DURHAM COUNTY GOVERNMENT

CIP Update Presentation

August 3rd Work-session

CIP Planning Update

- CIP Process Overview
- Steps involved with Capital Planning
- Key Upcoming Dates
- Board Discussion

Capital Planning Elements

Capital planning essential elements

- Multi-year essential - up to ten years
- Prioritization by importance, essential and long-term need
- Strong emphasis on the timing of improvements - matching available capital sources with timing alternatives
- Blending borrowed and pay-as-you-go sources as a means to diversify – perceived as strong credit-wise
- Target improvements in operating efficiencies and service delivery

Utilize dedicated capital-only resources and affordability modeling

- Separating operating and capital resources is essential to large CIP – Durham was one of the first to move to this method
- Debt affordability modeling defines the ability to pay – the most efficient use of capital resources
- Using a comprehensive debt model is a means of" managing" the constant change in CIP—project timing, change in cost, etc.

Steps Involved With Capital Planning

1. Facility Needs Assessment
2. Project Prioritization and Sequencing
3. Complete detailed cash flow projections
4. Evaluate Affordability
5. Update Capital Improvement Plan

Capital Project Plan Development

Phase I	**Project Request, Project Prioritization** Facility Needs Assessment
Phase II	**Complete Cash-flow projections.** Shovel Readiness Assessment, Refine Cash Flow Scenarios, BOCC Reviews Preliminary CIP Request
Phase III	**Evaluate Affordability.** Financial Advisor Reviews CIP, Staff Refines Project Sequencing, Public Input, Board Review
Phase IV	**Capital Improvement Plan Adopted.**

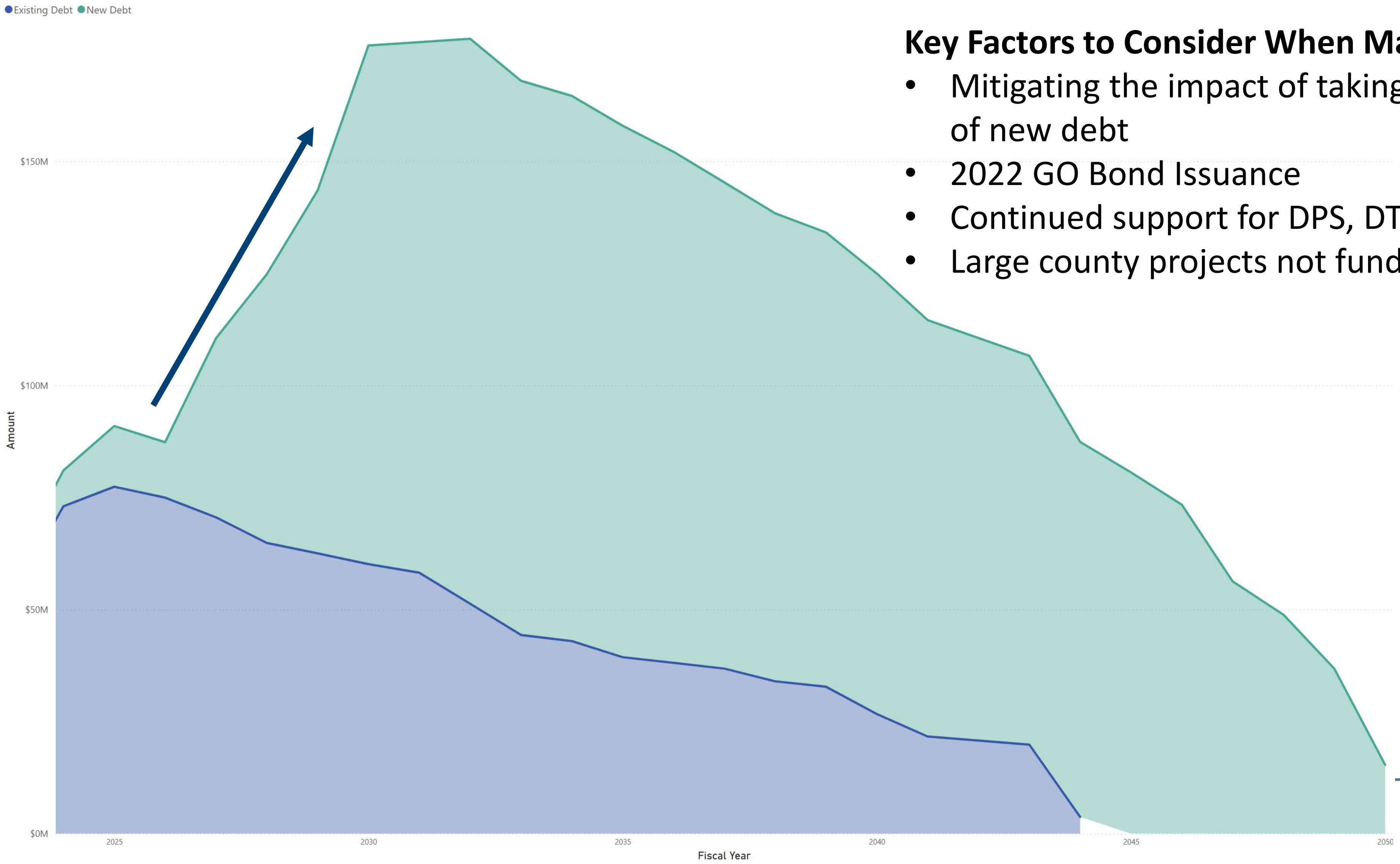
Previous Steps – Phases II and III Highlights

March – Sept. 2026	Continued Capital Project List Review - BOCC and Staff review project lists for completion. - Budget, Finance, and Senior Leadership vet projects sequencing and cash flow scenarios - Financial Advisor Evaluates Draft CIP
September/Oct. 2026	Assess the shovel readiness of capital projects to determine the approach for project financing.
October/Nov. 2026	Finalize financing strategy.

Important Reminders

- A balanced, affordable CIP supports political priorities, reinforces the County's triple-A debt rating, limits property tax pressure on Durham County residents, and promotes realistic project implementation and completion. Management and the Board will need to determine how these priorities fit together to shape an approved CIP.
- Durham County's AAA rating was reaffirmed by Moody's and Standard & Poor's in Spring 2026.
- Once a Recommended CIP is finalized, it will be reviewed by the County's financial consultant to confirm the County's financial capacity and stewardship, as reflected in its bond ratings, while also monitoring regional economic and political factors that could affect the willingness and ability to support annual capital debt service. Once the CIP passes this financial review, it will be forwarded to the Board for further review and consideration.

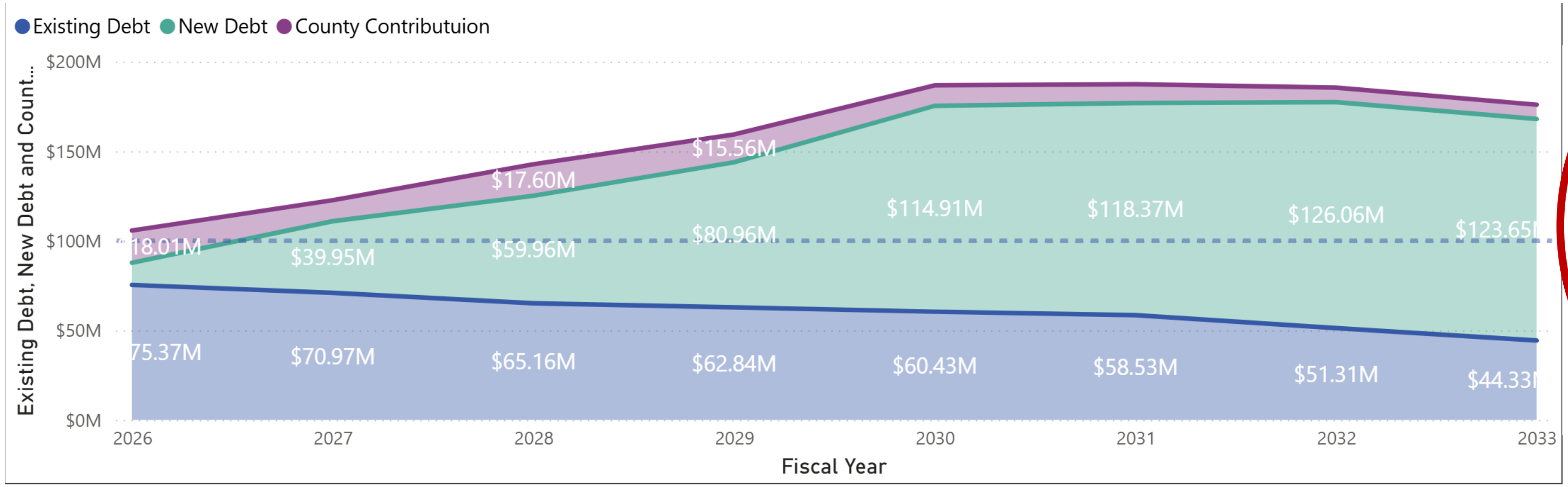
Debt Scaling – Old and New Debt



Key Factors to Consider When Managing Debt

- Mitigating the impact of taking on a large amount of new debt
- 2022 GO Bond Issuance
- Continued support for DPS, DTCC, and NCMLS
- Large county projects not funded with GO bonds

Estimated Capital Financing Over the Next 8 Years

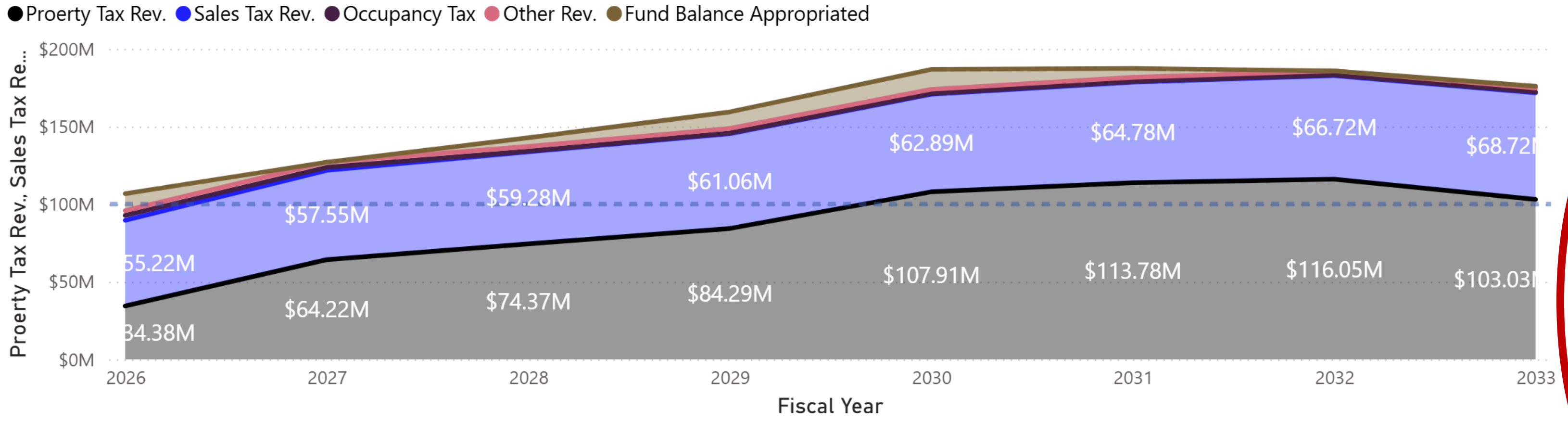


Capital Financing Plan

FY	Expenditures	Revenue
2026	$105,733,584	$106,731,296
2027	$122,672,032	$127,013,149
2028	$142,719,600	$142,719,600
2029	$159,368,483	$159,368,483
2030	$186,797,812	$186,797,812
2031	$187,367,626	$187,367,626
2032	$185,504,521	$185,841,859
2033	$175,965,661	$175,965,661
Total	**$1,266,129,320**	**$1,271,805,487**

Growing Debt Expenditures Means...

Annual Revenue to Support Debt Payments



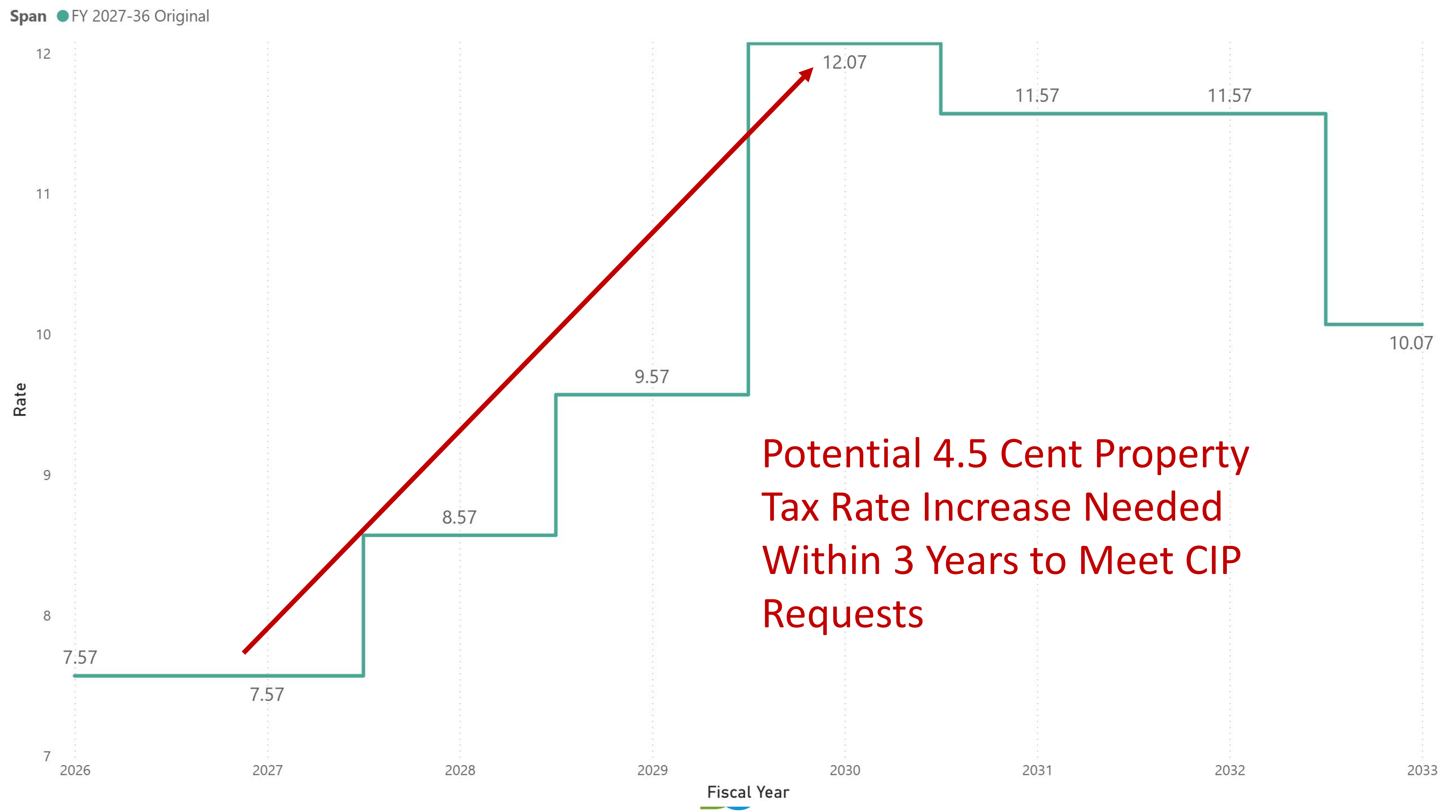
FY 2024-33 Original

FY 2027-36 Original

FY	Prop Tax %	Sales Tax %	Occp. Tax %
2026	32.22%	51.73%	2.97%
2027	50.56%	45.31%	1.54%
2028	52.11%	41.54%	0.35%
2029	52.89%	38.31%	0.31%
2030	57.77%	33.67%	0.27%
2031	60.72%	34.57%	0.27%
2032	62.45%	35.90%	0.27%
2033	58.55%	39.05%	0.28%
Total	**54.88%**	**39.02%**	**0.64%**

Growing Dependency on Property Tax

Rate by Fiscal Year


Span
FY 2027-36 Original
Rate
Fiscal Year
12
11
10
9
8
7
2026
2027
2028
2029
2030
2031
2032
2033
7.57
7.57
8.57
9.57
12.07
11.57
11.57
10.07
Potential 4.5 Cent Property Tax Rate Increase Needed Within 3 Years to Meet CIP Requests

Key Upcoming Dates

• August – Sept. 2026	Continued capital project evaluation to evaluate shovel readiness and affordability
• November 2026	CIP Overview at Joint BOCC-BOE Meeting
• Nov./Dec. 2026	BOCC Worksession - CIP Financing Update

Questions