statute (Restricted FB) – Non-spendable FB
 - Measured against Net Expenditures
- **Net Expenditures***:
 - Total Expenditures + Transfers Out - Debt Proceeds
- **LGC minimum threshold*** = 25% FBA as a percentage of Expenditures

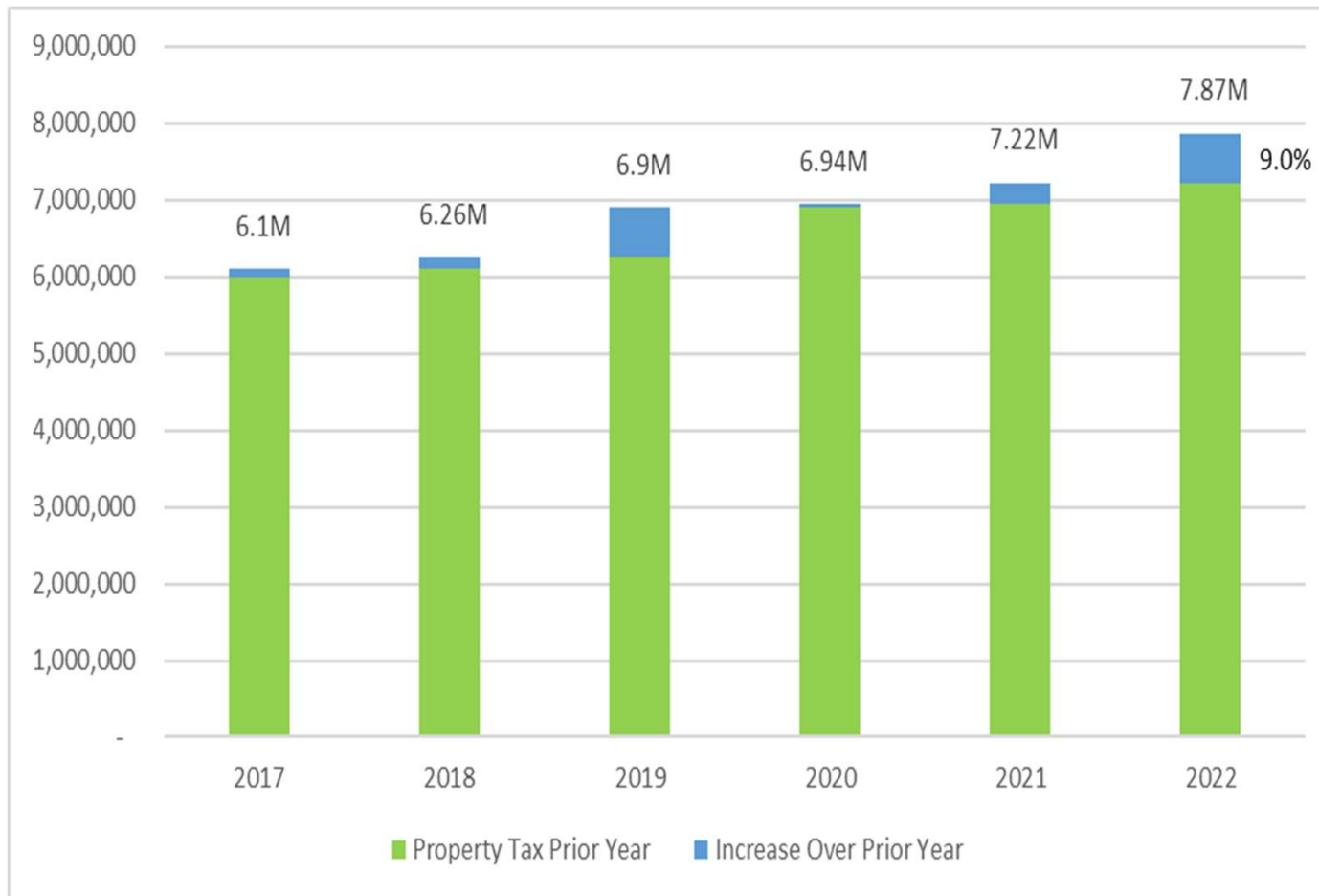
General Fund's FBA



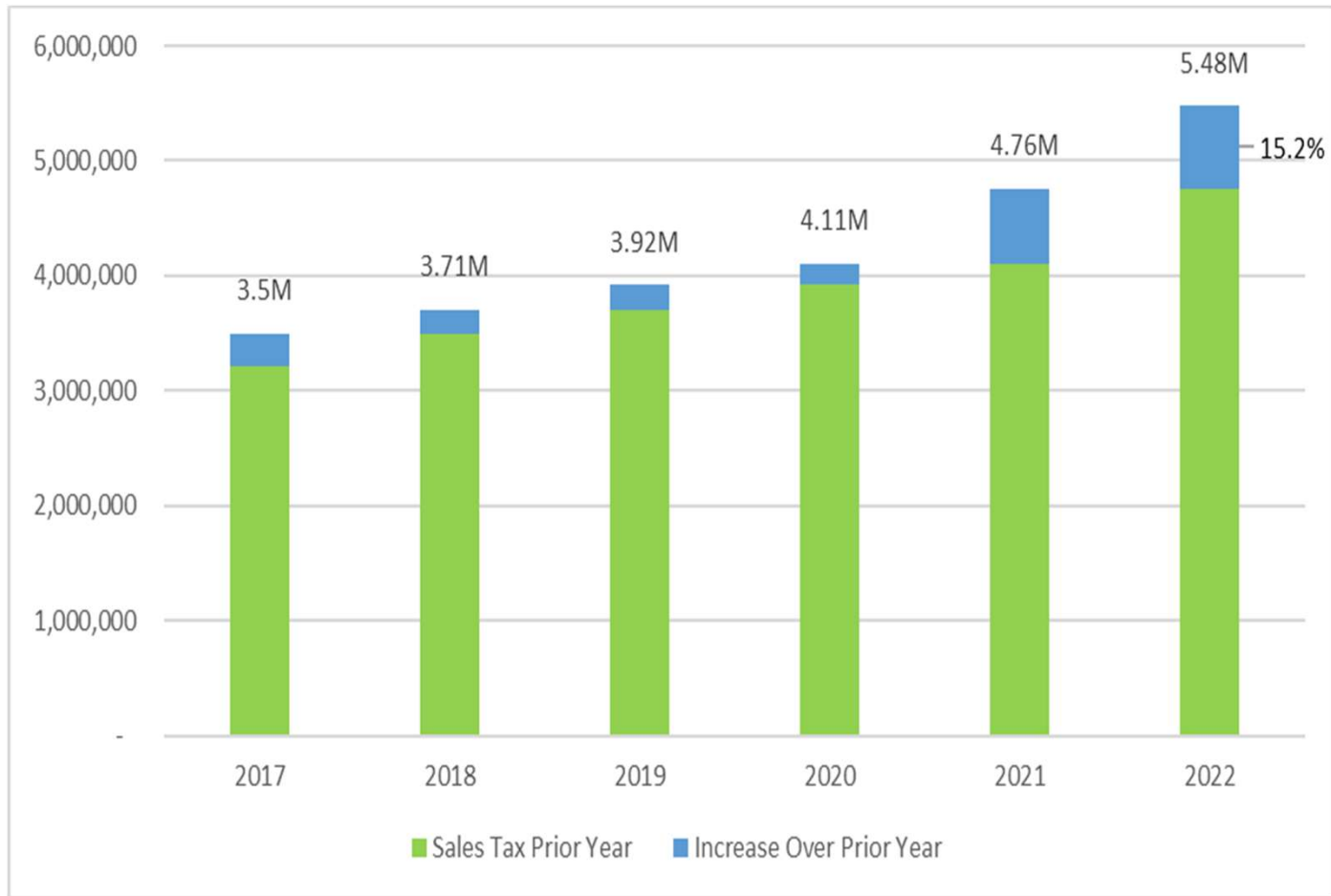
General Fund Major Revenues



Property Tax FY 22 Year End



Sales Tax FY 22 Year End





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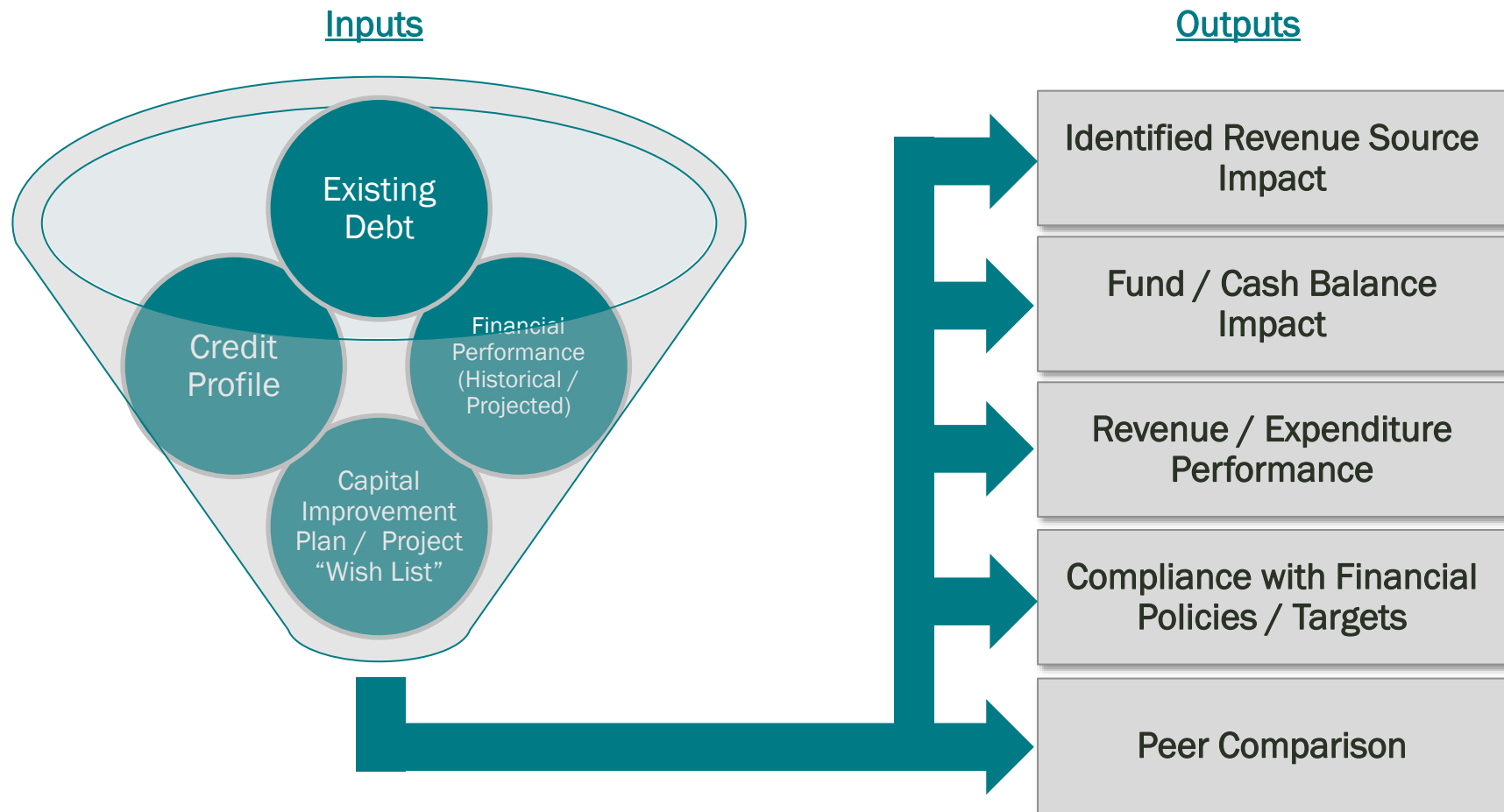
Capital Planning Model Discussion Materials

City of Albemarle, North Carolina

November 15, 2022

Capital Planning Model Overview

- First Tryon has worked with City staff to update the Capital Planning Model (the “Model”) that was originally developed in 2017 to help the City analyze the impact of funding various City projects.
- The Model is an interactive and dynamic tool that allows the City to project operating revenues, expenditures and fund balances based on different growth assumptions, as well as evaluate its ability to fund its capital improvement plan (“CIP”) via debt, cash or third-party funding.



Agenda

I. General Fund

II. Water and Sewer Fund

General Fund Historical Operating Trends

- Based on the FY2021 audited financial results, revenues grew by 10.18% over FY2020 while expenditures grew by 6.80%. Given the strong operating results, the City was able to increase its Total Fund Balance by \$1.86 million and its Unassigned Fund Balance by \$2.24 million. Preliminary FY2022 estimated results show an ending Total Fund Balance of \$9.15 million, of which \$6.37 million is Unassigned.

	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021
Revenues:					
Total - Ad valorem taxes	6,101,473	6,260,114	6,904,421	6,944,587	7,222,497
Total - Other taxes and licenses	229,951	242,641	258,542	227,958	292,228
Total - Unrestricted intergovernmental	5,167,668	5,435,535	5,686,994	5,852,229	6,554,185
Total - Restricted intergovernmental	644,012	713,243	746,976	905,435	1,214,569
Total - Fees and permits	40,826	56,409	53,489	59,018	50,042
Total - Sales and services	1,368,482	1,557,397	1,551,257	1,666,111	1,764,463
Total - Investment earnings	17,090	45,886	171,890	142,842	(12,608)
Total - Miscellaneous	214,689	203,884	620,760	171,134	510,338
Total revenues	13,784,191	14,515,109	15,994,329	15,969,314	17,595,714
<i>Actual growth</i>	<i>2.97%</i>	<i>5.30%</i>	<i>10.19%</i>	<i>-0.16%</i>	<i>10.18%</i>
Expenditures:					
Current:					
Total - General government	2,080,949	1,624,950	1,656,219	1,744,483	1,955,278
Total - Public safety	7,451,424	7,817,200	7,672,526	7,656,983	8,216,195
Total - Public works	2,787,230	3,096,835	3,044,477	3,174,965	3,264,459
Total - Cultural and recreation	1,264,429	1,414,783	1,425,700	1,418,176	1,551,275
Total - Capital Outlay	2,962,743	572,605	1,034,754	959,577	821,907
Total - Debt service (existing):	570,621	720,794	715,835	730,081	941,573
Total - Debt service (proposed):	-	-	-	-	-
Total expenditures	17,117,396	15,247,167	15,549,511	15,684,265	16,750,687
<i>Actual growth</i>	<i>21.53%</i>	<i>-10.93%</i>	<i>1.98%</i>	<i>0.87%</i>	<i>6.80%</i>
Revenues over (under) expenditures	(3,333,205)	(732,058)	444,818	285,049	845,027
Other Financing Sources (Uses):					
Total - Transfers in	661,209	818,152	1,541,685	1,322,345	1,634,790
Total - Transfers out	(1,446,735)	(130,000)	(1,314,632)	(239,571)	(620,613)
Total - Debt service (interfund loans):	-	(100,792)	(98,995)	(97,197)	(94,851)
Total other financing sources (uses)	1,179,446	587,360	128,058	985,577	919,326
Net change in fund balances (unadjusted)	(2,153,759)	(144,698)	572,876	1,270,626	1,764,353
Adjustment for Interfund Loans	-	100,792	98,995	97,197	94,851
Net change in fund balances (adjusted)	(2,153,759)	(43,906)	671,871	1,367,823	1,859,204
Fund Balances:					
Total - Nonspendable	45,878	85,500	82,451	30,928	86,392
Total - Restricted	1,934,168	1,913,597	1,974,109	2,612,958	2,477,871
Total - Committed	486,965	-	-	-	-
Total - Assigned	333,780	250,000	427,737	643,832	338,305
Total - Unassigned	4,302,876	4,323,699	4,760,370	5,324,773	7,569,126
Total Fund Balance	7,103,667	6,572,796	7,244,667	8,612,490	10,471,694

General Fund Supported Capital Projects (Proposed)

- The City has identified the following major projects that it is considering funding over the next six fiscal years (FY2023-2028) from both debt and interfund loans.

Description	Amount	Timing (FY)	Funding Type	Structure	Term	Principal Deferral	Rate
Data Processing Equipment	\$225,000	2023	L.O.B.	Level D/S	5	0	3.50%
Dual Axle Dump Truck w/ Snow Attachments	221,000	2024	L.O.B.	Level D/S	5	0	3.50%
Development of Albemarle Corporate Center (Phase III Spec Building)	6,000,000	2024	Interfund Loan	n/a	3*	2	1.50%
Renovate Fire Station 2	4,000,000	2025	L.O.B.	Level Principal	10	0	4.00%
Fleet Maintenance Facility	500,000	2025	L.O.B.	Level Principal	15	0	4.50%
Ladder 11	1,600,000	2026	L.O.B.	Level D/S	10	0	4.00%
Wiscassett Ball Field	9,000,000	2027	L.O.B.	Level Principal	15	0	4.50%
Fire Engine	900,000	2028	L.O.B.	Level D/S	5	0	3.50%
New Fire Station #4	6,000,000	2028	L.O.B.	Level Principal	10	0	4.00%
Total	\$28,446,000						

- In addition to the major projects listed above, the model assumes that the City will fund \$1,900,000/year on a pay-as-you-go basis for capital outlay beginning in FY2024.

*Note: The principal balance of the interfund loan between the Electric Fund and the General Fund is anticipated to be paid off by the proceeds of the sale of the Phase III Spec Building in FY2027.

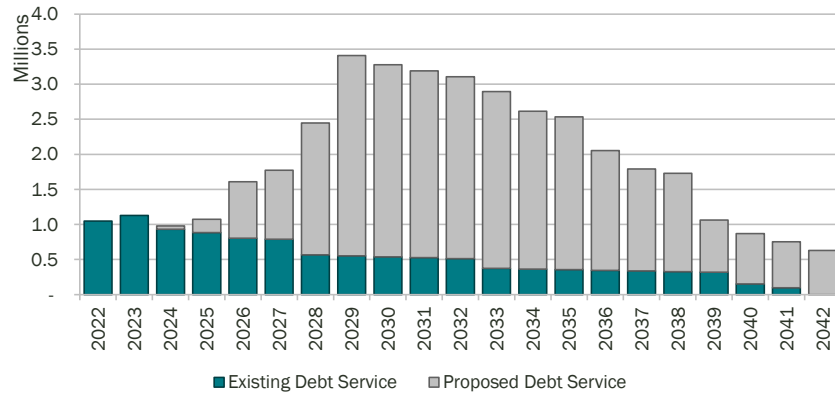
Model Assumptions

- In order to generate projections in the capital planning model, the City and First Tryon utilized the City's FY2023 Budget as the base for forecasting out future revenues and expenditures:
 - Revenues
 - Estimated to grow at 2.00% annually.
 - Expenditures
 - Estimated to grow at 2.00% annually.
 - Pay-Go capital expenditures are assumed to remain at \$1.9 million from FY2024 – FY2028 and then drop to \$1.7 million thereafter.
 - Existing debt service is assumed to be repaid as scheduled and proposed debt service will layer in per the assumptions on the prior slide.

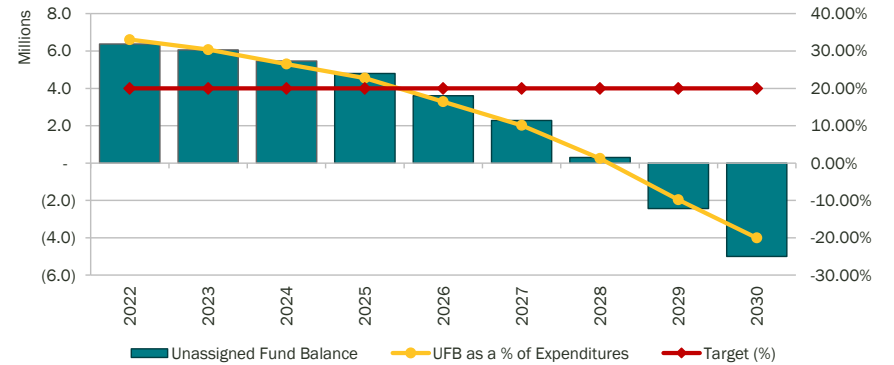
- In addition, the City and First Tryon have made the following additional assumptions:
 - The Electric Fund will make a transfer to the General Fund of \$978,800 in FY2023 and beyond.
 - Average annual transfer over last five fiscal years has equaled \$660,000.
 - The Water & Sewer Fund will make a transfer into the General Fund of \$315,500 / year beginning in FY2023.
 - Average annual transfer over last five fiscal years has equaled \$335,000.

General Fund Projected Impact

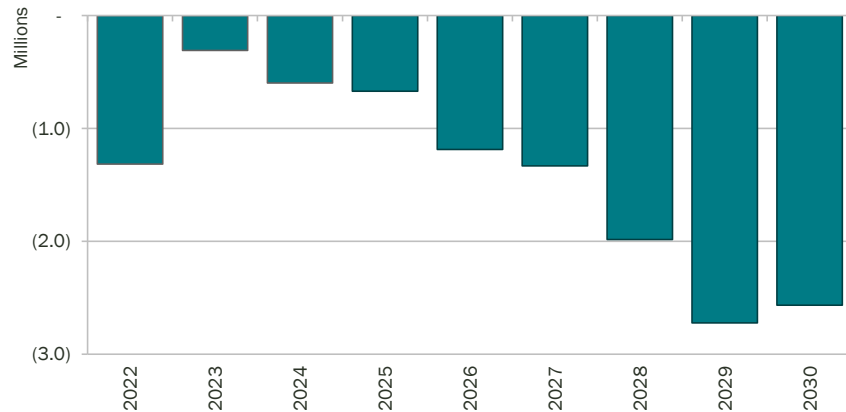
Annual Debt Service Requirements (General Fund)*



Unassigned Fund Balance



Net Earnings (General Fund)



Tax Increase Requirements

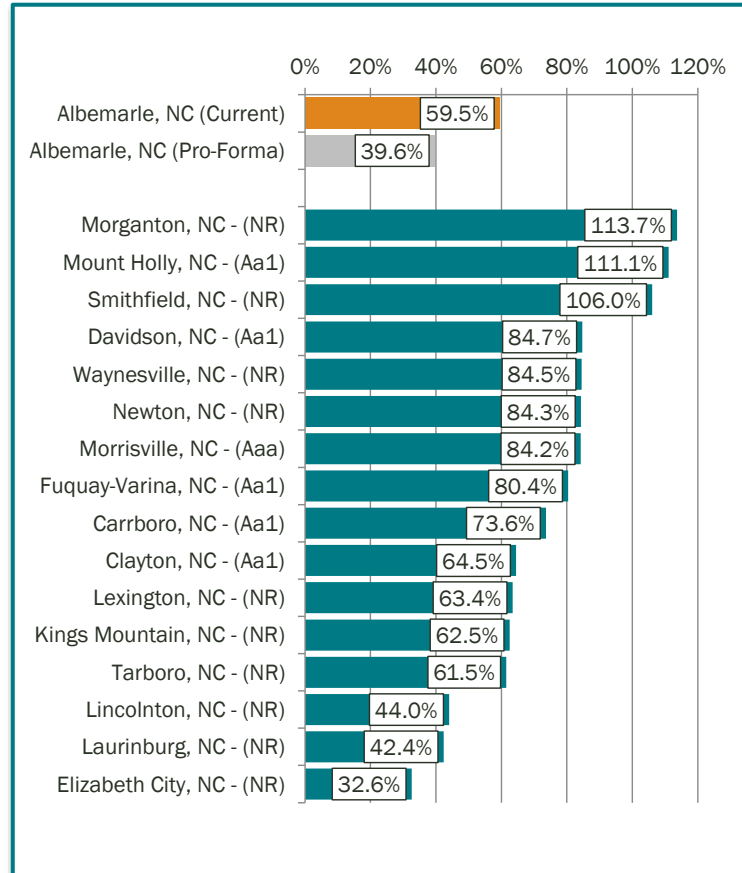
FY	Current Tax Rate	Tax Increase	Annual Surplus (Deficit)
Total		-3.00	
2019	64.00		671,871
2020	64.00		1,367,823
2021	64.00		1,859,204
2022	61.00	-3.00	(1,317,001)
2023	61.00		(309,591)
2024	61.00		(597,899)
2025	61.00		(670,491)
2026	61.00		(1,186,170)
2027	61.00		(1,331,395)
2028	61.00		(1,984,199)
2029	61.00		(2,723,816)
2030	61.00		(2,567,554)

*Note: The proposed debt service excludes the repayment of the \$6 million interfund loan principal balance as this loan is anticipated to be paid off by the proceeds of the sale of the Phase III Spec Building in FY2027.

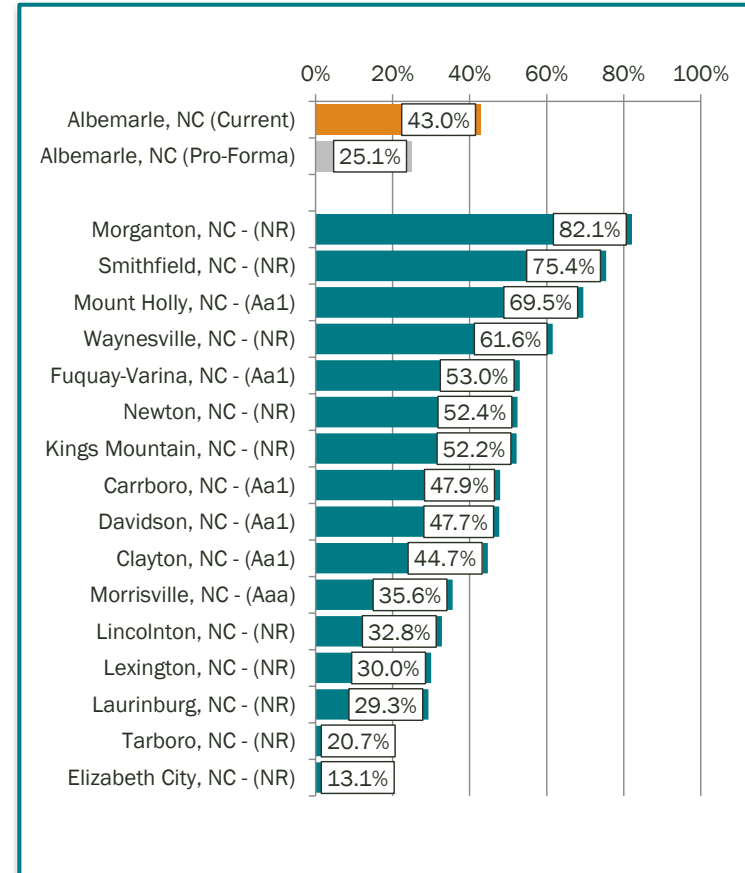
General Fund Peer Comparisons (Fund Balance)

- The charts below provide a comparison of the City's fund balance against peers with a population ranging from 10,000 to 20,000.
 - The City's current metrics are as of FY2021 and the pro-forma metrics are as of FY2025, while the peer metrics are as of the most recent information available for each entity (FY2021 in most cases).
- General Fund Balance and Unassigned Fund Balance are calculated as a % of General Fund Revenue.

General Fund Balance as % of Revenue



Unassigned Fund Balance as % of Revenue

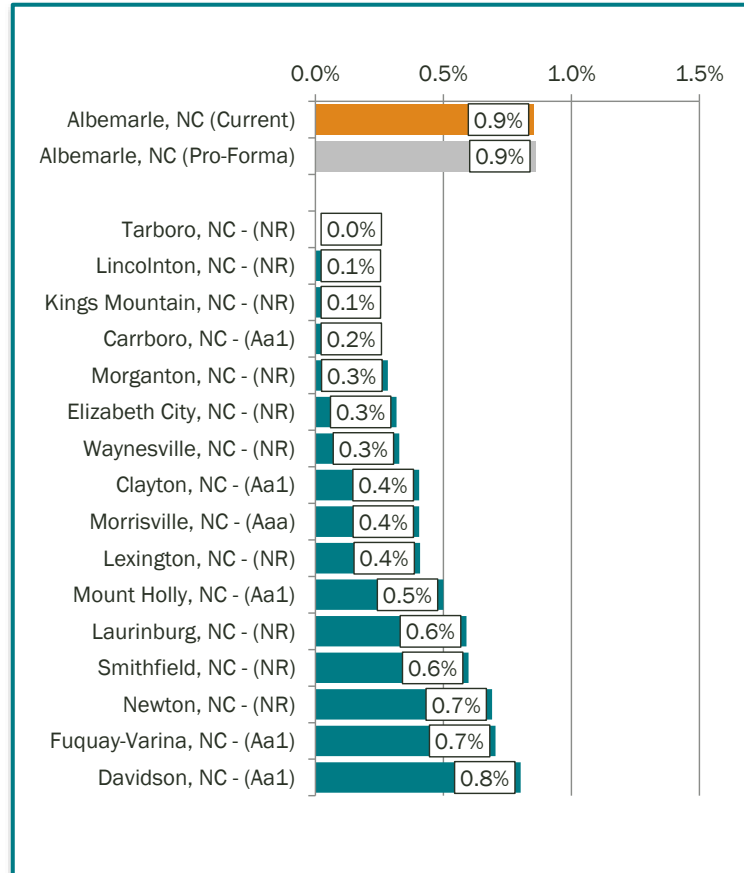


Source: Moody's MFRA (rated peers) and the North Carolina Local Government Commission / City/Town Audits.

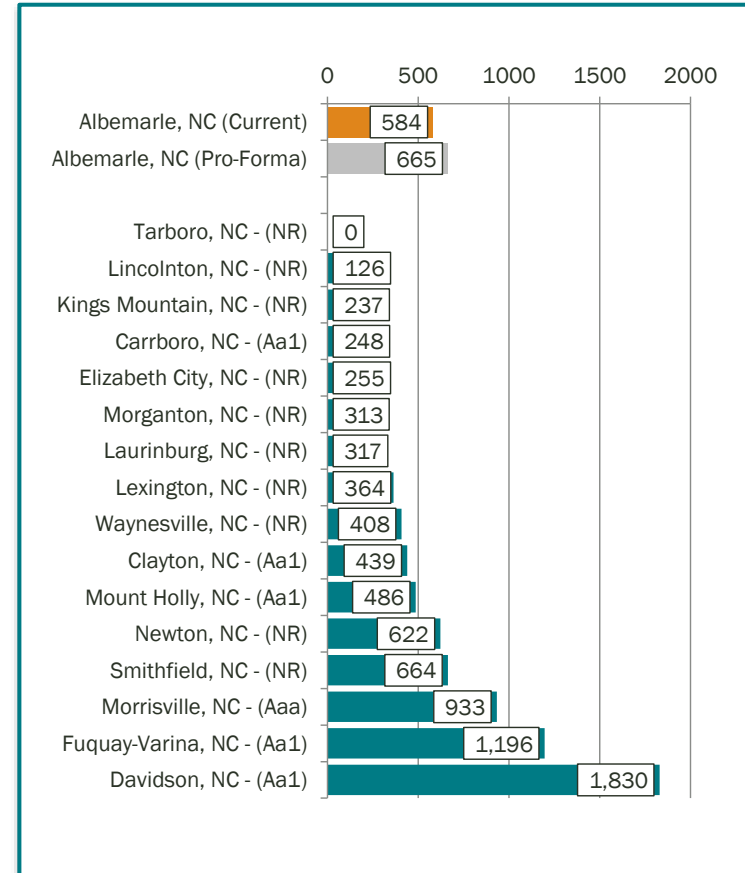
General Fund Peer Comparisons (Debt)

- The charts below provide a comparison of various debt metrics against peers with a population ranging from 10,000 to 20,000.
 - The City's current metrics are as of FY2021 and the pro-forma metrics are as of FY2025, while the peer metrics are as of the most recent information available for each entity (FY2021 in most cases).
 - Pro-forma debt metrics exclude interfund loans.
- Direct Net Debt as a % of Full Value and Direct Net Debt Per Capita compares the balance of debt outstanding as of the end of the Fiscal Year of reference to the Full Value (Assessed Value) / Population as of the end of the Fiscal Year of reference.

Direct Net Debt as % of Full Value



Direct Net Debt Per Capita

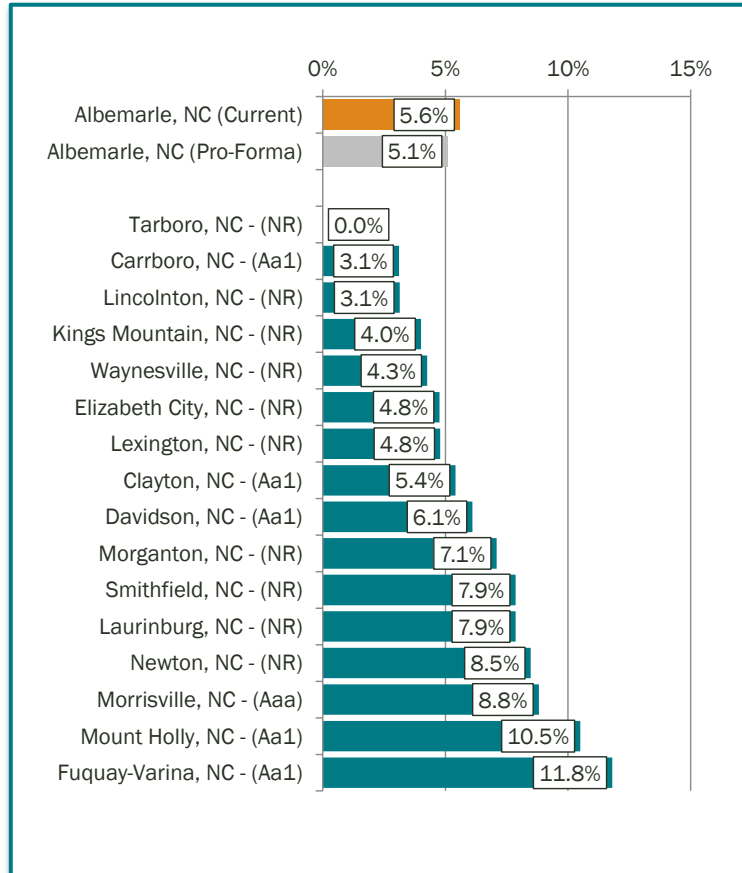


Source: Moody's MFRA (rated peers) and the North Carolina Local Government Commission / City/Town Audits.

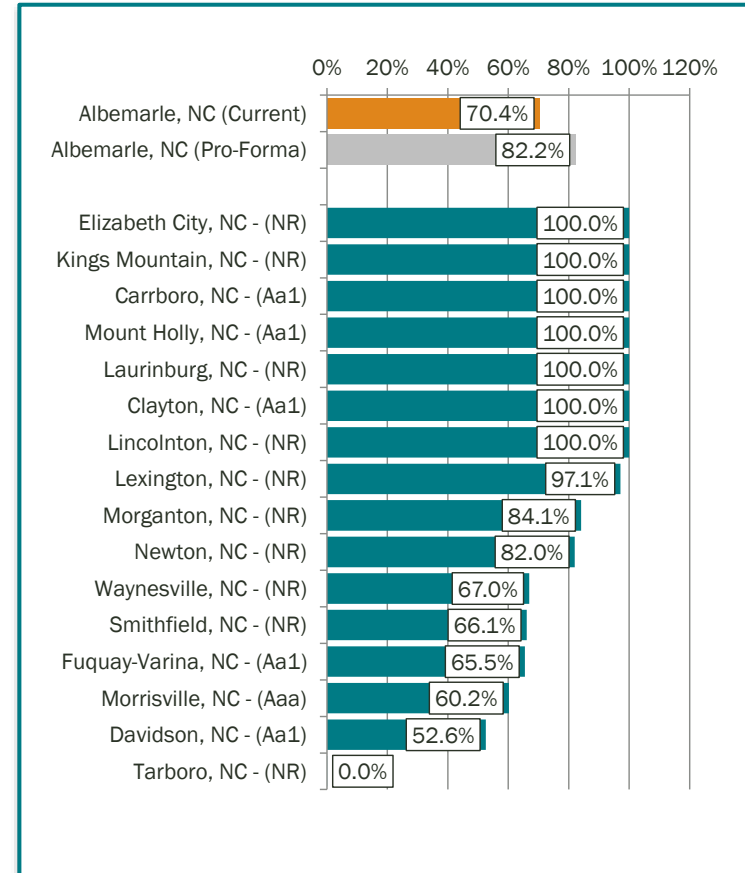
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- The charts below provide a comparison of various debt metrics against peers with a population ranging from 10,000 to 20,000.
 - The City's current metrics are as of FY2021 and the pro-forma metrics are as of FY2025, while the peer metrics are as of the most recent information available for each entity (FY2021 in most cases).
 - Pro-forma debt metrics exclude interfund loans.
- Debt Service as a % of Operating Expenditures compares the total Debt Service paid in the end of the Fiscal Year of reference to the total Operating Expenses in the Fiscal Year of reference while the 10-Year Payout Ratio assesses what percentage of outstanding debt will be repaid within the next 10 years.

Debt Service as a % of Operating Expenditures



10-Year Payout Ratio



Source: Moody's MFRA (rated peers) and the North Carolina Local Government Commission / City/Town Audits.

Agenda

I. General Fund

II. Water and Sewer Fund

Water and Sewer Fund Historical Operating Trends

- Based on the FY2021 audited financial results, revenues grew by 8.57% over FY2020 while expenditures grew by 10.56%. Despite expenditure growth outpacing revenue growth, the City was able to increase its Unrestricted Cash Balance by \$1.48 million. Preliminary FY2022 estimated results show an ending Unrestricted Cash Balance of \$5.4 million.

	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021
Revenues:					
Total - Operating Revenues	10,248,254	10,778,526	10,087,309	10,742,929	11,813,143
Total - Nonoperating Revenues	59,075	90,994	242,239	172,139	36,921
Total revenues	10,307,329	10,869,520	10,329,548	10,915,068	11,850,064
<i>Actual growth</i>	<i>8.16%</i>	<i>5.45%</i>	<i>-4.97%</i>	<i>5.67%</i>	<i>8.57%</i>
Expenditures:					
Total - Water and Sewer Administration	1,205,253	1,241,389	1,419,991	1,514,432	1,614,882
Total - Water and Sewer Customer Service	-	85,137	104,796	99,654	94,872
Total - Water Treatment Plant	2,201,469	2,113,927	2,050,861	2,122,272	2,308,133
Total - Sewer Treatment Plant	1,664,744	1,848,576	1,615,963	1,669,319	1,959,165
Total - System Division	1,640,825	1,741,883	1,642,715	1,629,937	1,848,511
Total - Capital Outlay	623,546	338,469	525,744	384,586	439,254
Total - Debt Service (Existing)	1,684,515	1,649,357	2,133,671	2,052,082	2,207,865
Total - Debt Service (Proposed)	-	-	-	-	-
Total expenditures	9,020,352	9,018,738	9,493,741	9,472,282	10,472,682
<i>Actual growth</i>	<i>5.32%</i>	<i>-0.02%</i>	<i>5.27%</i>	<i>-0.23%</i>	<i>10.56%</i>
Revenues over (under) expenditures	1,286,977	1,850,782	835,807	1,442,786	1,377,382
Other Financing Sources (Uses):					
Total - Transfers in	161,666	-	139,758	233,148	84,781
Total - Transfers out	(477,779)	(458,120)	(1,081,568)	(766,448)	(366,869)
Total other financing sources (uses)	(316,113)	(458,120)	(941,810)	(533,300)	(282,088)
Net earnings	970,864	1,392,662	(106,003)	909,486	1,095,294
Debt Service Coverage					
Revenue available for debt service	3,595,038	3,838,608	3,495,222	3,879,454	4,024,501
Total debt service (existing & proposed)	1,684,515	1,649,357	2,133,671	2,052,082	2,207,865
Debt service coverage ratio	2.13	2.33	1.64	1.89	1.82
Target debt service coverage ratio	1.50	1.50	1.50	1.50	1.50
Amount over (under) DSC target	0.63	0.83	0.14	0.39	0.32
Days Cash on Hand					
Beginning unrestricted cash	1,124,092	3,018,206	4,494,051	3,995,291	4,827,120
Ending unrestricted cash	3,018,206	4,494,051	3,995,291	4,827,120	6,307,592
Days Cash on Hand	164	233	213	250	294
Days Cash on Hand Target	120	120	120	120	120
Amount over (under) DCOH target	44	113	93	130	174

Water and Sewer Fund Supported Capital Projects (Proposed)

- The City has identified the following projects that it is considering funding over the next four fiscal years (FY2023-2027) from both debt and cash.

Description	Amount	Timing (FY)	Funding Type	Structure	Term	Principal Deferral	Rate
Development of Albemarle Corporate Center (Phase II Infrastructure)	\$1,223,625	2023	ARPA Funds	n/a	n/a	n/a	n/a
San. Sewer Replacement & Rehab - Phase III	6,232,000	2023	SRF	Level D/S	20	0	1.38%
Waste Water Treatment Plant Rehabilitation	20,000,000	2024	SRF	Level D/S	20	0	0.10%
Fleet Maintenance Facility	500,000	2025	L.O.B.	Level Principal	15	0	4.50%
New Deep Water Intake	8,000,000	2026	SRF	Level D/S	20	0	3.00%
Replace Raw Water Transmission Main	26,000,000	2027	SRF	Level D/S	20	0	3.00%
Total	\$61,955,625						

- In addition to the major projects listed above, the model assumes that the City will fund \$500,000/year on a pay-as-you-go basis for capital outlay beginning in FY2024.

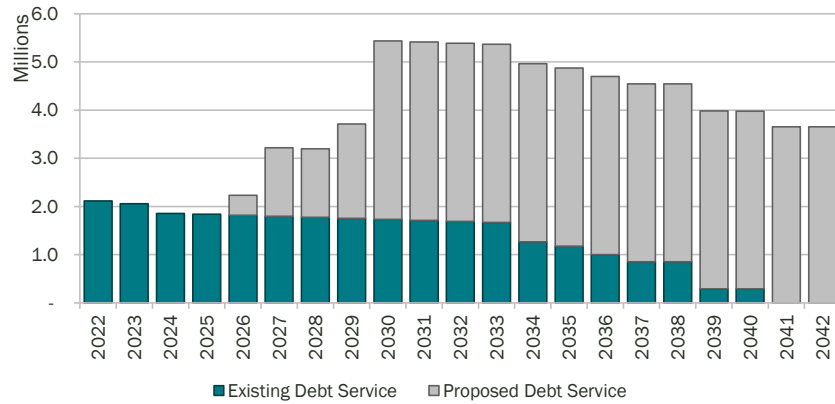
Model Assumptions

- In order to generate projections in the capital planning model, the City and First Tryon utilized the City's FY2023 Budget as the base for forecasting out future revenues and expenditures:
 - Water sales revenues and sewer charges revenues (customer growth plus rate increases) are increased by 3.00% annually, beginning in FY2024.
 - All other revenues are increased by 1.00% annually, beginning in FY2024.
 - All expenditures in all departments (excluding capital and debt service) are increased by 1.00% annually, beginning in FY2024.
 - Pay-Go capital expenditures are assumed to remain at \$500,000 annually.
 - Existing debt service is assumed to be repaid as scheduled and proposed debt service will layer in per the assumptions on the prior slide.

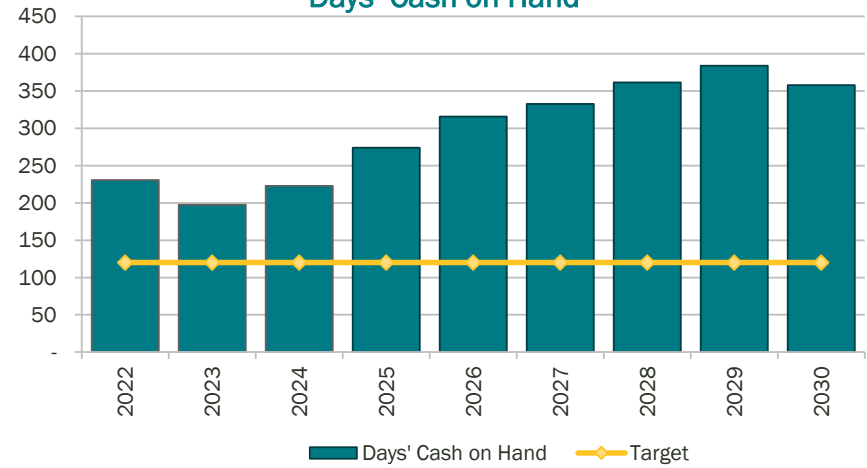
- In addition, the City and First Tryon have made the following additional assumptions:
 - The City will make a transfer into the General Fund of \$315,500 / year beginning in FY2023.
 - Average annual transfer over last five fiscal years has equaled \$335,000.

Water and Sewer Fund Projected Impact

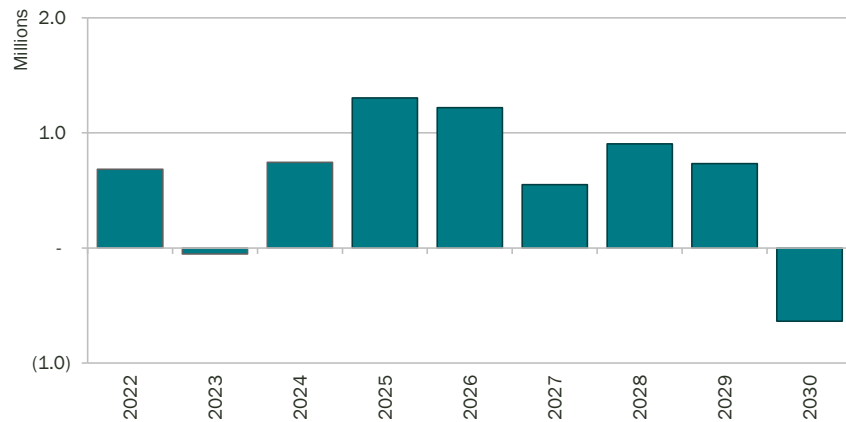
Annual Debt Service Requirements (W&S Fund)



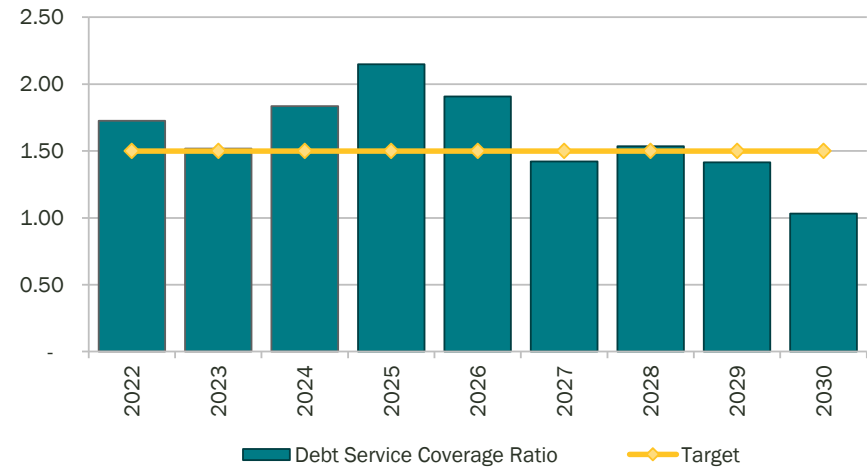
Days' Cash on Hand



Net Earnings (W&S Fund)



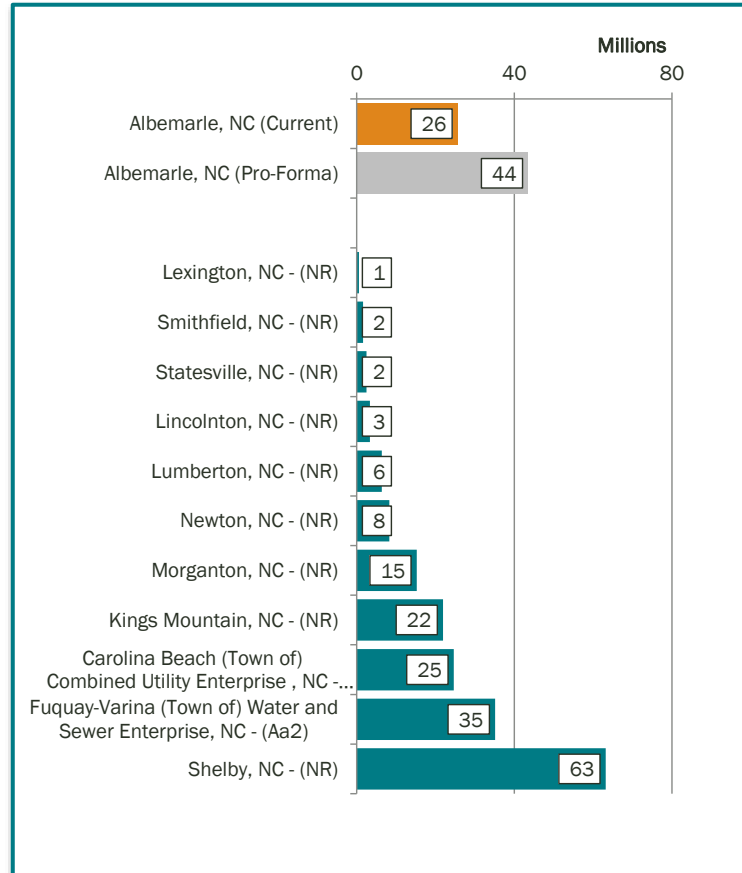
Debt Service Coverage Ratio



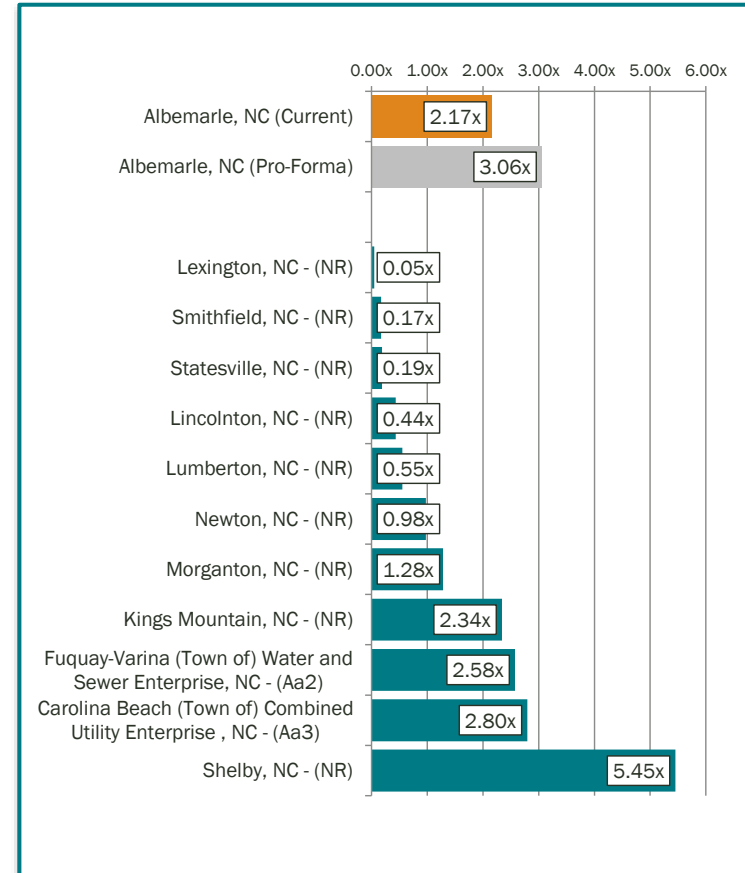
Water & Sewer Fund Peer Comparisons (Debt)

- The charts below provide a comparison of certain utility system debt metrics with peers having annual system revenues ranging from \$7.5 million to \$15 million.
 - The City's current metrics are as of FY2021 and the pro-forma metrics are as of FY2026 which incorporates the first two major projected debt issuances on slide 12 while the peer metrics are as of the most recent information available for each entity (FY2021 in most cases).
- Total Debt Outstanding represents the balance of debt outstanding as of the end of the Fiscal Year of reference while Debt Outstanding to Revenues takes the Total Debt Outstanding as of the end of the Fiscal Year of reference vs. that year's Revenues.

Total Debt Outstanding



Debt Outstanding to Revenues



Source: Moody's MFRA (rated peers) and the North Carolina Local Government Commission / City/Town Audits.

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City of Albemarle Strategic Work Group

ARPA TRANCHE #2 WORKGROUP RECOMMENDATIONS

ARP TRANCHE #2 – RECOMMENDATIONS

- The ARPA Strategic Workgroup met recently to discuss potential projects for Tranche #2 spending.
 - Workgroup consists of Martha Sue Hall, Chris Whitley, Michael Ferris, Lisa Kiser, Pierre Brewton, Jason Bollhorst and Dana Chaney.
 - Tranche #2 provided \$2,588,779.33

ARP TRANCHE #2 – RECOMMENDATIONS

City Hall Security Improvements

- We have three primary areas where physical improvements need to be addressed – City Clerk work space and Administration Department access, PCD Administrative Assistant workspace and overall Department access, Public Utilities Administration entry/access.
- Additionally, cameras needed in Niven Center, EE Waddell Center, and The ANT
- Cost
 - Approximately \$140,000 project cost (City Hall and Parks and Recreation)

ARP TRANCHE #2 – RECOMMENDATIONS

Alleyway Project

- Bids for contractor work are under the amount remaining in the Project Fund. However, there are also expenses incurred by the City and additional funding will be needed to do everything in the draft project plan.
- Costs
 - If the bid project and all elements move forward, it is estimated that \$100,000 could complete the work the City is to undertake. There also continues to be evaluation of elements of the City's work that could impact cost.

ARP TRANCHE #2 – RECOMMENDATIONS

Radios Purchase

- A previous and re-affirmed recommendation of the workgroup. Funding the radio purchase through annual operating budget will reduce available funds for General Fund operations for the life of the loan repayment.
- Cost
 - Updated Motorola quote is \$1,442,000 for City-wide radio replacement. Financing through Motorola is \$309,000 annually (principal & interest) for 5-year period.

ARP TRANCHE #2 – RECOMMENDATIONS

Amount Reserved for Funding for Streets and Stormwater - \$900,000

- Streets
 - Potentially add to the annual appropriation in order to make greater progress toward our needs in this area.
- Stormwater
 - Amount to apply and match grants