

Debt Program

Union County borrows funds through the use of various debt instruments; typically general obligation bonds, installment financings (certificates of participation (COP's), limited obligation bonds (LOB's), and private placement), revenue bonds, and N.C. Clean Water Revolving Loans (NC CWRL). Principal and interest debt service payments are appropriated annually in the annual operating budget(s).

General obligation bonds are approved through voter referendum and collateralized by the full faith, credit, and taxing power of the County. Certifications regarding restrictions, covenants, budget data, and financial disclosure are reported annually for general obligation debt. Currently, there is no outstanding authorized and unissued referendum approved general obligation debt.

Installment financings are typically collateralized or secured by the assets financed and not the taxing power of the County. However, installment financings require the County to follow customary covenants including providing insurance certificates, budget data, and annual financial disclosure.

Revenue bonds are secured by the pledge of net revenues and in the County's case are derived from the water and sewer system, and require the County to follow the requirements of the revenue bond debt indentures.

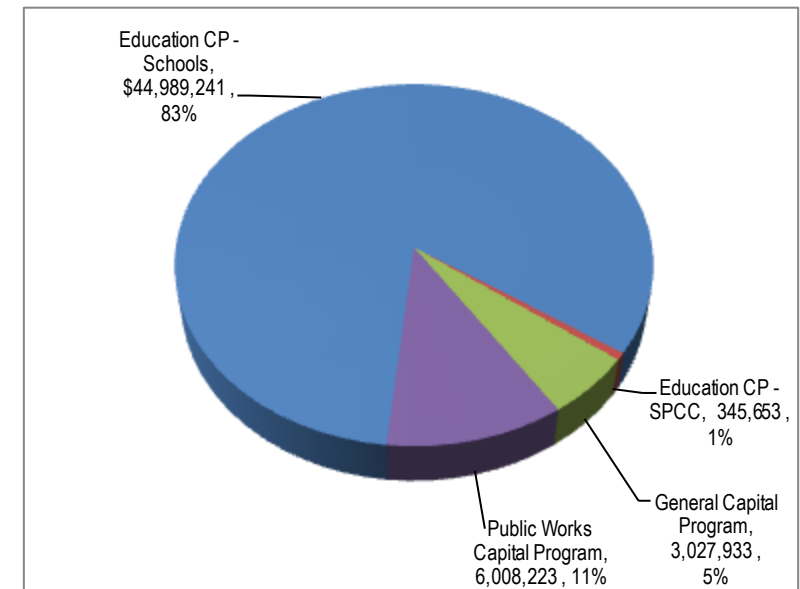
The County currently operates under indentures with U.S. Bank National Association as trustee. The Indentures authorize and secure all outstanding revenue bonds of the County's water and sewer system and contain several financial and operating covenants including rates, additional bonds, reserve funds, annual budgets, maintenance of the system, and insurance. The County is in compliance with all such covenants during the fiscal year ended June 30, 2013. The covenants are tested retrospectively annually during the audit process. It is anticipated the County, will continue to remain in compliance.

The County has two outstanding N.C. Clean Water Revolving Loans (NC CWRL) provided by the North Carolina Clean Water Revolving Loan and Grant Fund. The loans are payable over twenty years and are secured by the net revenues of the water and sewer system. Additionally the loans contain financial and operating covenants. The County was in compliance with all such covenants as of June 30, 2013. The covenants are tested retrospectively

annually during the audit process. It is anticipated the County will continue to remain in compliance.

The County has been prudent in its use of debt funds through the years. The County's total proposed debt service per capita, in FY 2015, is estimated to be \$253. This is comprised of \$209 for Union County Public Schools capital program, \$2 for South Piedmont Community College (SPCC) education capital program, \$28 for public works capital program, and \$14 for the general capital program.

Capital Program	Projected Debt Service FY 2015	Projected Debt Service / Capita
Education CP - Schools	\$ 44,989,241	\$ 209
Education CP - SPCC	345,653	2
General Capital Program	3,027,933	14
Public Works Capital Program	6,008,223	28
Total	\$ 54,371,050	\$ 253



In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, allowing for



issuance of all presently authorized bonds, the County has the statutory capacity to incur additional net debt in an approximate amount of \$1,418,002,988, the legal debt margin, as of June 30, 2013. This debt analysis does not include operating leases or other County leases as they are typically secured by the purchased asset.

Credit Ratings

The County's most current credit ratings are as follows:

Debt Type	Moody's	Standard & Poor's	Fitch
GO Bonds	Aa1	AA	AA+
Revenue Bonds	Aa2	AA-	AA

County Wide Debt

The table of the following page illustrates the current debt service as well as the future debt service associated with new debt issuances included in the adopted FY 2015-2020 Capital Improvement Plan.

Based on the adopted FY 2015-2020 Capital Improvement Plan new debt issuances, the County wide debt service reaches its highest point in FY 2020, due to the timing of various principal and interest payments and proposed new debt service for the education capital program (\$31.1 million), the general capital program (\$97.9 million), and the public works capital program (\$283.5 million by FY 2020). After FY 2020, the debt service begins to decline significantly through the remaining period. Within thirteen years after FY 2020, the County's debt service will be half of what it is proposed for FY 2020.

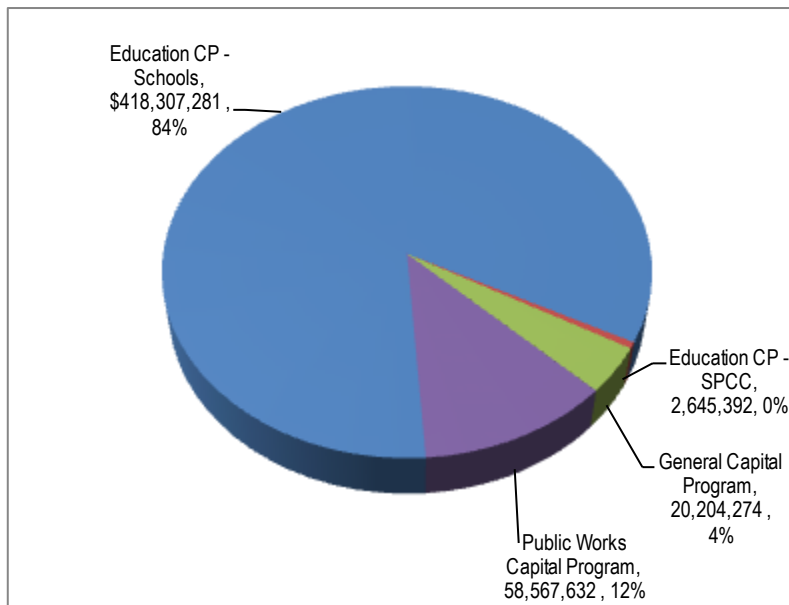
County Wide Debt Amortization Schedule			
Fiscal Year	Principal	Interest	Total
FY2015	\$ 37,308,527	\$ 15,345,772	\$ 52,654,299
FY2016	37,260,956	17,191,974	54,452,930
FY2017	39,657,395	17,377,339	57,034,734
FY2018	44,810,077	25,383,844	70,193,921
FY2019	48,912,189	24,939,059	73,851,248
FY2020	46,465,698	29,960,078	76,425,777
FY2021	46,342,580	28,264,336	74,606,916
FY2022	46,592,923	26,511,233	73,104,157
FY2023	47,183,284	24,533,408	71,716,692
FY2024	44,649,912	22,477,198	67,127,111
FY2025	44,483,408	20,594,875	65,078,283
FY2026	44,011,578	18,713,074	62,724,652
FY2027	42,800,157	16,851,105	59,651,262
FY2028	42,825,665	15,018,916	57,844,581
FY2029	41,719,698	13,293,670	55,013,368
FY2030	39,248,933	11,541,976	50,790,910
FY2031	36,570,130	10,027,118	46,597,248
FY2032	32,800,136	8,627,336	41,427,473
FY2033	30,605,893	7,293,015	37,898,908
FY2034	26,559,438	5,960,593	32,520,031
FY2035	26,217,910	4,647,784	30,865,694
FY2036	22,143,197	3,336,888	25,480,085
FY2037	22,557,107	2,229,729	24,786,835
FY2038	11,334,909	1,101,873	12,436,783
FY2039	10,702,555	535,128	11,237,683
Total	\$ 913,764,259	\$ 371,757,321	\$ 1,285,521,580

The current outstanding debt as of June 30, 2014 will be \$499.7 million as illustrated by the table of the following page. 84 percent is comprised of the education capital program debt, while 12 percent is public works capital program debt, and 4 percent is general capital program debt. The outstanding debt per capita is \$1,942 for the schools



education capital program, \$12 for the SPCC education capital program, \$272 for the public works capital program and \$94 for the general capital program.

Capital Program	Projected Outstanding at June 30, 2014	Projected Outstanding Debt / Capita
Education CP - Schools	\$ 418,307,281	\$ 1,942
Education CP - SPCC	2,645,392	12
General Capital Program	20,204,274	94
Public Works Capital Program	58,567,632	272
Total	\$ 499,724,579	\$ 2,320



Local option sales tax, as per scribed by general law, is used to support the education capital program or the indebtedness incurred by the County for Union County Public School purposes as discussed in the revenue highlights of the budget document.

- Article 40 Local Option Sales Tax is subject to an adjustment by the State Secretary to increase or decrease by a factor (published in G.S. 105-486 (b)). Union County's factor increases the value of the tax to the County by factor of 1% (1.01). The purpose of the tax is mandated to use 30% of the revenue received from Article 40 for Public School Capital Outlay purposes or to retire any indebtedness incurred by the County for Public School purposes.
- Article 42 Local Option Sales Tax is only subject to an adjustment by the State Secretary if the location of the sale is unknown. The purpose of the tax is mandated to use 60% of the revenue received from Article 42 for Public School Capital Outlay purposes (as defined in G.S. 115C-426(f)) or to retire any indebtedness incurred by the County for Public School purposes.

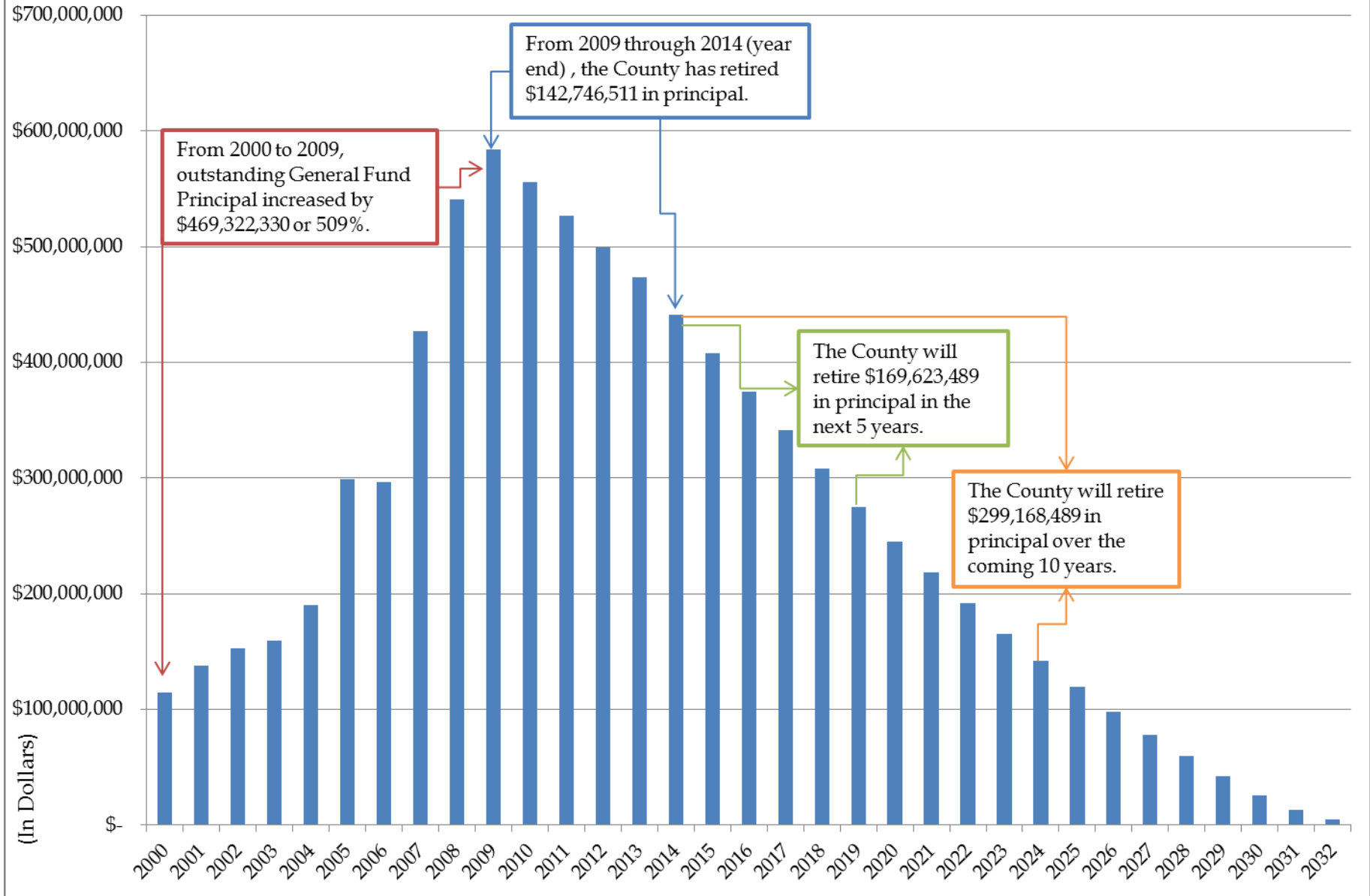
The graph on the following page indicates the *current* outstanding General Fund principal balances. These will change as new debt is added, however it illustrates the County's voracity for principal amortization. Due to this discipline, they County typically amortizes their capital projects under 20 years, however the 2006 Certificates of Participation and 2007 General Obligation Bonds required a 25 year amortization, and will mature in 2032 and 2033 respectively.

While this graph portrays the outstanding principal, it is important to understand the debt load in the coming years and the impacts on future borrowing capacity.



Outstanding General Fund Debt Principal

(assumes current debt only)



Source: Union County Administrative Services, Finance, as of 6/30/2014



Education Capital Program Debt

Over the past nineteen years, \$624.8 million of general obligation bonds and certificates of participation have been issued by the County to fund UCPS and SPCC land, facilities construction, and facilities improvements as delineated in the following table.

Education Capital Program Debt Issuances		
Type and Purpose	Issued	Original Issue Amount
GO Bonds - UCPS	June 1995	\$ 12,725,000
GO Bonds - UCPS	November 1996	11,260,000
GO Bonds - UCPS	September 1999	30,050,000
GO Bonds - UCPS	March 2001	56,700,000
COPs - UCPS	June 2003	8,436,943
COP's - SPCC	June 2003	4,448,730
GO BAN's - UCPS	Multiple - 2004	48,265,000
GO Bonds - UCPS	June 2005	90,000,000
COPs - UCPS	November 2006	77,640,000
GO Bonds - UCPS	September 2007	220,730,000
GO Bonds - UCPS	March 2009	64,500,000
Total		\$ 624,755,673

The debt service for the outstanding portion of the \$624.8 million or approximately \$420.9 million at June 30th, 2014, will be retired by March 1st, 2033.

An additional \$31.1 million is proposed (for referendum) for two South Piedmont Community College (SPCC) projects; the renovations and expansion to create the SPCC Center for Technology and Allied Health and the new SPCC Multipurpose Facility. The annual debt service impact of the proposed \$31.1 million is projected to begin in FY 2018 and would conclude within twenty years.

The projected FY 2019 debt service for the additional \$31.1 million would equate to approximately 1.32 pennies of the projected FY 2015 ad valorem value.

The projected existing and proposed new education capital program debt service is shown in the following table.

Education Debt Amortization Schedule			
Fiscal Year	Principal	Interest	Total
FY2015	\$ 30,973,780	\$ 12,644,364	\$ 43,618,144
FY2016	30,891,041	11,641,904	42,532,945
FY2017	30,846,174	11,678,298	42,524,471
FY2018	31,221,022	11,106,468	42,327,489
FY2019	31,575,586	11,237,218	42,812,804
FY2020	29,920,627	10,210,614	40,131,241
FY2021	26,942,527	9,252,903	36,195,430
FY2022	26,812,285	8,411,452	35,223,737
FY2023	26,887,308	7,363,856	34,251,164
FY2024	24,306,705	6,255,841	30,562,545
FY2025	23,129,158	5,360,114	28,489,272
FY2026	22,942,159	4,471,117	27,413,276
FY2027	20,996,181	3,604,290	24,600,471
FY2028	20,250,203	2,812,350	23,062,553
FY2029	19,074,919	2,167,085	21,242,004
FY2030	17,827,000	1,469,795	19,296,795
FY2031	14,322,000	1,013,289	15,335,289
FY2032	9,687,000	712,580	10,399,580
FY2033	6,587,000	519,992	7,106,992
FY2034	1,587,000	374,000	1,961,000
FY2035	1,587,000	294,650	1,881,650
FY2036	1,587,000	215,300	1,802,300
FY2037	1,577,000	135,950	1,712,950
FY2038	1,142,000	57,100	1,199,100
Total	\$ 452,672,673	\$ 123,010,529	\$ 575,683,202



General Capital Program Debt

During the past ten years, \$34.2 million of general obligation bonds, certificates of participation, and installment financing have been issued by the County to fund General Capital Projects such as the Judicial Center, the Agricultural Center, Library projects, Law Enforcement facilities, and E911 Radio System/Equipment.

General Capital Program Debt Issuances		
Type and Purpose	Issued	Original Issue Amount
COP's - Judicial Center	June 2003	\$ 15,464,022
COP's - Ag. Center	June 2003	4,845,379
COP's - Library	June 2003	2,737,323
GO BAN's - Firearms Range	Multiple - 2004	525,000
GO BAN's - Jail Expansion	Multiple - 2004	467,500
GO BAN's - Animal Shelter	Multiple - 2004	742,500
Installment Financing - E911 Radio System	June 2009	9,390,000
Total		\$ 34,171,724

An additional \$2.4 million of installment financing is proposed in FY 2017 for the replacement of the Tax Assessment and Administration Software. The annual debt service impact of the proposed \$2.4 million is projected to begin in FY 2018 and would conclude within seven years.

Also, an additional \$95.5 million of referendum approved general obligation bonds are proposed for the following programs.

General Capital Program Proposed Debt Issuances	
Type and Purpose	Original Issue Amount
Jail and Sheriff's Office Replacement and Expansion	\$ 55,558,444
Jessie Helms Park Development	6,553,473
Library Expansion and Development	19,860,567
Park Development and Renewal	6,500,000
Health and Human Service Building	7,000,000
Total	\$ 95,472,484

General obligation bonds of \$7 million are proposed to be issued in FY 2016 and an additional \$88.5 million of general obligation bonds are proposed to be issued in FY 2017. The annual debt service of the proposed general obligation bonds will begin within the year of issuance would retire within twenty years.

The projected debt service for the additional \$97.9 million would equate to approximately 4.15 pennies of the projected FY 2015 ad valorem value.

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The projected existing and proposed additional general capital program debt service is shown in the following table.

General Government Debt Amortization Schedule			
Fiscal Year	Principal	Interest	Total
FY2015	\$ 2,394,621	\$ 633,312	\$ 3,027,933
FY2016	2,401,106	563,678	2,964,784
FY2017	2,767,991	856,153	3,624,144
FY2018	7,579,295	5,342,597	12,921,891
FY2019	8,278,762	5,001,699	13,280,461
FY2020	7,105,087	4,657,276	11,762,363
FY2021	6,343,187	4,335,563	10,678,750
FY2022	6,333,429	4,032,877	10,366,307
FY2023	6,233,406	3,732,328	9,965,734
FY2024	5,629,010	3,443,819	9,072,829
FY2025	5,960,842	3,148,326	9,109,168
FY2026	4,957,841	2,879,714	7,837,555
FY2027	4,948,819	2,636,856	7,585,675
FY2028	4,939,797	2,394,124	7,333,921
FY2029	4,930,081	2,151,519	7,081,600
FY2030	4,818,000	1,909,050	6,727,050
FY2031	4,818,000	1,668,150	6,486,150
FY2032	4,818,000	1,427,250	6,245,250
FY2033	4,818,000	1,186,350	6,004,350
FY2034	4,818,000	945,450	5,763,450
FY2035	4,818,000	704,550	5,522,550
FY2036	4,818,000	463,650	5,281,650
FY2037	4,455,000	222,750	4,677,750
Total	\$ 118,984,274	\$ 54,337,040	\$ 173,321,314

Public Works Capital Program Debt

During the past nineteen years, \$99.0 million of revenue bonds, general obligation bonds, and N.C. Clean Water Revolving Loans (NC CWRL) have been utilized by the County to fund water and wastewater infrastructure projects. These are delineated in the following table.

Public Works Capital Program Debt Issuances		
Type	Issued	Original Issue Amount
GO Bonds	June 1995	\$ 5,000,000
Revenue Bonds	May 1996	21,245,000
NC CWRL	June 1998	4,673,933
Revenue Bonds	June 2003	33,130,000
NC CWRL	June 2008	15,000,000
Revenue Bonds	June 2009	20,000,000
Total		\$ 99,048,933

An additional \$283.5 million of water and waste water revenue bonds is proposed over several years to fund the water and wastewater system improvement and expansion projects. Proposed issuance timing and amount are shown below.

Public Works Capital Program Proposed Debt Issuances		
Type	Timing	Revenue Bond Amount
Revenue Bonds	FY 2015	\$ 61,216,480
Revenue Bonds	FY 2017	86,512,200
Revenue Bonds	FY 2019	135,811,000
Total		\$ 283,539,680

The annual debt service impact of the three proposed additional revenue bond issuances totaling \$283.5 million is projected to begin in FY 2016, FY 2018 and FY 2020 respectively; and would conclude within twenty years for each issuance. The projected existing and proposed additional public works capital program debt service is shown in the following table.



Public Works Debt Amortization Schedule

Fiscal Year	Principal	Interest	Total
FY2015	\$ 3,940,126	\$ 2,068,097	\$ 6,008,223
FY2016	3,968,810	4,986,391	8,955,201
FY2017	6,043,231	4,842,888	10,886,119
FY2018	6,009,761	8,934,780	14,944,541
FY2019	9,057,842	8,700,142	17,757,984
FY2020	9,439,984	15,092,188	24,532,172
FY2021	13,056,866	14,675,870	27,732,736
FY2022	13,447,209	14,066,904	27,514,113
FY2023	14,062,570	13,437,224	27,499,793
FY2024	14,714,198	12,777,539	27,491,737
FY2025	15,393,408	12,086,435	27,479,843
FY2026	16,111,578	11,362,243	27,473,822
FY2027	16,855,157	10,609,959	27,465,116
FY2028	17,635,665	9,812,442	27,448,107
FY2029	17,714,698	8,975,066	26,689,764
FY2030	16,603,933	8,163,131	24,767,065
FY2031	17,430,130	7,345,679	24,775,809
FY2032	18,295,136	6,487,506	24,782,643
FY2033	19,200,893	5,586,673	24,787,567
FY2034	20,154,438	4,641,143	24,795,581
FY2035	19,812,910	3,648,584	23,461,494
FY2036	15,738,197	2,657,938	18,396,135
FY2037	16,525,107	1,871,029	18,396,135
FY2038	10,192,909	1,044,773	11,237,683
FY2039	10,702,555	535,128	11,237,683
Total	\$ 342,107,312	\$ 194,409,752	\$ 536,517,064

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All future debt issuance projections have been calculated on generally accepted repayment methods, with interest rates of 5% or higher.

