
Credit Presentation
City of Kannapolis, NC



KANNAPOLIS

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

August 29, 2013

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- **City of Kannapolis, NC**

City Administrative Offices

426 Oak Avenue

Kannapolis, NC

(704) 920-4300

<http://www.cityofkannapolis.com/city-government/departments/>

Mr. Mike Legg, City Manager

- Mike Legg became City Manager of the City on September 30, 2004. He became Assistant City Manager of the City in 2001 and before that worked as the Planning Director of the City in a contract position with Benchmark, Inc., where he also worked as vice president. Mr. Legg is a graduate of the University of North Carolina at Charlotte with a degree in Geography/Urban and Regional Planning and a graduate of the University of North Carolina School of Government Municipal Administration Course.

Mr. Eddie Smith, Deputy City Manager

- Eddie Smith has served as Deputy City Manager of the City since June 2005. Prior to joining the City, Mr. Smith worked as City Manager for several municipalities in North Carolina since 1999. He received his B.S. degree in Criminal Justice in 1997 and his Master's in Public Administration, both from Appalachian State University. He is also a graduate of the UNC-Chapel Hill School Of Government Public Executive Leadership Academy, as well as the School of Government's Municipal Administration Course. Mr. Smith is also a four-year veteran of the U.S. Navy and an International City/County Manager Association (ICMA) Credential Manager.

Mr. Eric Davis, Finance Director

- Eric Davis has served as the Finance Director of the City since August 2010. Prior to joining the City, Mr. Davis worked as a City Manager for several municipalities in North Carolina since 1995. He received his B.S. degree in Town Administration and City/County Management in 1992 from Appalachian State University, as well as a Master's degree in Public Administration (MPA) in 1998 from Appalachian State University. He is also a Credentialed Manager recognized by the International City Manager's Association (ICMA), and a graduate of the UNC Chapel Hill's School of Government's Public Executive Leadership Academy program (PELA).

Wilmer Melton III, Director of Water and Wastewater Resources

- Wilmer Melton, III, has served as Director of the Water and Wastewater Resources Department since January 2001. From 1993 to 1996, he served as the City's Engineering Technician and prior to rejoining the City in 2001, he worked as a Project Manager and Estimator for Melton Construction. He received his B.S. degree in Construction Management from North Carolina Agricultural and Technical State University in 1993. He also holds certifications in Water Distribution, Wastewater Collections and Safety.

- **Davenport & Company LLC – Financial Advisor**

101 N. Tryon Street
Suite 1220
Charlotte, NC 28246

- Mr. Walter Goldsmith
(704) 644-5412
wgoldsmith@investdavenport.com
- Mr. Mitch Brigulio
(704) 644-5414
mbrigulio@investdavenport.com

- **Bank of America Merrill Lynch – Senior Manager**

214 N. Tryon Street
Charlotte, NC 28255

- Ms. Sarah Strickland
(980) 386-5821
sarah.strickland@baml.com



Goals and Objectives

Goals and Objectives

- Provide an update on the current demographics, financial condition, and economic development of the City and surrounding area.

- Gain perspective from the rating agencies with respect to credit strengths and weaknesses of the City's Governmental and Water & Sewer Fund.

- The City would like to receive a confidential credit rating on the Series 2013 Water and Sewer System Revenue Bonds.
 - The City would like the option to convert to a public rating if so desired.

- As applicable, the City would like to maintain its current S&P Credit Ratings and seeks to enhance the rating where appropriate.
 - Issuer Credit Rating: A+
 - Limited Obligation Bond Rating: A

- **City Overview**
 - Strategic Geographic Location.
 - Strategically situated in one of the East Coast's most dynamic regions.
 - Pro-Business attitude of the State, the Region, and the City.
 - Excellent access to major transportation infrastructure.
 - Strong Tax Base and Diversified Employment Profile.
 - Dynamic and Diverse Employment Base.
 - The economy and employment base continue to grow and diversify.
 - Solid Historical Financial Performance.
 - Consistent and Proactive Management Approach.
 - Long Range Financial Planning / Debt Profile Modeling.
 - Responsible Financial Management.
 - Tenured Management.
 - Adopted Financial Policy Guidelines.
 - Regular Financial Performance Monitoring.
- **Utility Overview**
 - Established system with ample capacity for future growth.
 - Diversified customer base.
 - History of responsible financial management.



Water and Sewer System Revenue Bonds, Series 2013

Financing Schedule and Participants

Financing Schedule

Sep-13							Oct-13						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7			1	2	3	4	5
8	9	10	11	12	13	14	6	7	8	9	10	11	12
15	16	17	18	19	20	21	13	14	15	16	17	18	19
22	23	24	25	26	27	28	20	21	22	23	24	25	26
29	30						27	28	29	30	31		

- Thursday August 29th Rating Agency Meetings
- September 10th Receive Ratings
- September 11th Mail Preliminary Official Statement
- September 19th Sell Bonds
- October 3rd Close Bonds

Financing Participants

- Issuer: City of Kannapolis, NC
Local Government Commission
- Financial Advisor: Davenport & Company LLC
- Bond Counsel: Parker Poe Adams & Bernstein, LLP
- Senior Manager: Bank of America Merrill Lynch
- Co-Manager: PNC
- Underwriter's Counsel: Pope Zeigler, LLC
- Feasibility Consultant: Utility Advisors' Network
- Trustee: US Bank

Purpose and Preliminary Principal Structure

2013 Revenue Bonds

Maturity Date	Principal
Total	19,540,000
4/1/2014	
4/1/2015	420,000
4/1/2016	435,000
4/1/2017	470,000
4/1/2018	485,000
4/1/2019	505,000
4/1/2020	530,000
4/1/2021	555,000
4/1/2022	585,000
4/1/2023	610,000
4/1/2024	650,000
4/1/2025	680,000
4/1/2026	725,000
4/1/2027	765,000
4/1/2028	805,000
4/1/2029	865,000
4/1/2030	910,000
4/1/2031	970,000
4/1/2032	1,020,000
4/1/2033	1,080,000
4/1/2034	1,150,000
4/1/2035	1,215,000
4/1/2036	1,290,000
4/1/2037	1,370,000
4/1/2038	1,450,000

Purpose

- The Series 2013 Revenue Bonds will fund water and sewer system upgrades:

Water Line Interconnect	\$10,494,985
Irish Buffalo Creek Sewer	916,080
Water Meter Replacement	5,963,228
<u>Kannapolis Lake Dam & Clear Well</u>	<u>706,388</u>
Total	\$18,080,681

Debt Service Reserve Fund*	\$1,463,225
<u>Cost of Issuance</u>	<u>315,000</u>
Total	\$1,778,225

**The City is considering establishing a Debt Service Reserve Fund. We would like to receive ratings assuming no Debt Service Reserve Fund is included.*



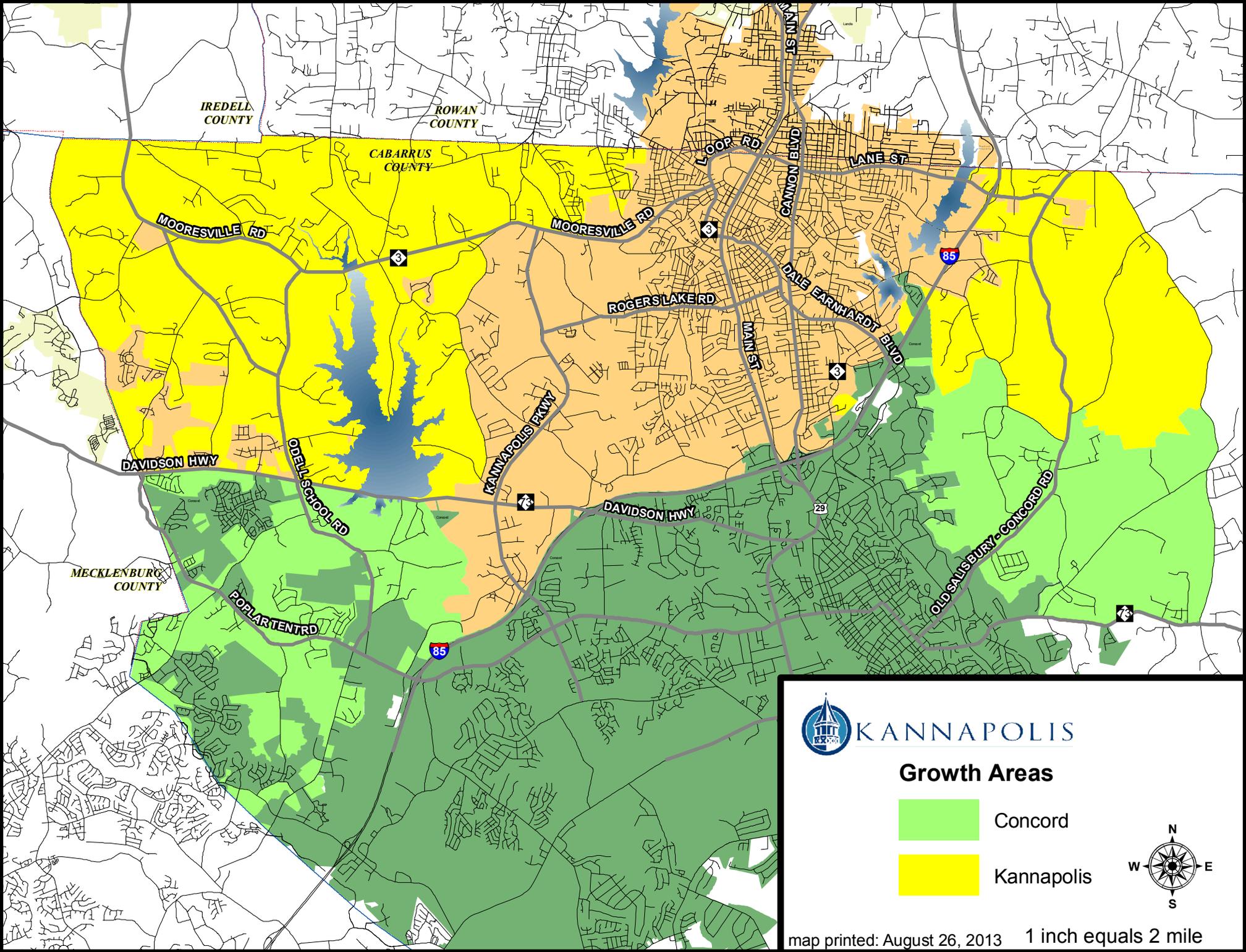
Strategic Geographic Location

Location



Observations

- The City of Kannapolis is located in the Piedmont region of North Carolina.
- The City is the second largest municipality in Cabarrus County (behind the City of Concord).
- The City is in a transition, moving from its rich history of textile manufacturing towards a future in life science and technology.
 - The City is an emerging business hub and the focus for science-related business in the Charlotte-Gastonia-Concord metropolitan area.
- The City also has easy access to the Greater Charlotte area (approx. 25 miles) and the City of Concord, as well as access to Greensboro, High Point, and Winston-Salem (approx. 60 miles).
- Current City limits span approximately 30.4 square miles.



IREDELL COUNTY

ROWAN COUNTY

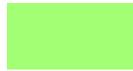
CABARRUS COUNTY

MECKLENBURG COUNTY



KANNAPOLIS

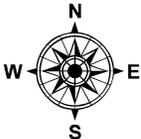
Growth Areas



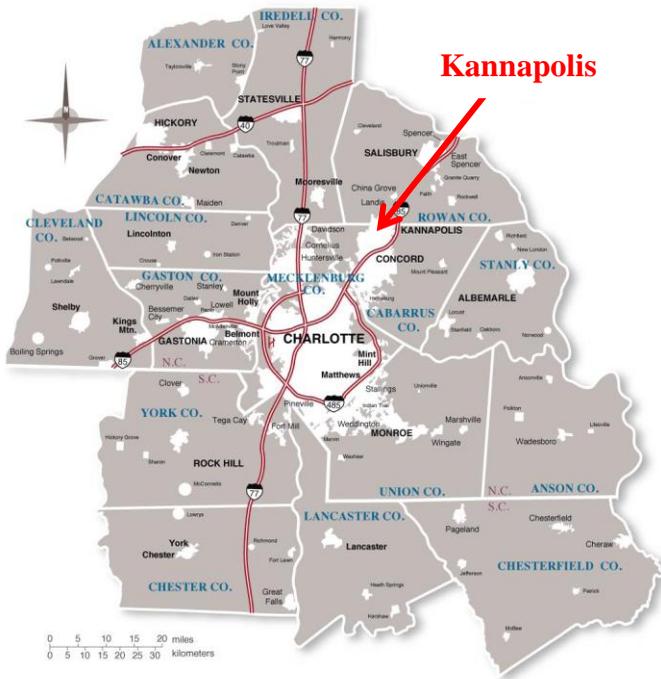
Concord



Kannapolis



Location



Observations

- The City is located in the dynamic Charlotte MSA
- The Charlotte-Gastonia-Concord MSA has the 8th highest GDP per capita in the US.
- Included in the Charlotte MSA:

■ Charlotte, NC:	Aaa/AAA/AAA
■ Mecklenburg County, NC	Aaa/AAA/AAA
■ Huntersville, NC	Aaa/AAA/AAA
■ Cabarrus County, NC	Aa1/AA+/AA+
■ Kannapolis, NC	nr/A+/nr
■ Union County, NC	Aa1/AA/AA+
■ Matthews, NC	Aa1/AA+
■ Mint Hill, NC	Aa2/AA+/nr
■ Mooresville, NC	Aa2/nr/AA
■ York County, SC	Aa2/AA/nr
■ Gastonia, NC	Aa2/AA-/AA
■ Rowan County, NC	Aa2/AA-/AA
■ Gaston County, NC	Aa2/AA-/nr
■ Lincoln County, NC	Aa3/AA-/AA
■ Mount Holly	Aa3/nr/AA-
■ Rock Hill, SC	Aa3/A+/nr
■ Indian Trail, NC	Aa2/AA+/nr

Transportation



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INTERNATIONAL AIRPORT



Transportation Infrastructure

Major Highways:

- I-85 serves the City from the south, north and east.
 - Major thoroughfares, including US 29/601, Dale Earnhardt Boulevard, Lane Street, and the Kannapolis Parkway, provide connections to I-85 and route traffic through the City.
- I-77 is just 15 miles away along I-85.

Airports:

- Charlotte Douglas International Airport is located approximately 27 miles south of the City.
 - Offers non-stop service with 600 daily flights to 130 destinations worldwide.
 - 1 of 3 US Airways hubs in the country (Phoenix, Philadelphia).
- Concord Regional Airport is located within 3 miles of the City via I-85.

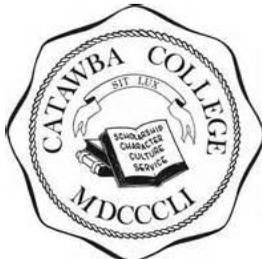
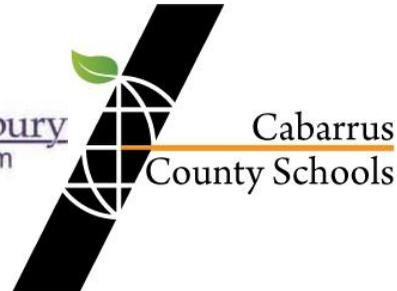
Bus:

- Charlotte Area Transit System (CATS) offers a convenient option for commuters traveling from the Kannapolis area to Charlotte.

Rail:

- Norfolk Southern and Amtrak, which maintains a terminal in the City, provide rail service.
 - Amtrak offers daily service from Kannapolis along two routes—The Carolinian and the Piedmont.

Local Schools/Higher Education



Observations

- Primary/Secondary Schools.
 - Public Schools are operated by the Kannapolis City School System, Cabarrus County School System, and Rowan-Salisbury County School System.
 - 17 High Schools.
 - 17 Middle Schools.
 - 44 Elementary Schools.
 - 6 Non-Traditional Schools.
- The City of Kannapolis is located within a 50 mile radius of many Colleges and Universities, including:
 - University of North Carolina at Charlotte
 - Catawba College
 - Davidson College
 - Johnson & Wales University
 - Johnson C. Smith University
 - Pfeiffer University
 - Queens University

Health Care



Observations

- Carolinas Medical Center Kannapolis
 - A 26,000 sq. ft. facility
 - Provides a 24 hour emergency care center, full-service imaging center with CT scanner and ultrasound, observation beds, laboratory services, and outpatient services.
- Carolinas Medical Center Northeast:
 - 457-bed facility located on a 60-acre campus in Concord, less than one mile from the City.
 - Provides a full range of services, including: outpatient surgery, x-rays, laboratory, emergencies, a pharmacy, and nationally recognizable centers for the treatment of heart disease and cancer.
- Carolinas HealthCare System is one of the leading healthcare organizations in the Southeast and one of the largest public, not-for-profit systems in the nation.
- Other facilities located within a 30 minute drive of the City include:
 - Carolinas Medical Center University
 - Carolinas Cabarrus Family Medicine
 - Rowan Regional Medical Center
 - Farrington Family Medical Center

North Carolina Research Campus



Observations

- The North Carolina Research Campus (“NCRC”), a \$1.5 billion public/private investment, is the most advanced campus for biotechnology and nutrition research in the world.
- The NCRC is composed of five buildings with over 300 employees. The companies and universities on campus include:
 - Monsanto
 - Dole Foods
 - General Mills
 - Appalachian State
 - Duke University
 - Mr. Murdock contributed \$35 million in 2007 to Duke University to help fund the Measurement to understand Reclassification of Disease of Cabarrus and Kannapolis (M.U.R.D.O.C.K.) study.
 - Researchers will follow a group of people for several years to study the onset and progression of diseases, such as cancer, diabetes, osteoarthritis, heart disease, and others
 - NC A&T
 - NC Central
 - NC State
 - UNC Chapel Hill
 - UNC Charlotte
 - UNC Greensboro

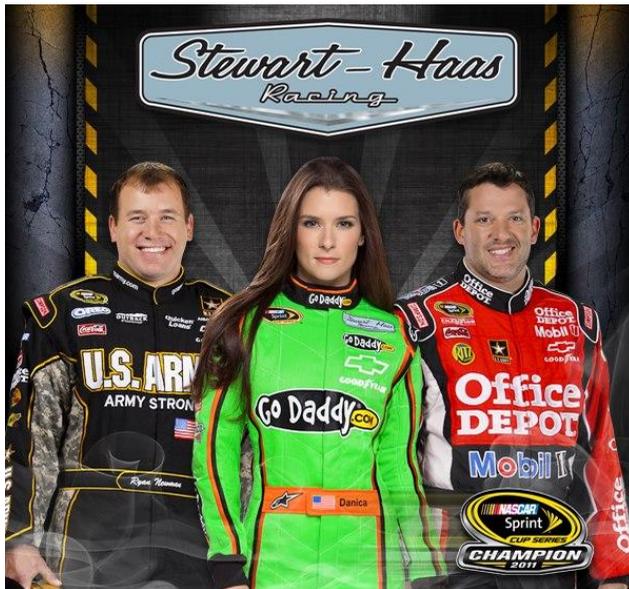
North Carolina Research Campus



Observations

- The David H. Murdock Core Laboratory is a 311,000 sq. ft. building housing five main state of the art laboratories operated by DHMRI: Genomics, Metabolomics, Microscopy, NMR, and Proteomics.
- The laboratory houses many pieces of state of the art equipment, including a Bruker 950-megahertz nuclear magnetic resonance spectrometer - which has the highest commercially available magnetic field strength currently available in the world.
- The two-story, 8-ton NMR machine will significantly enhance key areas of research, such as drug development and nutrition.
- The David H. Murdock Research Institute (DHMRI) was established as a public charity to support groundbreaking research at the North Carolina Research Campus.
- Funded through a private grant by David H. Murdock, the DHMRI will host the world's top talent and resources — and promote a level of scientific collaboration never before possible.

Stewart-Haas Racing



Observations

- Stewart-Haas Racing is a NASCAR Spring Cup Series racing team based in Kannapolis.
 - The team is comprised of three drivers:
 - Danica Patrick and her No. 10 GoDaddy.com Chevrolet SS.
 - Tony Stewart and his No. 14 Bass Pro Shops/Mobil 1 Chevrolet SS.
 - Ryan Newman and his No. 39 Quicken Loans/Outback Steakhouse/Haas Automation Chevrolet SS (leaving after 2013 season).
 - Starting in 2014, the team will replace Newman with Kevin Harvick and his No. 4 Budweiser Chevrolet SS.
 - The team is also adding Kurt Busch and his No. 78 car in 2014, bringing their total to four drivers.
- Stewart-Haas Racing operates out of a 140,000 sq. ft., \$15,000,000 facility, built in 2006, in the Kannapolis Gateway Business Park.
- Stewart-Haas Racing employs over 200 people in the City.

Kannapolis Intimidators



Observations

- The Kannapolis Intimidators are the Class A Level affiliate of the Chicago White Sox.
- In April 2012, Carolinas Medical Center purchased the naming rights to the Intimidator's stadium, adopting the new CMC-NorthEast Stadium name for the upcoming season.
- The team routinely draws over 130,000 fans a year, recording their all time high of 138,487 during the 2011 season.

Uptown Charlotte



Observations

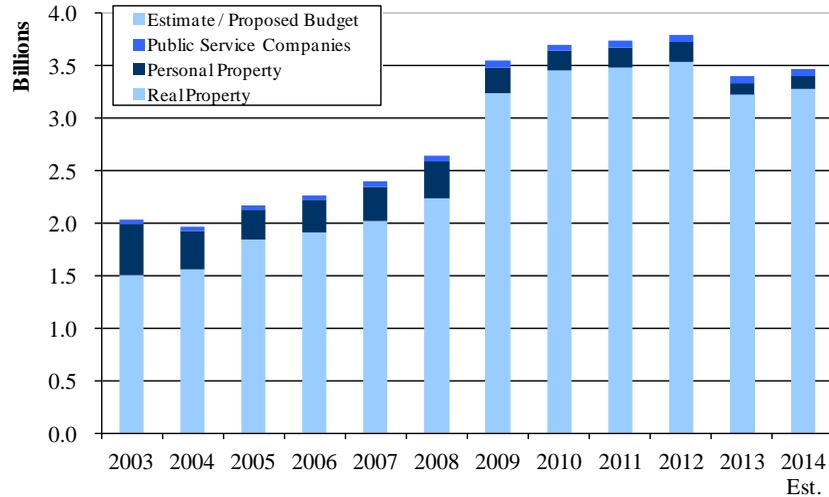
- Uptown Charlotte is just a 30 minute drive from Kannapolis' downtown.
- Hospitality:
 - 11M visitors annually
 - 18 cultural venues
 - 148 restaurants and clubs
 - 103 pro/college sporting events
 - 1,229 cultural performances / year
- Living & Education:
 - 15,000 Uptown & South End residents
 - 8 colleges / universities
- Office:
 - 21M sq. ft. office
 - 41% of County office space
 - 83,000 Uptown employees
- Professional Sports Teams:
 - Carolina Panthers of the NFL
 - Charlotte Bobcats of the NBA
 - Charlotte Knights (AAA affiliate of the Chicago White Sox)
 - Charlotte Checkers (AHL affiliate of the Carolina Hurricanes)



Tax Base Profile

Tax Base Information

Assessed Value



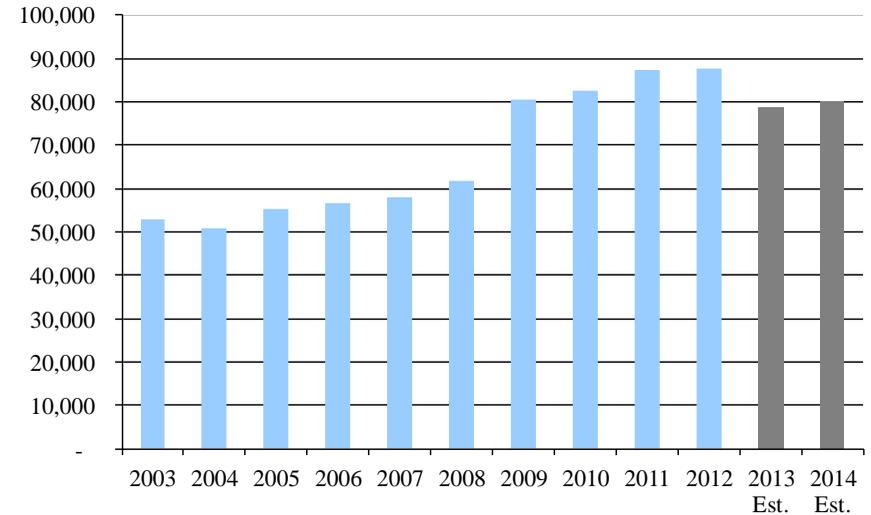
FY	Total AV	Growth
2003	2,027,762,094	
2004	1,969,103,832	(2.9%)
2005*	2,172,102,372	10.3%
2006	2,270,062,374	4.5%
2007	2,400,743,662	5.8%
2008**	2,646,379,276	10.2%
2009*	3,548,661,995	34.1%
2010	3,706,995,227	4.5%
2011	3,737,493,620	0.8%
2012	3,791,828,855	1.5%
2013**	3,405,337,747	(10.2%)
2014 Est.	3,468,844,752	1.9%
Avg Ann. Growth 2003-2013		5.9%

* Revaluation in Rowan County portion of City

**Revaluation in Cabarrus County portion of City

Source: 2012 CAFR/Budget / City Staff

Assessed Value Per Capita



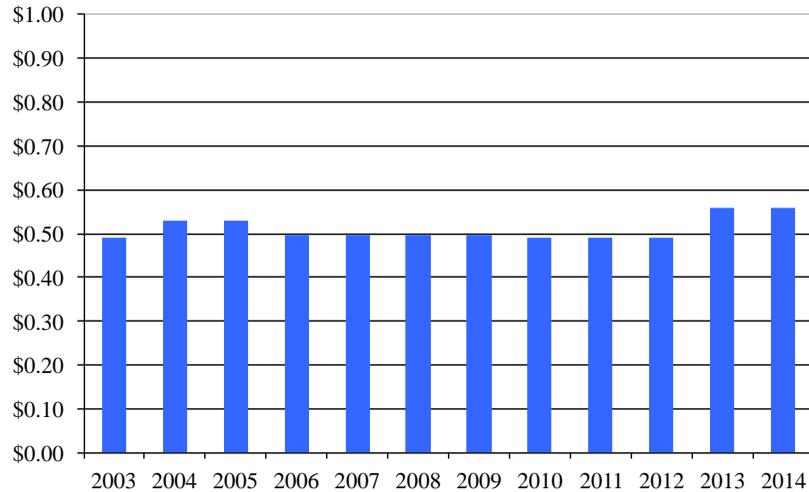
FY	Population	AV Per Capita	Growth
2003	38,248	53,016	
2004	38,679	50,909	(4.0%)
2005	39,187	55,429	8.9%
2006	40,141	56,552	2.0%
2007	41,273	58,167	2.9%
2008	42,806	61,823	6.3%
2009	44,104	80,461	30.1%
2010	44,891	82,578	2.6%
2011	42,828	87,268	5.7%
2012	43,242	87,689	0.5%
2013 Est.	43,242	78,751	(10.2%)
2014 Est.	43,242	80,219	1.9%
Total Growth (2003-2013)			51.3%
Average Annual Growth			4.2%

* Assumes the same population for FY 2013 and FY 2014 based off of the FY 2012 population.

Source: 2012 CAFR

Tax Base Information

Tax Rate



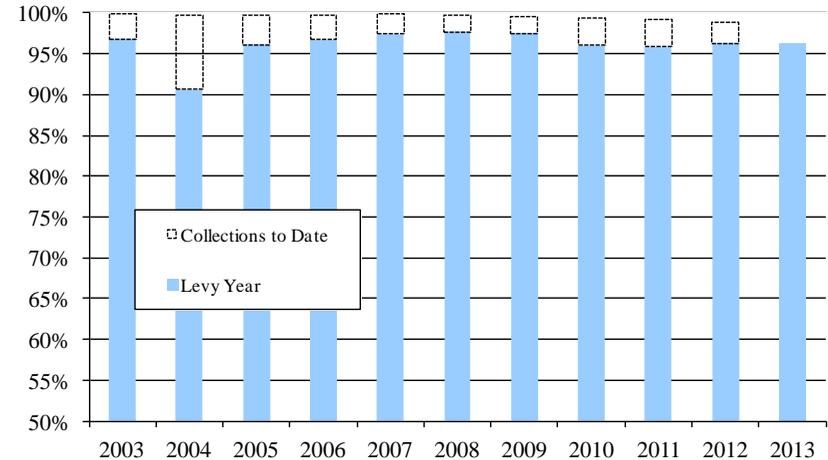
FY	Tax Rate	Growth
2003	\$ 0.490	
2004	\$ 0.530	8.2%
2005*	\$ 0.530	0.0%
2006	\$ 0.497	(6.2%)
2007	\$ 0.497	0.0%
2008**	\$ 0.497	0.0%
2009*	\$ 0.497	0.0%
2010	\$ 0.490	(1.4%)
2011	\$ 0.490	0.0%
2012	\$ 0.490	0.0%
2013*	\$ 0.560	14.3%
2014	\$ 0.560	0.0%

* Revaluation in Rowan County portion of City

**Revaluation in Cabarrus County portion of City

Source: 2012 CAFR / Budget / City Staff

Tax Collection

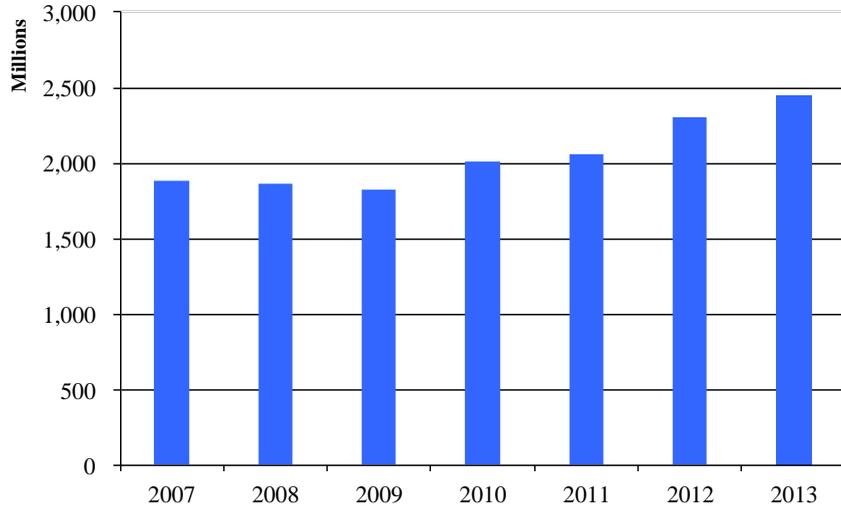


FY	Levy Year	Collections to Date
2003	96.8%	99.8%
2004	90.7%	99.8%
2005	96.1%	99.8%
2006	96.7%	99.8%
2007	97.5%	99.8%
2008	97.7%	99.8%
2009	97.5%	99.6%
2010	96.1%	99.4%
2011	95.9%	99.2%
2012	96.3%	98.9%
2013	96.3%	

Source: 2012 CAFR / City Staff

Tax Base Information

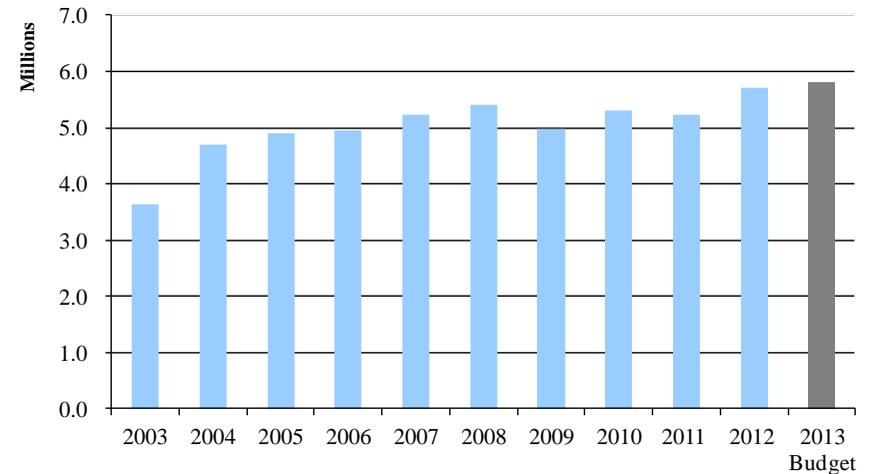
Retail Sales (Cabarrus County)



FY	Retail Sales	Growth
2007	1,882,429,350	
2008	1,860,287,556	(1.2%)
2009	1,823,993,530	(2.0%)
2010	2,007,249,054	10.0%
2011	2,062,851,155	2.8%
2012	2,301,711,988	11.6%
2013	2,446,413,127	6.3%

Source: NC DOR

Sales Tax Revenue (Kannapolis)

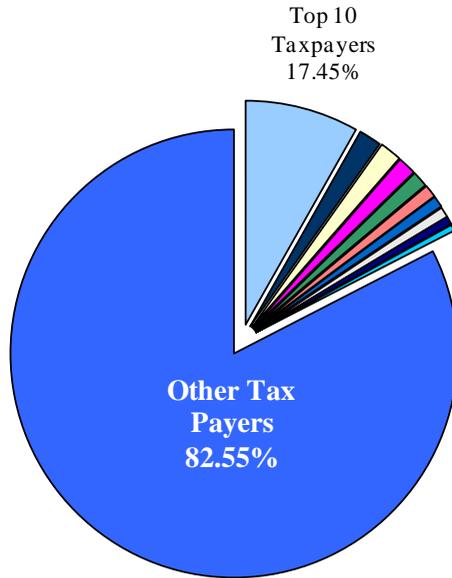


FY	Sales Tax Revenue	Growth
2003	3,634,491	
2004	4,706,518	29.5%
2005	4,901,069	4.1%
2006	4,953,702	1.1%
2007	5,221,276	5.4%
2008	5,412,376	3.7%
2009	4,979,383	(8.0%)
2010	5,308,859	6.6%
2011	5,218,704	(1.7%)
2012	5,697,969	9.2%
2013 Budget	5,800,000	1.8%

Source: City CAFR / Budget

Tax Base Information

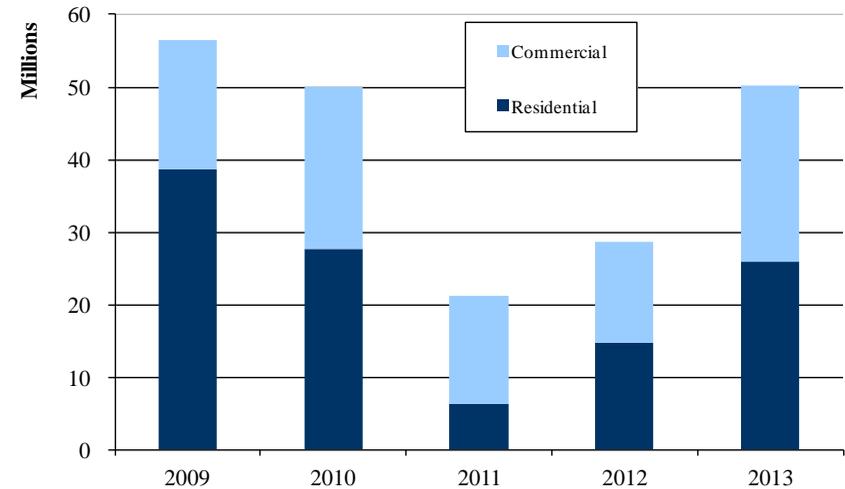
2012 Principal Real Estate Tax Payers



Rank	Company	Business Line	Real Estate Assessed Value	% of City Real Estate
1	Castle & Cooke LLC	Real Estate / Bio Tech	290,340,743	8.21%
2	Atlantic American Properties, Inc. / Club at Irish Creek, LLC	Real Estate	57,983,561	1.64%
3	Trinity of Cabarrus LTD / Shoe Show	Shoe Distribution	55,805,377	1.58%
4	Afton Ridge Joint Venture LLC / CK Afton Ridge Shopping Center	Real Estate	47,140,050	1.33%
5	BNP Paribas Leasing Corp.	Warehousing	40,645,220	1.15%
6	Duke Energy Corporation	Utility	32,545,298	0.92%
7	Integra Spring LLC	Real Estate	29,006,730	0.82%
8	Kellswater	Real Estate	26,629,548	0.75%
9	The Grand in Kannapolis LLC	Real Estate	21,075,510	0.60%
10	Target Corporation	Retail	16,009,847	0.45%
Total			617,181,884	17.45%

Source: 2012 CAFR

Construction Activity



Fiscal Year	Commercial		Residential	
	Permits	Value	Permits	Value
2009	34	17,723,212	405	38,676,547
2010	31	22,466,098	369	27,553,968
2011	29	14,849,799	66	6,303,349
2012	35	13,910,550	164	14,756,882
2013	71	24,285,520	394	25,904,620

Source: Preliminary Official Statement / City Staff

Tax Base Information - Residential

The Farm at Riverpointe



List Price	Sq. Ft.	Sold Date
\$231,265	3250	6/27/2013
\$229,000	2945	6/24/2013
\$244,532	3220	6/21/2013

- The Farm at Riverpointe is a single family neighborhood with most homes in the mid to upper \$200,000s.
- Houses range in size from 1,700 to 3,600 sq. ft. and many include owner improvements.

Whispering Winds



- Homes in Whispering Winds range from 3,200 to 7,000 sq. ft. with lot sizes ranging up to an acre.

Tax Base Information - Residential

Dove Field Homes



- Dove Field Homes consists of single family brick sided homes ranging anywhere from 2,700 to 5,000 sq. ft. on lots up to 2.5 acres.
- Houses here sell for as much as \$1,000,000.

Source: <http://www.kannapolisncrealstateandhomes.com/>

Irish Creek



- Irish Creek is a private community situated on a lakeside golf course, ranked by some as a top residential course in America. Homes here sell anywhere from the \$700,000's to over \$1 million.
- Castle & Cooke Inc., David Murdock's development company that also built the N.C. Research Campus, developed the course and the surrounding residential area.

Source: <http://www.liveatirishcreek.com/club>

Tax Base Information - Residential

Kellswater Bridge



- Homes in Kellswater Bridge range in size from 2,000 to 5,400 sq. ft., have 3 to 6 bedrooms, and have 3 or more bathrooms.
- Houses here sell in the \$200,000s and \$300,000s.

Source: <http://www.kannapolisncrealstateandhomes.com/>

Pine Creek



- Pine Creek is a single family residential neighborhood of custom-built homes.
- The houses in this neighborhood range from 3,400 to 7,000 sq. ft.

Source: <http://www.kannapolisncrealstateandhomes.com/>



Historical Financial Results

North Carolina Local Government Commission



Observations

- Local Government Commission: Debt and Fiscal Management Division
 - Reviews all Audited Financial Statements annually and evaluates revenue, expense, and fund balance trends.
 - Provides due diligence on all debt issuance.
 - Surveillance of all Local Government Debt Service Payments.
 - The N.C. Local Government Commission is authorized by Statute to impound the books and records of any unit of local government and assume full control of all its financials affairs if the unit defaults on any debt service payment or, in the opinion of the Commission, would default on a future debt service payment if the financial policies and practices of the unit are not improved.

- The Council has adopted series of financial policy guidelines, including:
 - A Cash Management and Investment Policy
 - A General Fund Balance Policy:
 - Available fund balances at the close of each fiscal year should be within a range of at least 25% and no more than 33% (13 to 17 weeks) of the Total Annual Operating Budget of the City.
 - Tax Supported Debt Policies:
 - Net debt as a percentage of total assessed value of taxable property should not exceed 2.0%. Net debt is defined as any and all debt that is tax-supported.
 - The ratio of debt service expenditures as a percent of total general fund expenditures should not exceed 15% with an aggregate ten-year principal payout ratio target of 60% or better.
 - The City recognizes the importance of underlying and overlapping debt in analyzing financial condition. The City will regularly analyze total indebtedness including underlying and overlapping debt.
 - Revenue Supported Debt Policies:
 - The City will target a minimum amount of equity funding of 10% of the capital improvement plan on a five-year rolling average.
- All Budget amendments are brought before Council for approval.
- The City Council receives monthly updates on its current financial standing.
- Staff has developed a long-term planning model to review historical revenue/expenditure trends and project future financial performance, including operations and capital.

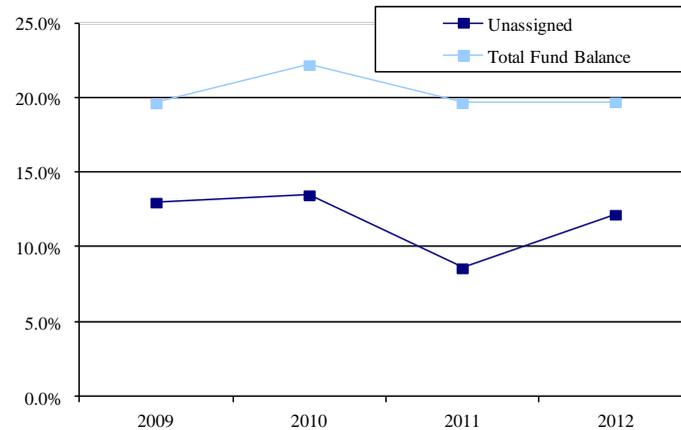
General Fund Operations

	2009	2010	2011	2012	2013 Unaudited	2014 Budget	% Δ
Revenues							
Ad valorem taxes	17,588,594	17,906,657	18,235,726	18,600,124	18,899,000	19,177,768	1.5%
Other taxes and licenses	5,509,034	5,941,643	5,808,168	6,323,969	6,350,750	6,677,500	5.1%
Unrestricted intergovernmental rev.	1,933,339	1,847,688	2,057,674	2,339,851	2,441,000	2,062,000	(15.5%)
Restricted intergovernmental rev.	1,447,495	1,254,544	1,938,484	1,266,297	3,261,781	3,894,040	19.4%
Sales and services	1,204,398	1,194,667	912,170	2,100,728	1,647,628	1,772,219	7.6%
Investment Earnings	46,873	28,719	19,276	5,039	97,000	105,000	8.2%
Miscellaneous	464,024	1,244,924	1,947,405	808,848	261,002	333,000	27.6%
Total revenues	28,193,757	29,418,842	30,918,903	31,444,856	32,958,161	34,021,527	3.2%
Expenditures							
General Government	4,933,918	6,579,122	7,399,483	7,140,935	9,166,962	9,368,346	2.2%
Public safety	11,608,058	10,948,871	11,987,497	11,676,365	12,534,578	13,130,809	4.8%
Public works	6,202,776	5,337,280	6,488,853	5,830,901	3,322,178	3,874,304	16.6%
Community development	777,870	731,061	731,434	671,358	717,115	759,345	5.9%
Parks and recreation	1,502,279	1,339,737	1,443,490	4,473,578	1,537,841	1,729,161	12.4%
Debt Service:							
Principal	3,048,879	3,205,950	2,456,470	2,405,841			0.0%
Interest and other charges	625,942	573,570	627,808	1,735,261			0.0%
Total Debt Service	3,674,821	3,779,520	3,084,278	4,141,102	5,613,187	5,159,562	
Total expenditures	28,699,722	28,715,591	31,135,035	33,934,239	32,891,861	34,021,527	3.4%
Other sources (Uses)							
Transfers In	2,582	806,488	275,191	347,960	-	-	
Transfers Out	(312,775)	(768,614)	(315,656)	(290,960)	-	-	
Proceeds from Financing	-	-	-	3,000,000	-	-	
Total other sources (uses)	(310,193)	37,874	(40,465)	3,057,000	-	-	
Change in Fund Balance	(816,158)	741,125	(256,597)	567,617	66,300	-	
Fund Balance Beginning	6,452,033	5,635,875	6,377,000	6,120,403	6,688,020	6,754,320	
Fund Balance Ending	5,635,875	6,377,000	6,120,403	6,688,020	6,754,320	6,754,320	

Source: City CAFRs / City Staff

General Fund Balance

General Fund Balance as % of Revenues



	2009	2010	2011	2012
General Fund Budget				
Revenues	28,193,757	29,418,842	30,918,903	31,444,856
Expenditures	28,699,722	28,715,591	31,135,035	33,934,239
General Fund Balance				
Reserved*	1,905,420	-	-	-
Unreserved^	3,730,455	-	-	-
Nonspendable	-	403,183	452,932	35,067
Restricted	-	2,100,043	2,990,315	2,517,474
Unassigned	-	3,873,774	2,677,156	4,135,479
Total	5,635,875	6,377,000	6,120,403	6,688,020
General Fund Balance Ratios				
Unassigned as a % of Revenues	13.2%	13.2%	8.7%	13.2%
Unassigned as a % of Expenditures	13.0%	13.5%	8.6%	12.2%
Restricted as a % of Revenues	6.8%	7.1%	9.7%	8.0%
Restricted as a % of Expenditures	6.6%	7.3%	9.6%	7.4%
Total General Fund Balance as a % of Revenues	20.0%	21.7%	19.8%	21.3%
Total General Fund Balance as a % of Expenditures	19.6%	22.2%	19.7%	19.7%

* Prior to GASB 54, considered restricted funds

^ Prior to GASB 54, considered unassigned funds



Employment Profile

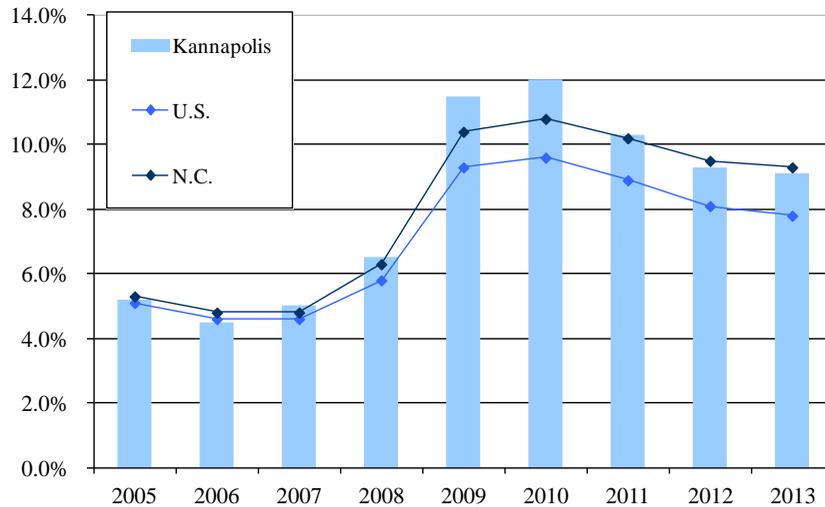
Employment Information



KANNAPOLIS

City of Kannapolis, NC

Unemployment Rate (Kannapolis)

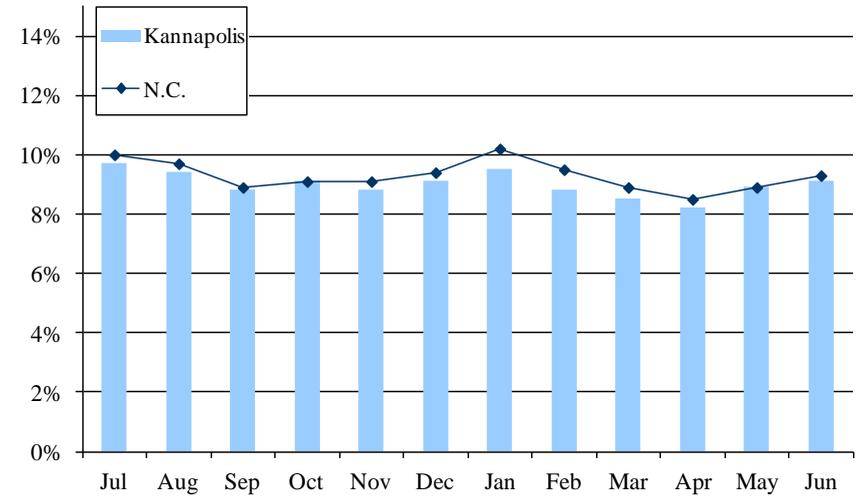


Year	U.S.	N.C.	Kannapolis
2005	5.1%	5.3%	5.2%
2006	4.6%	4.8%	4.5%
2007	4.6%	4.8%	5.0%
2008	5.8%	6.3%	6.5%
2009	9.3%	10.4%	11.5%
2010	9.6%	10.8%	12.0%
2011	8.9%	10.2%	10.3%
2012	8.1%	9.5%	9.3%
2013*	7.8%	9.3%	9.1%
	7.1%	7.9%	8.2%

* 2013 unemployment rate is through June

Source: NC Employment Security Commission

Unemployment Rate – Fiscal Year 2013 (Kannapolis)



Month	Kannapolis	N.C.
Jul 2012	9.70%	10.00%
Aug 2012	9.40%	9.70%
Sep 2012	8.80%	8.90%
Oct 2012	9.10%	9.10%
Nov 2012	8.80%	9.10%
Dec 2012	9.10%	9.40%
Jan 2013	9.50%	10.20%
Feb 2013	8.80%	9.50%
Mar 2013	8.50%	8.90%
Apr 2013	8.20%	8.50%
May 2013	8.90%	8.90%
Jun 2013	9.10%	9.30%

Source: NC Employment Security Commission

Employment Information

Average Employment by Industry (Cabarrus County)

	2012	% Total	2002	% Total	1997	% Total
Private Industry						
Agriculture	106	0.17%	104	0.18%	96	0.20%
Mining	72	0.11%	93	0.16%	71	0.15%
Utilities	0	0.00%	90	0.16%	118	0.24%
Construction	3,042	4.80%	4,089	7.05%	3,740	7.74%
Manufacturing	5,033	7.94%	11,794	20.33%	14,104	29.20%
Wholesale Trade	2,649	4.18%	2,247	3.87%	1,233	2.55%
Retail Trade	10,723	16.92%	8,281	14.28%	6,397	13.24%
Transportation	818	1.29%	1,601	2.76%	1,417	2.93%
Information	475	0.75%	813	1.40%	808	1.67%
Finance	855	1.35%	816	1.41%	869	1.80%
Real Estate	725	1.14%	708	1.22%	536	1.11%
Professional	1,811	2.86%	1,184	2.04%	735	1.52%
Management	1,114	1.76%	1,094	1.89%	119	0.25%
Administrative	5,140	8.11%	2,678	4.62%	2,300	4.76%
Educational Services	732	1.16%	280	0.48%	190	0.39%
Health Care	4,446	7.02%	3,327	5.74%	2,543	5.26%
Recreation, A&E	2,735	4.32%	1,789	3.08%	1,306	2.70%
Hospitality	7,714	12.18%	4,799	8.27%	2,786	5.77%
Other Services	1,757	2.77%	1,481	2.55%	1,189	2.46%
Unclassified	0	0.00%	26	0.04%	0	0.00%

Total Private	49,947	78.83%	47,294	81.53%	40,557	83.95%
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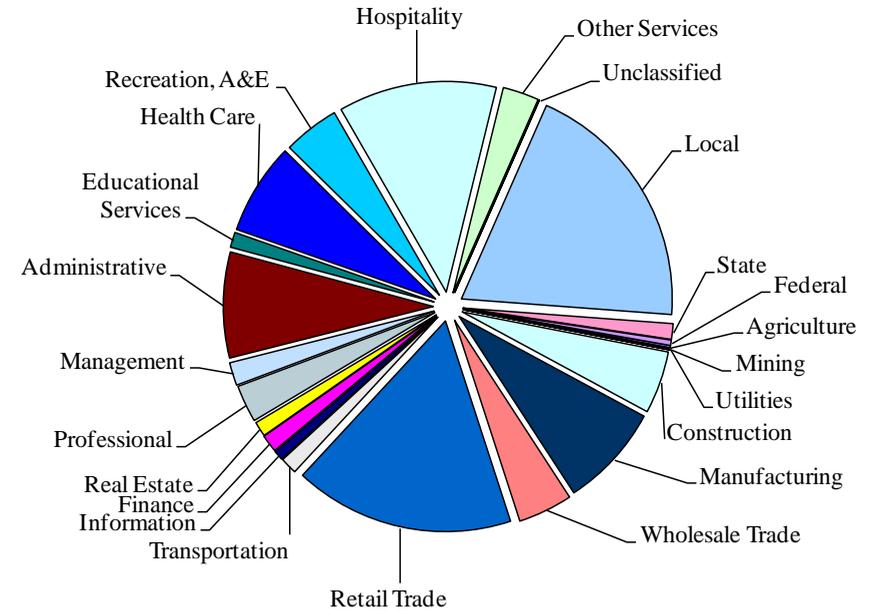
Government

Local	12,398	19.57%	9,734	16.78%	6,784	14.04%
State	754	1.19%	703	1.21%	722	1.49%
Federal	258	0.41%	277	0.48%	246	0.51%
Total Government	13,410	21.17%	10,714	18.47%	7,752	16.05%

Total Employment	63,357		58,008		48,309	
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Source: NC Employment Security Commission

2012 Average Employment by Industry (Cabarrus County)



Source: NC Employment Security Commission

Largest Employers (Kannapolis)

Employer	Service	Employees
Kannapolis City Schools	Education	750
Shoe Show	Shoe Distribution	550
City of Kannapolis	Government	381
Cabarrus County Schools	Education	376
Wayne Brothers	Concrete Contractors	367
Stanley Works	Warehousing	219
Cabarrus Health Alliance	Health Care	218
Food Lion	Grocery	185
Rowan Cabarrus Community College	Higher Education	150
Kannapolis Health Care (Transitional)	Health Care	150

Source: 2012 CAFR

Rowan-Cabarrus Community College



- RCCC Program Overviews:
 - **Associate in Applied Science Programs** –The program offerings in the Associate in Applied Sciences provide education and training in current and emerging careers in our regional service area and beyond.
 - **Transfer Programs** – Rowan-Cabarrus offers transfer programs in three areas: associate in arts, associate in fine arts and associate in science, which are an excellent stepping stone for college.
 - **General Education** – The associate in general education is a degree program designed for students who want additional flexibility in designing a degree program to meet their educational and academic needs.
 - **High School Programs** – Rowan-Cabarrus high school programs, in collaboration with Kannapolis City Schools, Rowan-Salisbury School System, and Cabarrus County Schools provides several opportunities for high school students to get ahead by studying at the college level.
 - **Pre-College Studies** – Pre-College Studies provides instruction for students requiring basic skills education, GED preparation, English as a second language support and education for the intellectually disabled. It is the goal of pre-college studies to help students gain the skills required to be successful in college, in the workplace, and at home.
 - Played a critical role providing former textile workers basic educational classes, including high school equivalency courses, and retraining opportunities.



Economic Development

- The City hosted an Economic Development Summit in 2012 at which the Kannapolis City Council adopted a comprehensive Economic Development Plan.
 - The Economic Development Plan includes numerous short term and long term action strategies:
 - Grow City's tax base, create new job opportunities, retain existing jobs, redefine the City's image, increase property values, retain and create wealth, reduce poverty, strive for long-term economic stability of the community, and promote economic self-sufficiency
- On top of the Economic Development Plan, the City Council has also established the Community Development Commission.
 - The Community Development Commission is a citizens' advisory group that provides input on the City's community development program, including expenditure of funds and community outreach.
- The City employs both a Community Development Program Administrator and a Director of Business & Community Affairs position that oversee the City's economic development efforts.
- The City also maintains an economic development website, ThinkKannapolis.com, that provides an overview of the local business climate for prospective companies and businesses.
- The City has budgeted \$535,638 in FY 14 for Economic Development.
- Other public / private companies that contribute to the City's economic development efforts include:
 - Downtown Kannapolis Inc.
 - The Kannapolis Business Alliance
 - Cabarrus Economic Development
 - RowanWORKS Economic Development

Economic Development Partners



Observations

- Downtown Kannapolis Inc. is a volunteer group of merchants that live, or work in and around downtown Kannapolis who have one goal in common, bringing new stores and events to the downtown area.
- The Kannapolis Business Alliance is a group of small businesses who work together to support each other, grow their businesses, and grow the overall local economy.
- Cabarrus Economic Development responsibly recruits new business and supports existing business in Cabarrus County.
 - Receives \$55,000 annually from the City of Kannapolis.
- RowanWORKS is responsible for addressing the comprehensive economic development goals of Rowan County and its 10 municipalities.
 - Since 2008, despite the recession, this organization has announced projects creating and retaining more than 2,200 jobs and investing \$1.2 billion.
 - Receives \$5,000 annually from the City of Kannapolis.

Commercial Development Corridors



Kannapolis Gateway Business Park



Observations

- Located on an 85-acre tract west of the City and within 1 mile of I-85.
- Construction began with one building in 2003 and has continued to expand.
- The Kannapolis Gateway Business Park includes:
 - A 100,000 sq. ft. building occupied by Novant Health (recent expansion completed in 2009).
 - Stewart-Haas Racing's facility on 26 acres inside the park.
 - Fully leased second speculative building.
 - 12 acre neighborhood retail center.

Castle & Cooke LLC



Observations

- Castle & Cooke were the developers of the North Carolina Research Campus.
- The Real Estate company is the top taxpayer in the city for companies.
- The real estate it manages has an assessed value of over \$290 million, encompassing over 8% of the City's real estate.
- The company manages various types of properties, including:
 - Golf clubs
 - Resorts
 - Residential communities
 - Office development
 - Retail development
 - Manufacturing
 - Among others

Stewart-Haas Racing



Observations

- Stewart-Haas Racing is adding a 100,000 sq. ft. building that will break ground immediately to accommodate the addition of their 4th driver, Kurt Busch.
 - The new race team will add 50 new jobs for the City.
- In addition to Stewart-Haas Racing's 4th team, the new building will also house a high tech manufacturing company.
 - The manufacturing company will add 75 new jobs for the City.

Piedmont Behavioral Healthcare



- PBH opened its new headquarters in Kannapolis in the Spring of 2011.
- PBH's corporate headquarters represented a \$10.3 million investment.
- The new headquarters boasts 69,000 sq. ft., with an additional 10,000 sq. ft. training facility.
- PBH serves individuals needing mental health, intellectual/developmental disability, and substance use/addiction services

Carolinas Medical Center Kannapolis



Carolinas Medical Center Carolinas HealthCare System

- Carolinas Medical Center Kannapolis opened in January of 2012.
- The \$17 million, 26,000 sq. ft. facility is a 24 hour emergency center provides:
 - 24 hour emergency
 - Full-service imaging center with CT scanner and ultrasound
 - Observation beds
 - Laboratory services
 - Outpatient services.

Ei Inc.



- Ei is a product development and manufacturing solutions provider of prescription, over-the-counter, animal health, and therapeutic skin care products.
- Invested in a \$13.2 million expansion of its operations in North Kannapolis in 2012.
- The 165,000 sq. ft. expansion created 119 jobs, now employing 200 people in the state of North Carolina.

Integra Springs at Kellswater



- Integra Springs at Kellswater is a \$35 million, 312-unit apartment community that began construction in early 2010.
- Integra Springs encompasses 19 buildings on 20 acres.
- Apartments range in size from 858 to 1,238 sq. ft. and offer upscale amenities.

Wayne Brothers Inc.



- Headquartered in Kannapolis, Wayne Brothers employs over 350 people in the state.
- Wayne Brothers specializes as skilled concrete and site development contractors.
- Wayne Brothers has been contracted for numerous projects in Kannapolis and the surrounding areas.

Shoe Show



- Shoe Show was founded in 1960 in Kannapolis and has since grown to 1,126 locations in 38 states, becoming the nation's largest private shoe retailer.
- Shoe Show recently undertook a \$22.7 million project to install 1 million sq. ft. of solar panels on the roof of its distribution center in Kannapolis.
- Shoe Show has the third highest real estate assessed value in the City, over \$55 million and employs the second highest number of people at 550.

Afton Ridge



- Afton Ridge is a mixed use development located just outside the City along I-85.
- Valued at \$160 million, Afton Ridge is anticipated to grow to 2.5 million sq. ft. by combining retail with office and industrial space.
- Afton Ridge includes:
 - A 475,000 sq. ft. shopping center with the only Super Target in Cabarrus County
 - A 200,000 sq. ft. distribution center built in 2011 for \$11.8 million, adding 66 new jobs
- The Afton Ridge Shopping Center is owned and operated by CB Richard Ellis.

Northlite Shopping Center



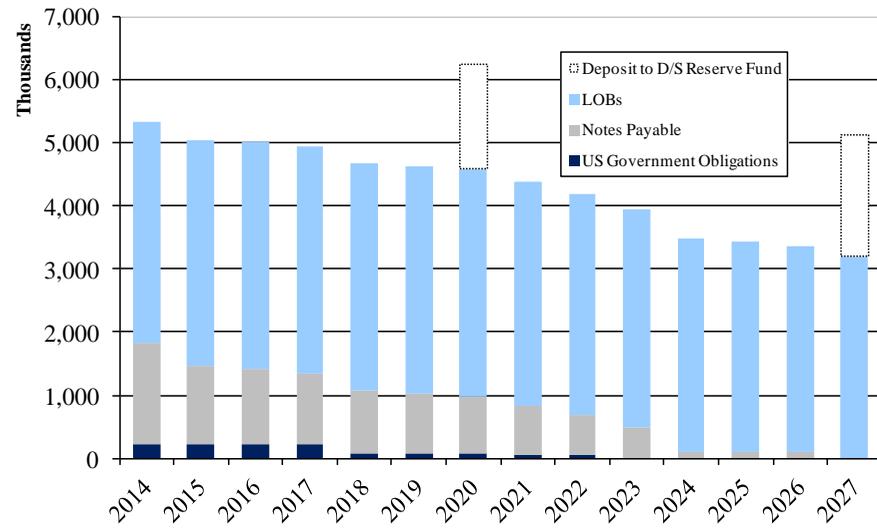
- Located on a 110-acre site, just outside the City, in the rapidly expanding Kannapolis and Concord market.
- Conveniently positioned in close proximity to the North Carolina Research Campus, Concord Convention Center, and Lowe's Motor Speedway.
- Home to 17 national retailers and has nearly 720,000 square feet of commercial space.
- Tenants include:
 - Wal-Mart Supercenter
 - Sam's Club
 - Kohl's
 - Lowe's Home Improvement



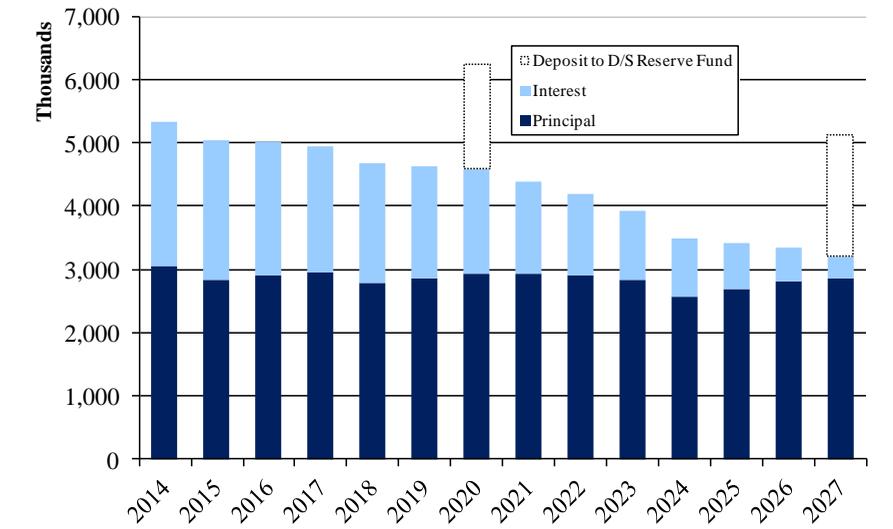
Existing Tax-Supported Debt

Existing Tax Supported Debt Service

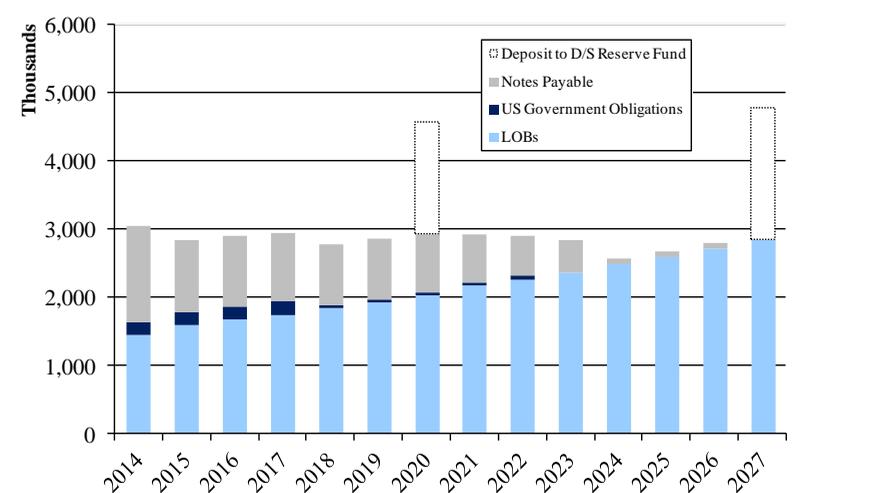
Debt Service by Type



Debt Service



Principal by Type



- Outstanding Tax Supported Debt*:

■ LOBs	33,125,000
■ US Government Obligations	1,006,000
■ <u>Notes Payable</u>	<u>9,171,053</u>
Total	43,302,053

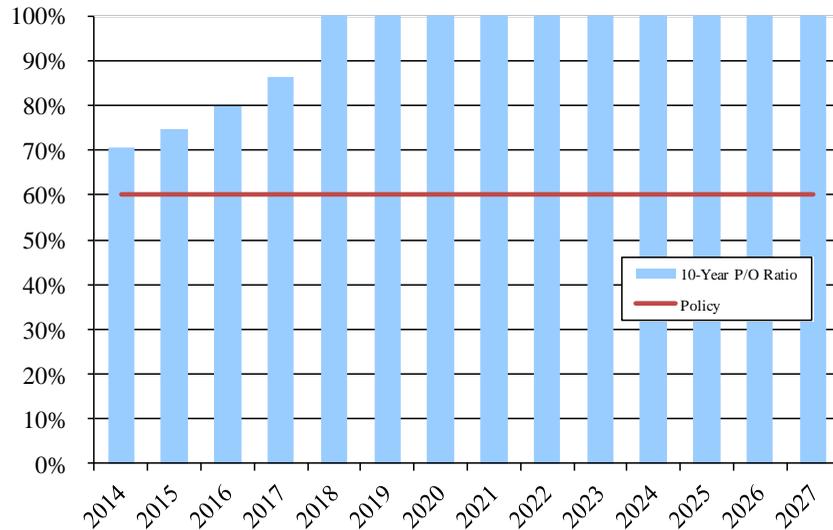
**Estimated as of 6/30/2013*

- Includes a Debt Service Reserve Fund Deposit of \$1,649,842 for the 2012A LOBs and a Deposit of \$1,931,000 for the 2010B LOBs.

- Excludes City's 0% note payable with annual installments of \$62,5000 through 2061.

Payout Ratio

10-Year Payout Ratio



- FY 2014: 70.5%
- The City has a financial policy establishing a Payout Ratio target of 60% or better.

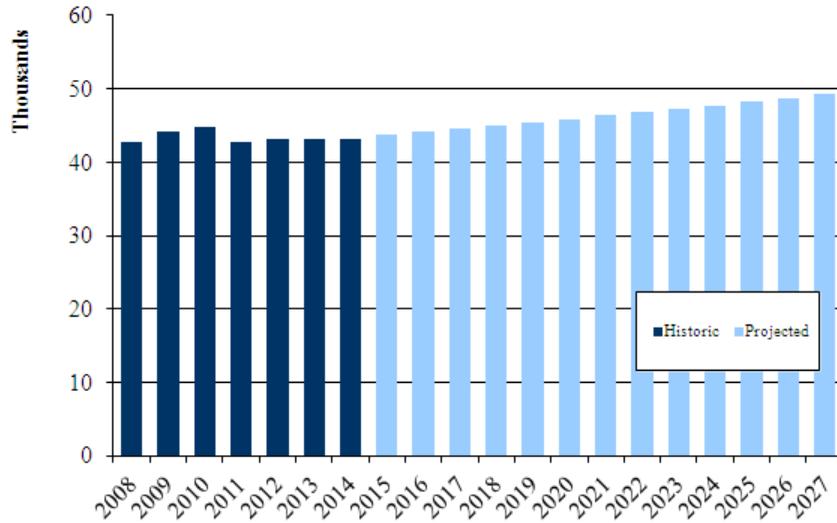
Note: Graph and chart are shown including Debt Service Reserve Fund Deposits and excluding note payable through 2061.

Tax-Supported Debt Service

FY	Principal	Interest	Total	10-Year P/O Ratio
Total	43,302,053	20,336,689	63,638,742	
2014	3,029,283	2,290,491	5,319,774	70.5%
2015	2,831,983	2,205,490	5,037,473	74.6%
2016	2,902,096	2,113,799	5,015,895	79.8%
2017	2,938,943	2,002,501	4,941,444	86.2%
2018	2,764,045	1,891,329	4,655,374	100.0%
2019	2,844,008	1,777,938	4,621,946	100.0%
2020	4,568,297	1,660,261	6,228,557	100.0%
2021	2,918,905	1,456,324	4,375,229	100.0%
2022	2,888,777	1,281,263	4,170,040	100.0%
2023	2,822,796	1,102,840	3,925,635	100.0%
2024	2,554,307	921,875	3,476,182	100.0%
2025	2,674,307	738,644	3,412,952	100.0%
2026	2,794,307	546,678	3,340,985	100.0%
2027	4,770,000	347,256	5,117,256	100.0%

Existing Debt Ratios

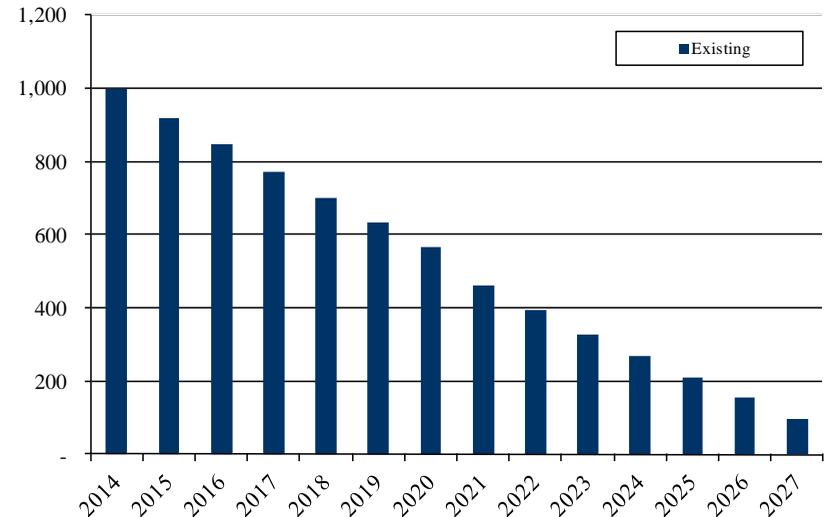
Population Assumptions



- 5-year average growth: 0.09%
- 10-year average growth: 1.12%
- Assumed growth: 1.00%

Note: Graphs are shown including Debt Service Reserve Fund Deposits and excluding note payable through 2061.

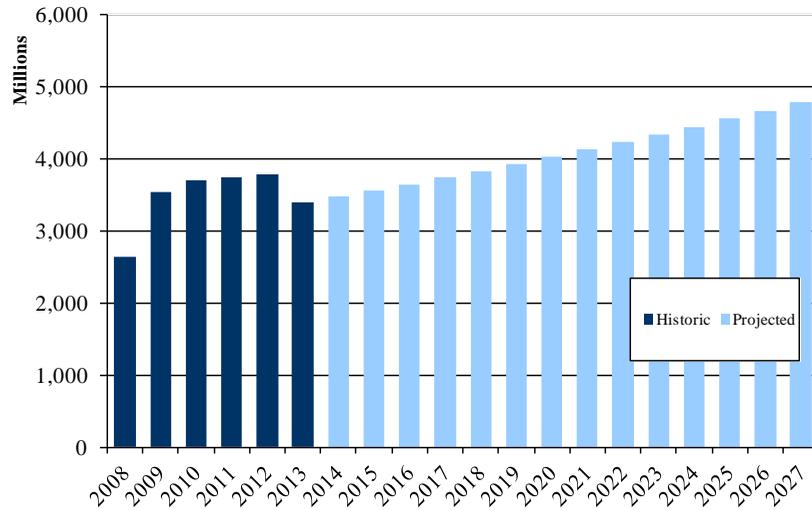
Debt Per Capita



- FY 2014: \$997

Existing Debt Ratios

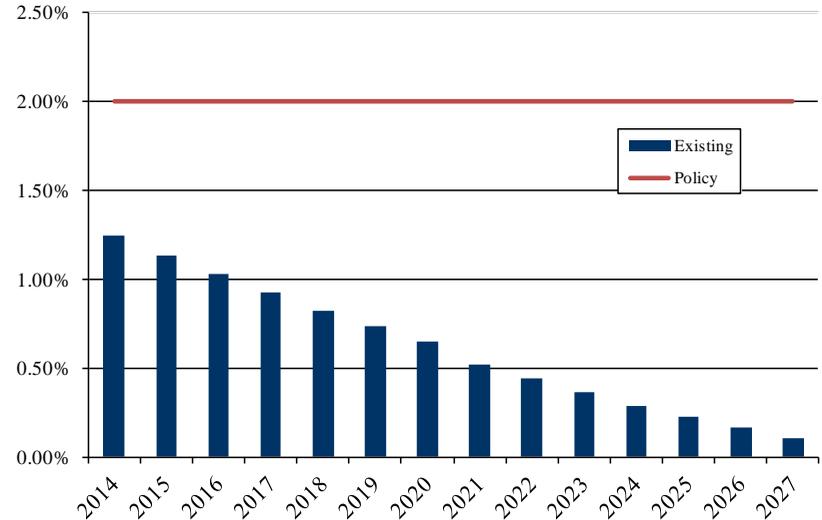
Assessed Value Assumptions



- 5-year average growth: 5.17%
- 10-year average growth: 5.83%
- Assumed natural growth:
 - FY 2015 and Beyond 2.00%

Note: Graphs are shown including Debt Service Reserve Fund Deposits and excluding note payable through 2061.

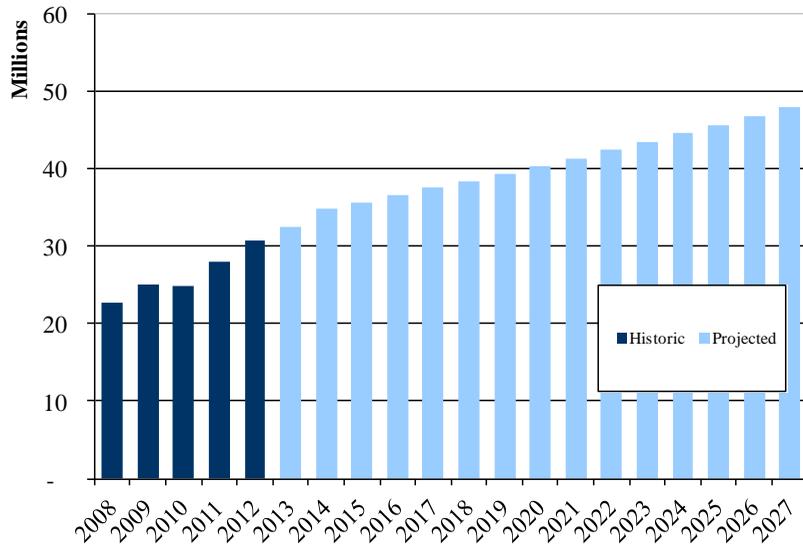
Debt to Assessed Value



- FY 2014: 1.25%
- The City has a financial policy establishing a maximum Debt to Assessed Value of 2.00%.

Existing Debt Ratios

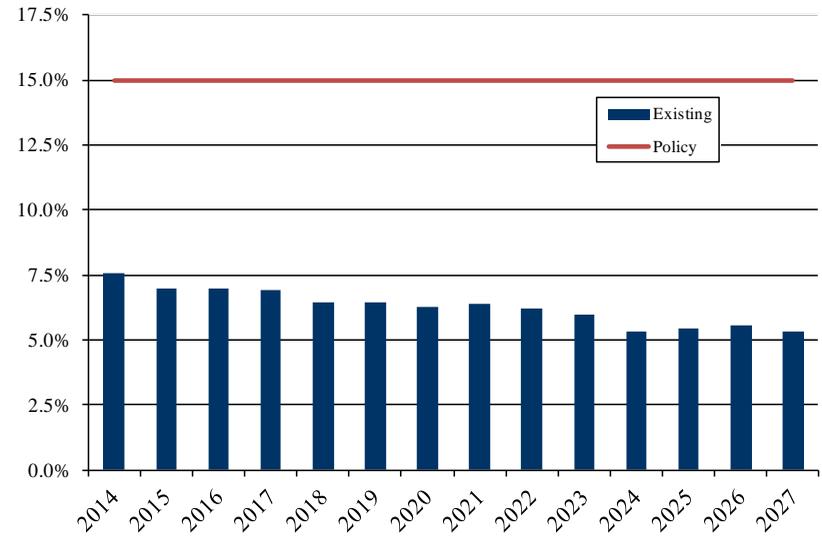
Governmental Expenditure Assumptions



- 5-year average growth: 7.45%
- 10-year average growth: 6.93%
- Assumed growth:
 - FY 2013 Budget Growth 5.40%
 - FY 2014 Budget Growth 7.30%
 - FY 2015 and Beyond 2.50%

Note: Graphs are shown net of Debt Service Reserve Fund Deposits and note payable through 2061.

Debt Service vs. Expenditures



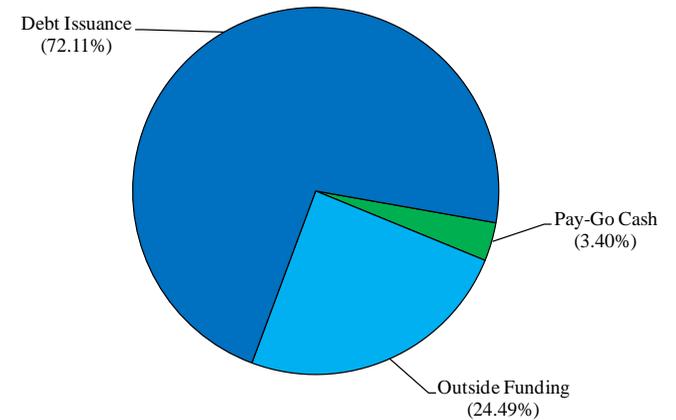
- FY 2014: 7.50%
- The City has a financial policy establishing a maximum Debt Service to Expenditures of 15%.

General Fund CIP

Sources:	2014	2015	2016	2017	2018	Total
Pay-Go Cash	471,900	135,000	-	612,900	45,000	1,264,800
Outside Funding	-	540,000	-	4,830,400	3,744,000	9,114,400
Debt Issuance	-	16,054,500	3,200,000	3,043,895	4,534,000	26,832,395
Total	471,900	16,729,500	3,200,000	8,487,195	8,323,000	37,211,595

Uses	2014	2015	2016	2017	2018	Total
Dump Truck Replacement S-4	101,900	-	-	-	-	101,900
Fuel Tank Storage	120,000	-	-	-	-	120,000
Financial Software Replacement	250,000	-	-	-	-	250,000
Police Headquarters	-	16,054,500	-	-	-	16,054,500
Roxie Street Traffic Improvements	-	675,000	-	-	-	675,000
Fire Station #2 (Replacement)	-	-	3,200,000	-	-	3,200,000
Bakers Creek Park Improvements	-	-	-	810,000	-	810,000
Oakwood Avenue Sidewalk	-	-	-	944,795	-	944,795
Fisher Street Sidewalk	-	-	-	1,863,000	-	1,863,000
Village Park Phase 3	-	-	-	850,000	-	850,000
Fire Engine E-33	-	-	-	472,500	-	472,500
Rocky River Greenway	-	-	-	1,750,000	-	1,750,000
Dump Truck Replacement (S-5)	-	-	-	101,900	-	101,900
North Bakers Creek Branch Greenway	-	-	-	1,000,000	-	1,000,000
Downtown Signal Replacement	-	-	-	480,000	-	480,000
Water Rescue Equipment	-	-	-	35,000	-	35,000
Tanker Truck (Station #2)	-	-	-	180,000	-	180,000
Regional Radio System Upgrade (Ph.2)	-	-	-	-	1,000,000	1,000,000
Irish Buffalo Creek Greenway (Phase 1)	-	-	-	-	2,268,000	2,268,000
Bethpage Road Sidewalk	-	-	-	-	2,330,000	2,330,000
Westside Land Acquisition	-	-	-	-	2,500,000	2,500,000
D.E. Blvd. Sidewalk - Phase 2	-	-	-	-	225,000	225,000
Total	471,900	16,729,500	3,200,000	8,487,195	8,323,000	37,211,595

Sources



Planned Capital Debt



- The City is currently in the process of designing / engineering for a \$20 million City Hall and Police Headquarters to be built at the North Carolina Research Campus.
- The City will utilize a design-build construction approach with a Guaranteed Maximum Price construction contractor.
- The City Hall / Police Headquarters will be located directly across the NCRC grounds from the Core Laboratory.
- The land for the project was donated by David Murdock.





Utility Fund

Water System

- The City operates three raw water sources, as well as interconnections from two other cities:
 - Kannapolis Lake
 - Captures water from over 10 square miles of watershed.
 - Contains approximately 1.35 billion gallons of water.
 - Lake Don T. Howell
 - Second Creek
 - City of Salisbury
 - City of Concord
- The City's water system consists of two raw water pump stations, a 15 million gallon per day (MGD) water treatment plant, five elevated storage tanks and approximately 310 miles of water transmission and distribution lines.
- Average Daily Water Consumption of 4 MGD.
- Kannapolis and Concord received a state approved interbasin transfer of 10 MGD of water from the Yadkin River and 10 MGD from the Catawba River.
 - This is anticipated to meet the City's water supply for at least the next 30 years.
- The City has also partnered with Concord and Albemarle on the Albemarle Waterline Interconnect.

Wastewater System

- The City participates in the Water and Sewer Authority of Cabarrus County, which owns and operates the Rocky River Regional Wastewater Treatment Plant wastewater treatment plant.
 - The treatment plant has a current capacity of 26.5 MGD.
 - Average Daily Flow of 16 MGD.
- The City's Sewer System consists of approximately 325 miles of sewer collection lines and 14 sewer pump stations.

Source: Feasibility Study

Historical and Projected Flow Statistics

Water

	Fiscal Year	Billed Accounts	Percent Growth	Annual Consumption (Gallons)	Percent Growth
Historical	2009	16,926		1,095,348,065	
	2010	16,783	-0.85%	1,066,617,958	-2.62%
	2011	16,957	1.03%	1,109,690,962	4.04%
	2012	16,770	-1.10%	1,070,014,012	-3.58%
	2013	16,966	1.17%	1,071,714,532	0.16%
<i>Cmpd. Growth ('09-'13)</i>			<i>0.06%</i>		<i>-0.54%</i>
Projected	2014	16,976	0.06%	1,072,346,231	0.06%
	2015	16,986	0.06%	1,072,977,930	0.06%
	2016	16,996	0.06%	1,073,609,630	0.06%
	2017	17,006	0.06%	1,074,241,329	0.06%
	2018	17,016	0.06%	1,074,873,028	0.06%
<i>Cmpd. Growth ('14-'18)</i>			<i>0.06%</i>		<i>0.06%</i>

Source: Feasibility Study

Wastewater

	Fiscal Year	Billed Accounts	Percent Growth	Annual Consumption (Gallons)	Percent Growth
Historical	2009	15,406		842,461,012	
	2010	15,334	-0.46%	854,019,308	1.37%
	2011	15,518	1.19%	878,418,510	2.86%
	2012	15,387	-0.84%	882,132,729	0.42%
	2013	15,600	1.38%	886,716,610	0.52%
<i>Cmpd. Growth ('09-'13)</i>			<i>0.31%</i>		<i>1.29%</i>
Projected	2014	16,976	0.06%	887,285,033	0.06%
	2015	16,986	0.06%	887,853,457	0.06%
	2016	16,996	0.06%	888,421,880	0.06%
	2017	17,006	0.06%	888,990,303	0.06%
	2018	17,016	0.06%	889,558,726	0.06%
<i>Cmpd. Growth ('14-'18)</i>			<i>0.06%</i>		<i>0.06%</i>

Source: Feasibility Study

Largest Customers



Water

Rank	Customer	Usage (Gallons)	Billed Revenue	% of Total Revenues
1	Town of Landis	75,029,000	\$ 213,894	3.11%
2	City of Concord	64,903,400	\$ 105,803	1.54%
3	The Grand in Kannapolis LLC	10,236,700	\$ 73,314	1.06%
4	Castle & Cooke	13,066,400	\$ 69,877	1.01%
5	7850 Company LLC	10,802,400	\$ 66,397	0.96%
6	Integra Spring at Kellswater	6,723,000	\$ 56,680	0.82%
7	The Ridges	5,837,400	\$ 45,994	0.67%
8	Carolina Affordable Housing	6,140,900	\$ 40,505	0.59%
9	David H Murdock Core Lab Build	5,607,700	\$ 30,354	0.44%
10	Cabarrus Investors LLC	4,362,500	\$ 29,029	0.42%
Total of Top 10		202,709,400	\$ 731,847	10.63%
Total Water Revenues FY 2013			\$ 6,885,302	

Wastewater

Rank	Customer	Usage (Gallons)	Billed Revenue	% of Total Revenues
1	Castle & Cooke	12,926,800	\$ 68,558	1.27%
2	7850 Company LLC	10,802,400	\$ 62,360	1.16%
3	The Grand in Kannapolis LLC	7,971,600	\$ 53,239	0.99%
4	Integra Spring at Kellswater	6,723,000	\$ 47,397	0.88%
5	The Ridges	5,596,300	\$ 38,780	0.72%
6	Carolina Affordable Housing	6,140,900	\$ 37,198	0.69%
7	David H Murdock Core Lab Build	5,607,700	\$ 29,766	0.55%
8	Drye Co David	4,276,500	\$ 29,505	0.55%
9	West Green Apts	4,260,000	\$ 27,138	0.50%
10	Rowan County Housing	4,011,000	\$ 25,864	0.48%
Total of Top 10		68,316,200	\$ 419,805	7.78%
Total Water Revenues FY 2013			\$ 5,396,550	

Source: Feasibility Study

Source: Feasibility Study

Existing Rates and Comparison

Existing Rates

Existing Rates - Water

Description	Inside City	Outside City
Base Monthly Charge	\$ 6.95	\$ 8.15
Volumetric Rates Per 1,000 Gal. - Residential:		
0 to 7,000 Gallons Per Month	\$ 5.75	\$ 6.90
Over 7,000 Gallons Per Month	\$ 6.04	\$ 7.25
Volumetric Rates Per 1,000 Gal. - Commercial:		
0 to 7,000 Gallons Per Month	\$ 5.75	\$ 6.90
Over 7,000 Gallons Per Month	\$ 5.75	\$ 6.90
Volumetric Rates Per 1,000 Gal. - Irrigation		
0 to 7,000 Gallons Per Month	\$ 6.04	\$ 7.25
Over 7,000 Gallons Per Month	\$ 6.04	\$ 7.25
Unmetered Service	\$ 47.20	\$ 56.64

Existing Rates - Wastewater

Description	Inside City	Outside City
Base Monthly Charge	\$ 3.80	\$ 3.80
Volumetric Rates Per 1,000 Gal. - Residential:	\$ 5.65	\$ 5.65
Unmetered	\$ 43.35	\$ 43.35

Source: Feasibility Study

Cost of Service Comparison

Rate Comparison with Neighboring Utility Systems⁽¹⁾

Description	Water	Wastewater	Total
City of Kannapolis			
Existing Rates - FY 2014	\$ 41.45	\$ 37.70	\$ 79.15
Neighboring Utility Systems:⁽²⁾			
Albemarle	\$ 20.40	\$ 19.16	\$ 39.56
Kings Mountain	\$ 25.28	\$ 29.17	\$ 54.45
Hickory	\$ 23.53	\$ 31.33	\$ 54.86
Statesville	\$ 21.21	\$ 33.75	\$ 54.96
Lexington	\$ 23.07	\$ 36.97	\$ 60.04
Harrisburg	\$ 33.74	\$ 31.88	\$ 65.62
Gastonia	\$ 27.70	\$ 38.61	\$ 66.31
Concord	\$ 34.52	\$ 35.13	\$ 69.65
Salisbury	\$ 31.94	\$ 42.53	\$ 74.47
High Point	\$ 28.04	\$ 47.32	\$ 75.36
Mooresville	\$ 33.00	\$ 47.07	\$ 80.07
Thomasville	\$ 36.46	\$ 48.50	\$ 84.96
Average of Neighboring Systems	\$ 28.24	\$ 36.79	\$ 65.03

(1) Assumes a single-family residential customer within incorporated limits with a 5/8 X 3/4-inch water meter using 6,000 gallons of combined service per month.

(2) The rates utilized for the other neighboring utilities shown were in effect as of July 2013 as reported by each respective local government (if available) or as reported by the University of North Carolina Environmental Finance Center.

Source: Feasibility Study

- **History of Rate Changes**

- Water and Sewer System:

- Kannapolis has not increased the volumetric rate component since the Fiscal Year ended June 30, 2006.
 - Base monthly charges for water service inside the City were raised:
 - \$1.35 in each of the Fiscal Years ended June 30, 2011 and 2012.
 - The City did not increase rates in the Fiscal Year ending June 30, 2013.
 - \$0.95 in the Fiscal Year ending June 30, 2014.
 - A total increase of 101.5% in the last four years.

- **Projected Rate Changes**

- Water and Sewer System:

- No anticipated rate changes for the next four fiscal years.

Historical		Projected	
Fiscal Year	Rate Increase	Fiscal Year	Rate Increase
2011	\$1.35	2015	\$0.00
2012	\$1.35	2016	\$0.00
2013	\$0.00	2017	\$0.00
2014	\$0.95	2018	\$0.00
Total Increase	101.5%	Total Increase	0.0%



Albemarle Waterline Interconnect

- Due to the loss of numerous industrial customers from their wastewater system, Albemarle now has excess treated water capacity and has extended partnerships to both the Cities of Kannapolis and Concord.
 - The partnership will construct approximately 84,000 feet of water line from Albemarle to Concord.
 - Separate agreements between Concord and Kannapolis will send approximately 37.50% of the water to Kannapolis via existing or slightly modified connections between the two cities.
- Also associated with the partnership project is the construction of two water booster stations, a ground storage tank, and approximately 12,000 feet of 24-inch line needed to access an existing elevated storage tank that is currently part of Concord's distribution system.
 - The existing elevated storage tank will act as the control point for the water entering Concord's distribution system that will allow flows to be redirected to Kannapolis.
- Construction of the water line interconnect and associated facilities will be managed by Concord and will take approximately two years.

Meter Replacement Program

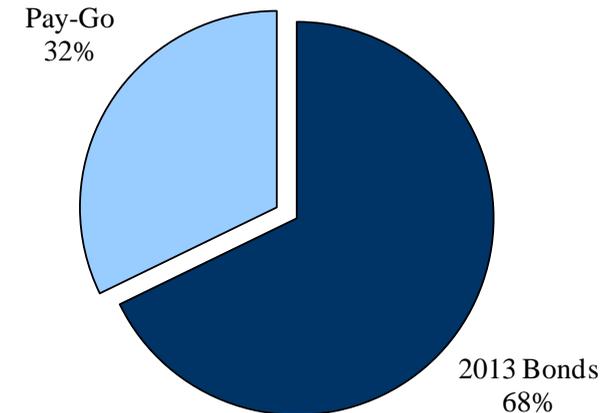
- A portion of the proceeds from the Series 2013 Bonds will be used to fund the City's meter replacement program.
 - Based upon information provided by the City, water losses would be reduced by 50% which would bring total water losses down from 19.42% to approximately 9.71%.
- The total current water loss is 257,503,000 gallons annually which represents 257,503 billing units and the City anticipates recapturing or gaining 50% of this amount in billed revenue for both water and sewer.
- The City estimates that the annual water and sewer revenue gains will be approximately \$695,000 and \$682,000, respectively, based on a unit rate between \$5.30 and \$5.40 per 1,000 gallons.

Source: Feasibility Study

Capital Improvement Plan

Description	Projected For Fiscal Year Ending June 30:					Total CIP
	2014	2015	2016	2017	2018	
Projected Capital Expenditures						
1 Albemarle Water Interconnect	\$ 10,494,985	\$ -	\$ -	\$ -	\$ -	\$ 10,494,985
2 Irish Buffalo Creek Sewer	916,080	-	-	-	-	916,080
3 Water Meter Replacement	5,963,228	-	-	-	-	5,963,228
4 Kannapolis Lake Dam Intake & Clearwell Project	706,388	-	-	-	-	706,388
5 W-6 Dump Truck Replacement	102,000	-	-	-	-	102,000
6 Moose Rd. Water Main	250,000	-	-	-	-	250,000
7 Lady's Funeral Home Sewer Replacement	124,800	-	-	-	-	124,800
8 Filter #2 Rehab	213,000	-	-	-	-	213,000
9 Summit Ridge Sewer	-	-	1,270,000	-	-	1,270,000
10 Sewer Rehab CW3-A	-	-	2,200,000	-	-	2,200,000
11 Mooresville Road Watermain	-	-	1,420,000	-	-	1,420,000
12 CMU/Davidson Rd. Improvements	-	-	1,000,000	-	-	1,000,000
13 Vehicle & Equipment Replacement	-	500,000	500,000	500,000	500,000	2,000,000
14 TOTAL-ALL CAPITAL PROJECTS	\$ 18,770,481	\$ 500,000	\$ 6,390,000	\$ 500,000	\$ 500,000	\$ 26,660,481

Estimated Sources of Funding

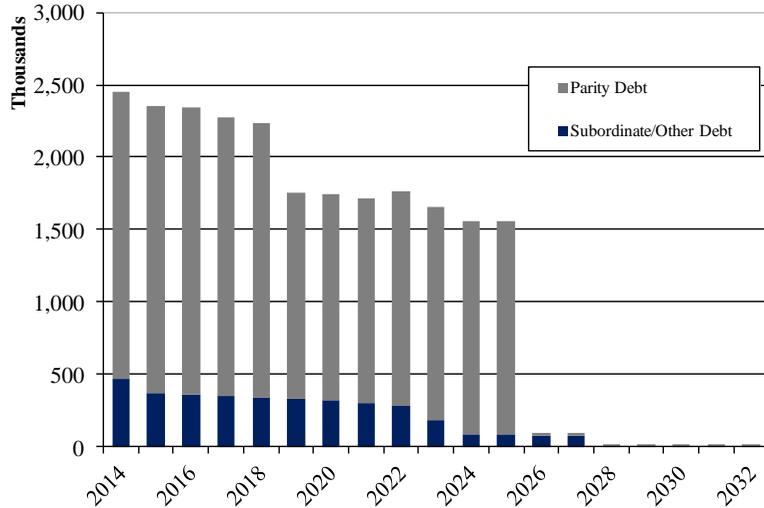


Estimated Sources of Funding						
15 Revenues From Water Operations	\$ 514,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 1,514,000
16 Revenues From Sewer Operations	175,800	250,000	250,000	250,000	250,000	1,175,800
17 Existing Capital Reserves	-	-	-	-	-	-
18 Series 2013 Revenue Bonds	18,080,681	-	-	-	-	18,080,681
19 Future Borrowing-FY 2015	-	-	-	-	-	-
20 Future Borrowing-FY 2016	-	-	5,890,000	-	-	5,890,000
21 Future Borrowing-FY 2017	-	-	-	-	-	-
22 Future Borrowing-FY 2018	-	-	-	-	-	-
23 TOTAL-ALL CAPITAL PROJECTS	\$ 18,770,481	\$ 500,000	\$ 6,390,000	\$ 500,000	\$ 500,000	\$ 26,660,481

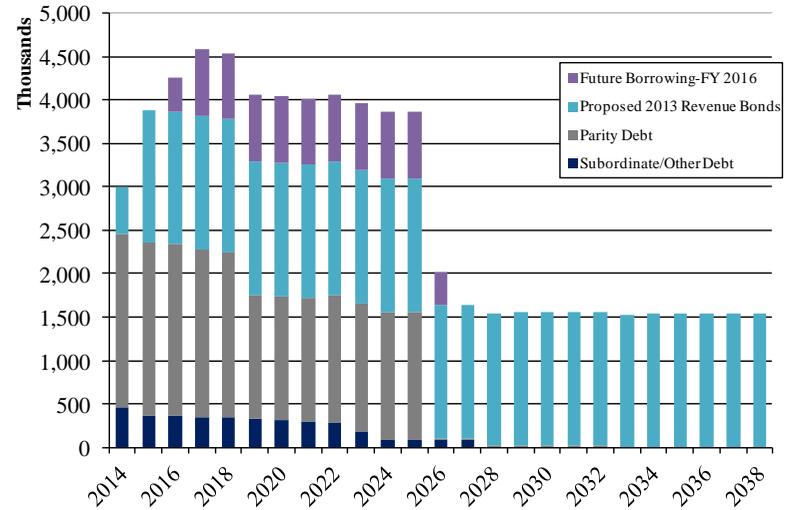
Source: Feasibility Study

Existing and Projected Debt Service

Existing Debt Service (by Type)



Projected Debt Service (by Type)



- Outstanding Utility Fund Debt*:
 - Parity Debt 16,937,265
 - Subordinate/Other Debt 3,624,537
 - Total 19,975,268

*Estimated as of 6/30/2013

- Projected Revenue Bond Issues
 - Series 2013 Bonds: 19,540,000
 - 25-year level debt service 5,890,000
 - Future Borrowing-FY 2016: 5,890,000
 - 10-year level debt service

Source: City CAFRs / LGC Bond Ledger / Feasibility Study

Historical Operating Results (FY 2009-13)

Description	Projected For Fiscal Year Ending June 30:				
	2009	2010	2011	2012	2013 ⁽¹⁾
Operating Revenues:					
1 Charges for Service	\$ 11,056,990	\$ 11,182,099	\$ 12,385,404	\$ 12,373,324	\$ 12,673,808
2 Water and Sewer Taps	690,760	599,283	444,567	419,868	562,850
3 Other Operating Revenues	302,373	364,897	304,660	833,769	360,883
4 Total Operating Revenues	\$ 12,050,123	\$ 12,146,279	\$ 13,134,631	\$ 13,626,961	\$ 13,597,541
Operating Expenses:					
5 Administration	\$ 880,155	\$ 815,281	\$ 785,479	\$ 756,152	\$ 556,298
6 Distribution	2,085,489	1,819,363	1,925,831	1,920,432	1,929,846
7 Filter Plant	2,108,658	1,845,122	1,972,723	1,983,948	1,859,353
8 General Services	401,052	358,145	269,367	1,495,386	1,000,000
9 Sewage Treatment	2,403,111	2,658,012	2,547,047	2,666,682	2,693,521
10 Depreciation and Amortization	2,336,553	2,344,777	2,343,818	2,774,409	2,351,167
11 Total Operating Expenses	\$ 10,215,018	\$ 9,840,700	\$ 9,844,265	\$ 11,597,009	\$ 10,390,185
12 Operating Income (Loss)	\$ 1,835,105	\$ 2,305,579	\$ 3,290,366	\$ 2,029,952	\$ 3,207,356
Non-Operating Revenues (Expenses):					
13 Gain on Disposal of Assets	\$ -	\$ -	\$ -	\$ -	\$ 603,847
14 Interest Earned on Investments	206,280	139,109	143,286	35,550	2,851
15 Interest and Fees on Long-Term Debt	(1,496,752)	(1,420,142)	(1,340,531)	(1,448,093)	(664,588)
16 Total Non-Operating Revenues (Expenses)	\$ (1,290,472)	\$ (1,281,033)	\$ (1,197,245)	\$ (1,412,543)	\$ (57,890)
17 Income (Loss) Before Capital Contributions and Transfers	544,633	1,024,546	2,093,121	617,409	3,149,466
18 Capital Contributions	609,075	2,084,060	2,775,165	1,137,813	449,690
Transfers:					
19 Transfers out	\$ (83,106)	\$ (440,012)	\$ -	\$ (840,213)	\$ (1,321,114)
20 Transfers in	-	191,696	-	-	-
21 Total Transfers	\$ (83,106)	\$ (248,316)	\$ -	\$ (840,213)	\$ (1,321,114)
22 Change in Net Assets	1,070,602	2,860,290	4,868,286	915,009	2,278,042
Net Assets:					
23 Beginning of Year	\$ 52,014,149	\$ 53,084,751	\$ 55,945,041	\$ 60,813,327	\$ 61,728,336
24 End of Year	\$ 53,084,751	\$ 55,945,041	\$ 60,813,327	\$ 61,728,336	\$ 64,006,378
25 Unrestricted Cash and Investments ⁽²⁾	\$ 3,134,246	\$ 3,203,226	\$ 2,383,187	\$ 1,376,083	\$ 3,422,114

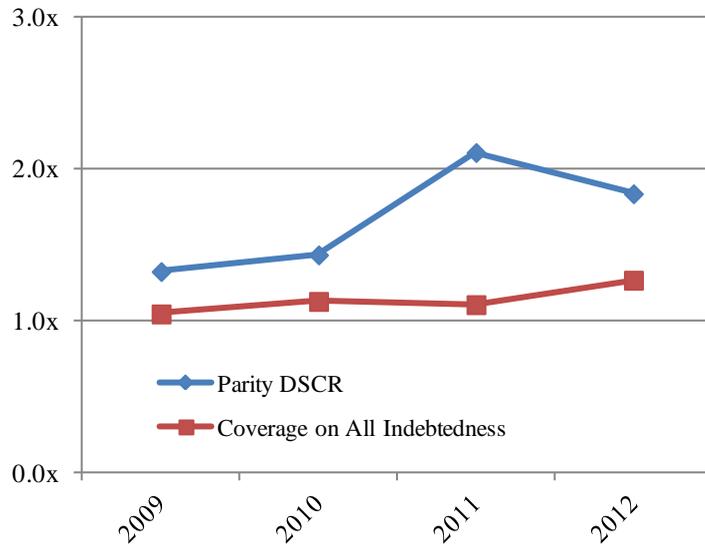
Notes:

(1) Unaudited numbers for the Fiscal Year ending June 30, 2013.

(2) As set forth in the City's Comprehensive Annual Financial Reports under Statement of Net Assets - Proprietary Funds.

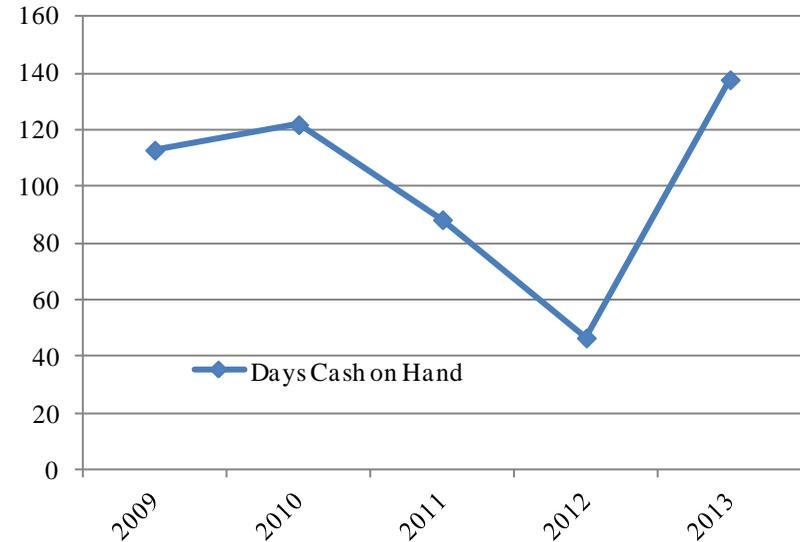
Historical Debt Service Coverage and Days Cash on Hand

Debt Service Coverage Ratio – Pledged Revenues



	2009	2010	2011	2012
Utility Service Charges	12,812,510	12,842,521	13,835,755	13,662,511
Less: Operating Expenses	(7,878,465)	(7,495,923)	(7,500,447)	(9,097,365)
Net Revenue Available	4,934,045	5,346,598	6,335,308	4,565,146
D/S on Parity Indebtedness	3,714,324	3,717,301	2,999,102	2,479,705
Parity DSCR	1.33	1.44	2.11	1.84
Total Indebtedness	4,701,800	4,724,022	5,705,317	3,590,329
Coverage on All Indebtedness	1.05	1.13	1.11	1.27

Days Cash on Hand



	2009	2010	2011	2012	2013
Unrestricted Cash and Investments	3,134,246	3,203,226	2,383,187	1,376,083	3,422,114
Total Operating Expenses	10,215,018	9,840,700	9,844,265	11,597,009	10,390,185
Transfers Out / (In)	(83,106)	(248,316)	-	(840,213)	(1,321,114)
Total Requirements	10,131,912	9,592,384	9,844,265	10,756,796	9,069,071
Daily Requirements	27,759	26,281	26,971	29,471	24,847
Days Cash on Hand	112.91	121.89	88.36	46.69	137.73

Source: City CAFRs

Source: City CAFRs and Feasibility Study

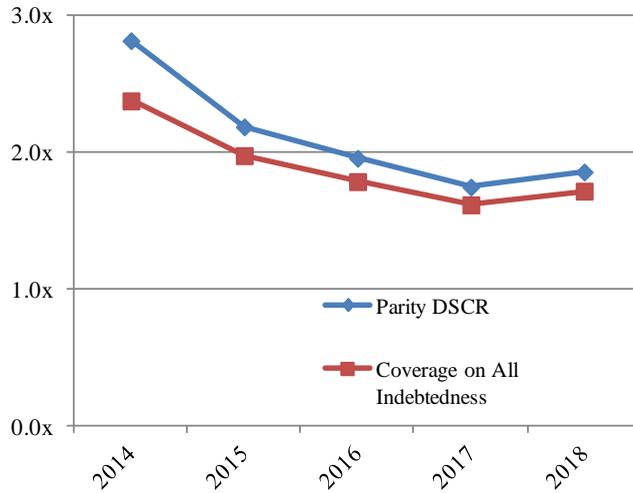
Projected Operating Results (FY 2014-18)

Description	Projected For Fiscal Year Ending June 30:				
	2014	2015	2016	2017	2018
Revenues					
1 Total Operating Revenues From Rates-Water	\$ 7,978,016	\$ 8,504,160	\$ 8,682,676	\$ 8,687,378	\$ 8,692,081
2 Total Operating Revenues From Rates-Sewer	5,765,649	6,281,128	6,455,417	6,459,111	6,462,805
3 Total Other Operating Revenues	925,000	925,570	926,140	926,710	927,280
4 Total Other Non-Operating Revenues	25,000	25,000	25,000	25,000	25,000
5 Total Revenues Water and Sewer	\$ 14,693,665	\$ 15,735,858	\$ 16,089,233	\$ 16,098,199	\$ 16,107,166
Operating Expenses					
6 Total Operating Expense-Water	\$ 3,491,139	\$ 3,887,170	\$ 4,193,880	\$ 4,295,310	\$ 3,775,390
7 Total Operating Expense-Sewer	4,058,066	4,168,900	4,282,790	4,399,820	4,520,040
8 Total Water & Sewer Operating Expenses	\$ 7,549,205	\$ 8,056,070	\$ 8,476,670	\$ 8,695,130	\$ 8,295,430
9 Income Available For Debt Service	\$ 7,144,460	\$ 7,679,788	\$ 7,612,563	\$ 7,403,069	\$ 7,811,736
Debt Service					
10 Total Parity Debt	\$ 2,536,677	\$ 3,514,266	\$ 3,892,811	\$ 4,227,670	\$ 4,195,592
11 Debt Service Coverage-Parity Debt	2.82	2.19	1.96	1.75	1.86
12 Total Subordinate Debt	\$ 463,833	\$ 369,123	\$ 360,144	\$ 351,150	\$ 342,146
13 Debt Service Coverage-All Debt	2.38	1.98	1.79	1.62	1.72
Other Expense/Transfers					
14 Total Other Expense/Transfers Out/(In)	\$ 1,900,000	\$ 1,827,500	\$ 1,707,625	\$ 1,615,506	\$ 1,626,282
15 Surplus / Deficit	\$ 2,243,950	\$ 1,968,899	\$ 1,651,983	\$ 1,208,743	\$ 1,647,716
Funds Available for Other Expenditures					
16 Beginning Fund Balance	\$ 3,422,114	\$ 4,976,264	\$ 6,445,163	\$ 7,597,146	\$ 8,305,889
17 Plus/(Minus) Remaining Funds Available (Line 15)	2,243,950	1,968,899	1,651,983	1,208,743	1,647,716
18 Total Funds Available	\$ 5,666,064	\$ 6,945,163	\$ 8,097,146	\$ 8,805,889	\$ 9,953,605
19 Capital Projects From Water & Sewer	\$ 689,800	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
20 ENDING AVAILABLE FUND BALANCE	\$ 4,976,264	\$ 6,445,163	\$ 7,597,146	\$ 8,305,889	\$ 9,453,605

Source: Feasibility Study

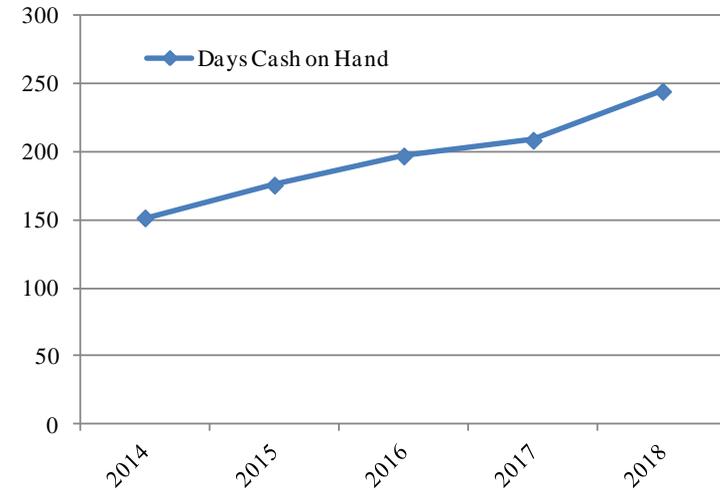
Projected Debt Service Coverage and Days Cash on Hand

Debt Service Coverage Ratio



	2014	2015	2016	2017	2018
Operating Revenue	2,963,349	4,504,222	5,727,991	6,523,285	7,746,600
D/S on Parity Indebtedness	2,536,677	3,514,266	3,892,811	4,227,671	5,195,592
Parity DSCR	2.82	2.19	1.96	1.75	1.86
Other Indebtedness	463,834	369,123	360,144	351,151	342,146
Coverage on All Indebtedness	2.38	1.98	1.79	1.62	1.72

Days Cash on Hand



	2014	2015	2016	2017	2018
Unrestricted Cash and Investments	4,976,265	6,445,163	7,597,145	8,305,887	9,453,602
Total Operating Expenses	7,549,204	8,056,070	8,476,670	8,695,130	8,295,430
Transfers Out / (In)	1,900,000	1,827,500	1,707,625	1,615,506	1,626,282
Total Parity Debt	2,536,677	3,514,266	3,892,811	4,227,671	4,195,592
Total Requirements	11,985,881	13,397,836	14,077,106	14,538,307	14,117,304
Daily Requirements	32,838	36,706	38,567	39,831	38,678
Days Cash on Hand	151.54	175.59	196.98	208.53	244.42

Source: Feasibility Study

Summary of Key Trust Agreement Provisions

- **Rate Covenant:**

- a) Revenues, together with 50% of the balance in the Surplus Fund at the end of the preceding Fiscal Year, at least equal in such Fiscal Year to the total of :
 - i. The sum of the Current Expenses budgeted for such Fiscal Year, 120% of the Principal and Interest Requirements on the Bonds become due during such Fiscal Year, the Long-Term Debt Service Requirement for Subordinated Indebtedness, the Principal and Interest Requirements on General Obligation Indebtedness, the Principal and Interest Requirements on Other Indebtedness, the amount required to reimburse the provider of a Qualified Reserve Fund Substitute of any amounts owing thereunder.

- b) Revenues at least equal in such Fiscal Year to the total of :
 - i. The sum of the Current Expenses budgeted for such Fiscal Year, 110% of the Principal and Interest Requirements on the Bonds become due during such Fiscal Year, the Long-Term Debt Service Requirement for Subordinated Indebtedness, the Principal and Interest Requirements on General Obligation Indebtedness, the Principal and Interest Requirements on Other Indebtedness, the amount required to reimburse the provider of a Qualified Reserve Fund Substitute of any amounts owing thereunder.

Summary of Key Trust Agreement Provisions



- **Additional Bonds Test for Parity Debt:** Series of Bonds, other than the Bonds described in paragraph (b) and (c) above, will be issued hereunder unless either:
 - The Net Revenues for the most recent Fiscal Year for which audited financial statements are available, adjusted in the manner hereinafter provided, were at least equal to (a) 120% of (1.20 times) the maximum Principal and Interest Requirements on the Bonds, including the Series of Bonds to be issued, (b) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness in that Fiscal Year, (c) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness in that Fiscal Year and (d) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness in that Fiscal Year; or
 - The Net Revenues for the most recent Fiscal Year for which audited financial statements are available, as certified by the Finance Officer, were at least equal to (a) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds for such Fiscal Year, excluding the Series of Bonds to be issued, (b) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness in such Fiscal Year, (c) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness in such Fiscal Year and (d) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness in such Fiscal Year; and
 - The Net Revenues, as projected by a report of a Financial Consultant filed with the Trustee, for the first two Fiscal Years following (I) the date capitalized interest, if any, provided from the proceeds of the proposed Series of Bonds is expended in the case of the acquisition of assets for or construction of improvements to the Water and Sewer System or (II) the date the proposed Series of Bonds is issued in any other case, are at least equal to (a) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds, including the Series of Bonds to be issued, for such Fiscal Years, (b) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness to become due in such Fiscal Years, (c) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness to become due in such Fiscal Years and (d) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness to become due in such Fiscal Years; and
 - No Event of Default under this Indenture has occurred and is continuing; and
 - Other than for a Series of refunding Bonds, the Consulting Engineer certifies that the amounts to be on deposit in the Construction Fund after the issuance of the Series of the Bonds is sufficient to pay the Costs of Construction related to such Series.
- **Debt Service Reserve Fund:** The City is considering establishing a Debt Service Reserve Fund. We would like a rating indication without a reserve fund, but would appreciate any feedback as to how a reserve could impact the rating.

Disclaimer



KANNAPOLIS

City of Kannapolis, NC

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