



City of Raleigh, North Carolina

\$203,190,000* Combined Enterprise System Revenue Refunding Bonds,
Series 2019 (Federally Taxable Interest)

Investor Presentation
October 30, 2019

** Approximate, subject to change.*

City of Raleigh, North Carolina

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Financing Summary



Issuer	City of Raleigh, North Carolina (the “City”)
Issue*	\$203,190,000 Combined Enterprise System Revenue Refunding Bonds, Series 2019 (Federally Taxable Interest) (the “2019 Bonds”)
Tax Status	Federally Taxable Interest
Ratings	Moody’s/S&P/Fitch: Aaa/AAA/AAA
Structure*	Fixed Rate, Serial Bonds maturing 3/1/2020 – 3/1/2033 Fixed Rate, Term Bond maturing 3/1/2043
Interest Payment Dates*	1 st Interest payable on March 1, 2020, and semiannually thereafter on each March 1 and September 1
Use of Proceeds	Advance refund a portion of the City’s Combined Enterprise System Revenue Refunding Bonds, Series 2012A and Series 2013A
Redemption*	To be determined prior to pricing
Security	Special obligations of the City, secured by a pledge of the Net Receipts of the Combined Enterprise System, and under certain circumstances by investment earnings and certain net insurance and other proceeds. Additionally secured by certain funds and accounts and subaccounts held by the Trustee under the Trust Agreement and the Fifteenth Supplemental Trust Agreement
Key Dates*	Pricing: November 6, 2019 2019 Bonds Closing: November 26, 2019

Maturity Date	Principal*
3/1/2020	\$385,000
3/1/2021	2,555,000
3/1/2022	2,605,000
3/1/2023	2,655,000
3/1/2024	13,435,000
3/1/2025	13,730,000
3/1/2026	14,040,000
3/1/2027	20,025,000
3/1/2028	20,525,000
3/1/2029	21,035,000
3/1/2030	21,580,000
3/1/2031	22,155,000
3/1/2032	15,910,000
3/1/2033	16,360,000
3/1/2034	
3/1/2035	
3/1/2036	
3/1/2037	
3/1/2038	
3/1/2039	
3/1/2040	
3/1/2041	
3/1/2042	
3/1/2043	16,195,000
Total	\$203,190,000

* Approximate, subject to change.

Service Area Overview and Management



Service Area

- The Combined Enterprise System provides water and sewer service to the City, the Towns of Garner, Rolesville, Wake Forest, Zebulon, Wendell and Knightdale and certain unincorporated areas within Wake County, serving approximately 55% of County residents
- The North Carolina Capital Area Metropolitan Planning Organization currently projects that the population of the Combined Enterprise System service area will approach 1 million by 2040

Organization and Management

- The Combined Enterprise System is municipally-owned and is currently operated through the City's Public Utilities Department
- The Department has nearly 660 full-time authorized positions and consists of five divisions, each with the responsibility for duties related to the operation and maintenance of the water system and sanitary sewer system

Portion of Service Area	Population
City of Raleigh	469,298
Town of Garner	30,502
Town of Knightdale	17,423
Town of Wendell	7,809
Town of Zebulon	5,646
Town of Rolesville	8,111
Town of Wake Forest	<u>44,046</u>
Total:	582,835

Based on July 2018 population estimates.

The Water System



General Description

- The Public Utilities Department currently operates two water treatment plants, the E.M. Johnson Water Plant, which began service in November, 1967 and the Dempsey E. Benton Water Plant which began service on May 1, 2010
- The main source of supply for drinking water is Falls Lake, a surface water supply, multipurpose reservoir owned and operated by the U.S. Army Corps of Engineers, which provides water to the Johnson Water Plant

Water Rates

- The City's water rates are designated as "retail service" and "contract service"
- The majority of the City's accounts are currently billed under the retail service rates on a monthly basis with residential customers paying on a tiered system

Other Water Service Charges and Fees

- The City charges a Water Capital Facilities Fee for all property connected to the water distribution system; this one time fee is based on the size of the water meter to be served

Number of Accounts

- The table below shows the average number of active retail water customer accounts and the percentage growth of accounts from the previous year for the last five Fiscal Years

Fiscal Year	Number of Accounts	% Growth
2015	170,958	-
2016	173,550	1.52%
2017	176,598	1.76%
2018	179,886	1.86%
2019	182,834	1.64%

Major Customers

- The largest customers by revenues of the City's water system for the Fiscal Year ended June 30, 2019, include four governmental agencies, North Carolina State University, Wake County, NC Department of Public Safety, and the NC Department of Administration, as well as one major hospital. These customers represent 18% of the total water volume consumed and account for 15% of total water sales revenues

The Sanitary Sewer System



General Description

- The Public Utilities Department currently operates three wastewater treatment plants, the Neuse River Resource Recovery Facility, originally placed in use by the City in 1976; and the Smith Creek Wastewater Treatment and the Little Creek Wastewater Treatment Plant, both acquired by the City in connection with mergers with the Towns of Wake Forest and Zebulon

Sanitary Sewer Rates

- The City's sanitary sewer rates are designated as "retail service" and "contract service"
- The majority of the City's accounts are billed under the retail service rates on a monthly basis. Retail service rates are broken down into inside City limit rates and outside City limit rates

Other Sanitary Sewer Charges and Fees

- The City charges additional one time fees for other sanitary sewer services, which are defined in the City's ordinance based on the characteristics of the sewage discharged into the City's collection system

Number of Accounts

- The table below shows the average number of active retail sanitary sewer customer accounts and the percentage growth of accounts from the previous year for the last five Fiscal Years

Fiscal Year	Number of Accounts	% Growth
2015	167,814	-
2016	170,500	1.60%
2017	172,972	1.45%
2018	175,689	1.57%
2019	179,724	2.30%

Major Customers

- The 10 largest customers by revenues of the City's sanitary sewer system for the Fiscal Year ended June 30, 2019 include four governmental agencies, North Carolina State University, Wake County, NC Department of Public Safety, and the NC Department of Administration, as well as one major hospital. These 10 customers represent approximately 16% of consumption billed and 14% of total sewer sales revenues

Operating Results



- The following table presents combining information on the financial performance of the City's Combined Water and Sanitary Sewer System (Combined Enterprise System) for the fiscal years ended June 30, 2016, 2017 and 2018

Historical Operating Results For Fiscal Years Ended June 30 ⁽¹⁾

	2016	2017	2018
Water and Sanitary Sewer Fund:			
Total Operating Revenues ⁽²⁾	\$226,996,285	\$239,773,753	\$252,042,775
Total Operating Expenses	(128,695,570)	(138,088,437)	(142,633,345)
Operating Income	98,300,715	101,685,316	109,409,430
Total Non-Operating Revenues	4,250,831	3,207,451	7,658,939
Total Non-Operating Expenses	(24,644,505)	(25,497,987)	(28,684,398)
Income Before Operating Transfers	77,907,041	79,394,780	88,383,971
Operating Transfers In	331,360	997,910	237,500
Operating Transfers Out	(1,709,278)	(1,841,470)	(1,765,645)
Capital Contributions ⁽³⁾	1,681,573	4,250,345	1,610,726
Net Income/Change in Net Position	<u>\$78,210,696</u>	<u>\$82,801,565</u>	<u>\$88,466,552</u>
Depreciation Expense	\$34,822,233	\$35,893,343	\$38,184,681
Interest Expense	22,227,256	22,484,642	27,428,360
Assessment Income	313,588	193,577	17,708
Miscellaneous and Other Expense	4,568,540	5,312,031	5,417,601
Transfers In/Out-Net	1,377,918	843,560	1,528,145
Capital Contributions	<u>(1,681,573)</u>	<u>(4,250,345)</u>	<u>(1,610,726)</u>
Income Available for Debt Service	<u>\$139,838,658</u>	<u>\$143,278,373</u>	<u>\$159,432,321</u>
15% of Water and Sanitary Sewer Fund Unrestricted Net Assets	<u>\$46,008,826</u>	<u>\$52,037,132</u>	<u>\$55,507,589</u>
Parity Debt Service	\$51,375,260	\$49,208,959	\$53,200,063
Subordinated and GO Debt Service	<u>3,164,053</u>	<u>2,348,046</u>	<u>7,180,223</u>
Parity, Subordinated and GO Debt Service	<u>\$54,539,313</u>	<u>\$51,557,005</u>	<u>\$60,380,286</u>
Parity Indebtedness Debt Service Coverage	3.62	3.97	4.04
Without 15% Parity Indebtedness, Subordinated Indebtedness and System G.O. Indebtedness, Debt Service Coverage Ratio (1.0 Required)	2.72	2.91	3.00
	2.56	2.78	2.64

(1) All Information is from the City's Comprehensive Annual Financial Report for the Fiscal Year shown.

(2) The significant increase in Operating Revenues from 2016-2018 relates to rate increases adopted in recent years. See "History of Rate Changes" in the Official Statement.

(3) The major portion of the Capital Contributions are a result of additional assets added to the Combined Enterprise System attributable to developer donated infrastructure.

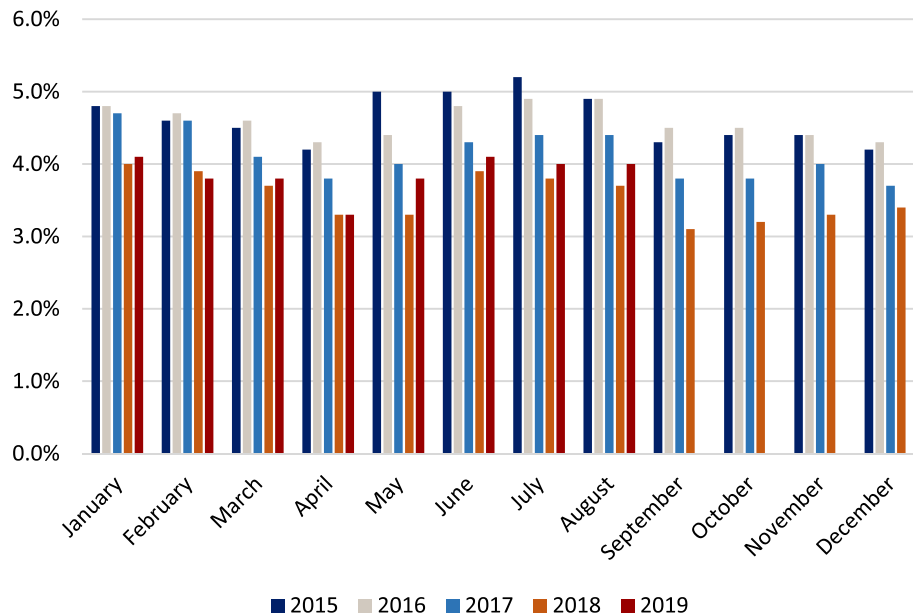
(4) As described under "Security and Sources of Payment - Rate Covenant" in the front part of the Official Statement, in calculating compliance with the Parity Indebtedness prong of the City's rate covenant, the sum of Income Available for Debt Service and 15% of Water and Sewer Unrestricted Net Assets (referred to as Unrestricted Net Position in the City's CAFR) is divided by the Long-Term Debt Service Requirement for Parity Indebtedness for such Fiscal Year. For purposes of reporting coverage ratios, 15% of Water and Sewer Unrestricted Net Assets is shown using this current fiscal year position, rather than the preceding fiscal year's position, which is used for rate-setting purposes. Such 15% of Water and Sewer Unrestricted Net Assets is not included in calculating compliance with the prong of the rate covenant measuring Parity Indebtedness, Subordinated Indebtedness and System G.O. Indebtedness debt service coverage.

City of Raleigh Demographic Characteristics

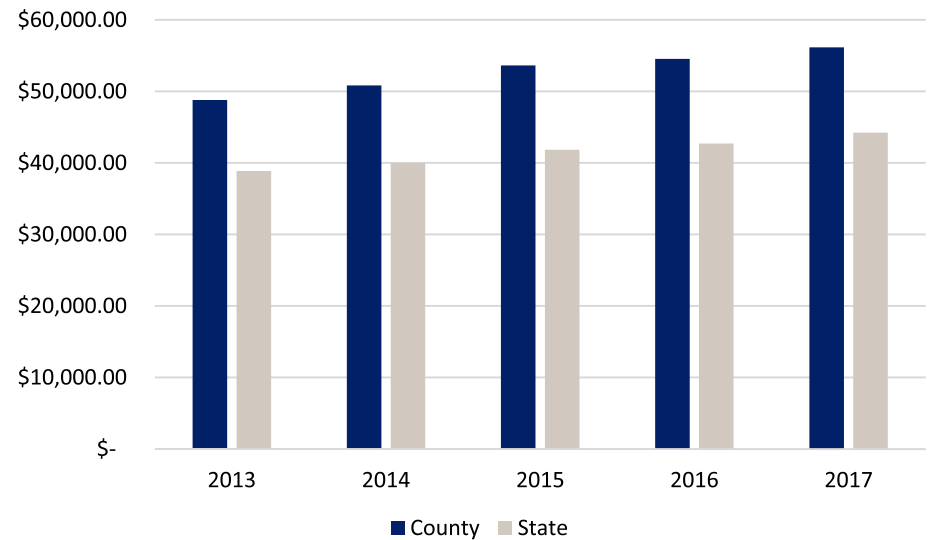


- The City, the county seat of Wake County (the “County”) and the capital of the State, covers an area of more than 144 square miles and is situated in the Piedmont region
- The City forms one point of the Research Triangle Park created in 1959 for industrial, governmental and scientific research, with Chapel Hill and Durham at the other two points
- The City is located in a combined metropolitan statistical area consisting of the Raleigh-Cary Metropolitan Statistical Area, the Durham-Chapel Hill Metropolitan Statistical Area and the Henderson Micropolitan Statistical Area
- The combined population of this metropolitan statistical area as of July 1, 2018 was estimated to be 2,238,315
- The Bureau of the Census estimated the City’s population as of July of 2018 at 469,298, a 16.19% increase from the 2010 Census figure of 403,892. The estimate places the City as the 41st largest city in the United States

City Unemployment Rates



Per Capita Income



City of Raleigh Demographic Characteristics



- The City's economic profile is derived from a diverse combination of business and employment centers including State government, higher education, healthcare, technology and retail trade
- The City is home of the principal executive, judicial and regulatory offices of State government, as well as six public and private institutions of higher education, including North Carolina State University, the largest university in the State
- The Research Triangle Park (the "RTP"), a nationally recognized center for research and light manufacturing is partially located in the County. The RTP is currently home to over 275 organizations which employ an estimated 50,000 employees, many of which are City residents
- The percentage of government and governmental agency employees in the County exceeds other categories of employment

Major Employers in the City as of June 30, 2019

Employer	Number of Employees
State of North Carolina	24,083
North Carolina State University	9,159
WakeMed Health & Hospital	9,150
Wake County Public School System	8,500
UNC Rex Healthcare	5,580
City of Raleigh	4,279
Wake County	3,874
North Carolina Department of Health and Human Services	3,743
Duke Energy Progress	2,800
Wake Technical Community College	2,109

Source: Wake County Economic Development, NC Office of State Human Resources, NC Employment Security Commission, City Budget Office, Various Area Employers.

Security and Legal Provisions



Pledge of Net Receipts

- The Net Receipts of the Combined Enterprise System are pledged to the payment of, and as security for, the 2019 Bonds, Prior Bonds, any other Parity Indebtedness or Subordinated Indebtedness and the payment of all amounts required to be paid by the City under a Derivative Agreement
- Net Receipts for any period means the excess, if any, of Receipts after the payment of the City's current expenses for the operation, maintenance or repair of the Combined Enterprise System for such period

Funds and Accounts

- ***Revenue Fund***: The Revenue Fund will be administered by the City and will not be a Trustee-held fund. The City deposits all Receipts as received in the Revenue Fund
- ***Bond Fund***: The Bond Fund is held by the Trustee and is composed of separate accounts, including the Capitalized Interest Account, the Interest Account, the Principal Account, the Sinking Fund Account, the Redemption Account and the Parity Reserve Account
- ***Insurance and Condemnation Award Fund***: The Insurance and Condemnation Award Fund will be held by the Trustee. Under certain circumstances described in the Trust Agreement, Net Insurance Proceeds and Net Eminent Domain Proceeds are required to be deposited by the City in the Insurance and Condemnation Award Fund
- ***Capital Reserve Fund***: The Capital Reserve Fund will be administered by the City and will not be a Trustee-held fund. Moneys held in the Capital Reserve Fund will be used (a) in the City's sole discretion, to make deposits to the appropriate subaccounts in the Interest Account, the Principal Account and the Sinking Fund Account and (b) to pay all or a portion of the cost of unusual or extraordinary maintenance, repairs, renewals or replacements or capital improvements

Rate Covenant and Additional Bonds Test

- Rate Covenant requires the sum of (i) the Income Available for Debt Service for such Fiscal Year and (ii) 15% of the Water and Sewer Unrestricted Net Assets as of the last day of the preceding Fiscal Year will be not less than 120% of the Long-Term Debt Service Requirement for Parity Indebtedness only for such Fiscal Year; and cover all indebtedness at a minimum of 1.0x
- Additional Bonds Test requires a minimum of 1.2x coverage and may be shown by "pro forma" coverage based on the prior year's Net Revenues or on a consultant's projection on future Net Revenues. In either event, 15% of Water and Sewer unrestricted Net Assets are included in the calculation of coverage

Debt Service Requirements



Fiscal Year Ending June 30	Principal and Interest Existing Parity Indebtedness ^(1,2)	2019 Bonds		Total Parity Indebtedness	Total Subordinated Indebtedness ⁽³⁾	Total Other Indebtedness ⁽⁴⁾	Total ⁽⁵⁾
		Principal	Interest				
2020	\$55,182,278				\$6,189,831	\$5,508,804	\$66,880,912
2021	55,157,480				5,939,492	3,145,542	64,242,514
2022	55,463,328				5,858,443	3,129,934	64,451,706
2023	52,911,477				5,777,395	1,682,642	60,371,513
2024	52,884,236				5,696,346	1,290,634	59,871,216
2025	51,383,413				5,615,297	35,880	57,034,590
2026	51,390,809				5,384,249	34,560	56,809,618
2027	50,275,381				5,307,190	33,240	55,615,811
2028	50,295,047				5,230,131	31,920	55,557,098
2029	50,314,224				5,153,073	30,600	55,497,897
2030	50,331,379				5,076,014	29,280	55,436,673
2031	50,361,813				4,970,820	27,960	55,360,593
2032	43,178,010				4,893,761	26,640	48,098,411
2033	43,190,420				4,816,702	25,320	48,032,442
2034	43,932,565				4,063,571		47,996,136
2035	43,965,293				3,631,276		47,596,569
2036	33,929,088				3,566,137		37,495,225
2037	17,023,381				3,322,061		20,345,442
2038	17,018,100						17,018,100
2039	17,026,600						17,026,600
2040	17,018,500						17,018,500
2041	10,142,650						10,142,650
2042	10,138,400						10,138,400
2043	10,137,750						10,137,750
2044	5,944,800						5,944,800
2045	5,943,400						5,943,400
2046	5,943,600						5,943,600
Totals⁽⁵⁾	\$950,483,422				\$90,491,787	\$15,032,956	\$1,056,008,164

- (1) Principal and interest requirements on the Prior Bonds (which constitute Parity Indebtedness) are inclusive of certain 2012A and 2013A Bonds to be refunded by the 2019 Bonds.
- (2) Assumes certain variable rate Prior Bonds bear interest at 4.163%, which is equal to the synthetic fixed rate of their related swaps. This rate does not include liquidity facility and remarketing fees. See the caption "SECURITY AND SOURCES OF PAYMENT – DERIVATIVE AGREEMENTS" in the Official Statement.
- (3) Principal and interest requirements on existing State revolving loans as of June 30, 2019. Debt service on State revolving loans for which construction is still in process is based on preliminary amortization with loan amounts assumed at the fully authorized par level. The City has received preliminary approval for an additional \$50 million State revolving loan, which is not reflected in the table.
- (4) Principal and interest requirements on the City's installment financing obligations related to the Combined Enterprise System and debt related to the Merger Towns as described in Appendix A. Such obligations are paid by the City from the Net Receipts after payment of debt service on Parity Indebtedness and Subordinated Indebtedness, but are not secured by the Net Receipts. See the caption "SECURITY AND SOURCES OF PAYMENT – PLEDGE OF NET RECEIPTS" in the Official Statement.
- (5) Totals may not foot because of rounding.

Timetable and Contact Information



Transaction Schedule*

October							November						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5						1	2
6	7	8	9	10	11	12	3	4	5	6	7	8	9
13	14	15	16	17	18	19	10	11	12	13	14	15	16
20	21	22	23	24	25	26	17	18	19	20	21	22	23
27	28	29	30	31			24	25	26	27	28	29	30

Contact Information

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<https://www.raleighnc.gov/>

October 30th	Post Preliminary Official Statement Post Investor Roadshow
November 6th	Expected Pricing
November 26th	Expected Closing of Bonds

* Preliminary, subject to change.