



Durham County as a Leader in Financial Planning and Credit Strength

November 3, 2025



I. Market Updates

Financial Markets - Now



Economic uncertainty is driving market movements



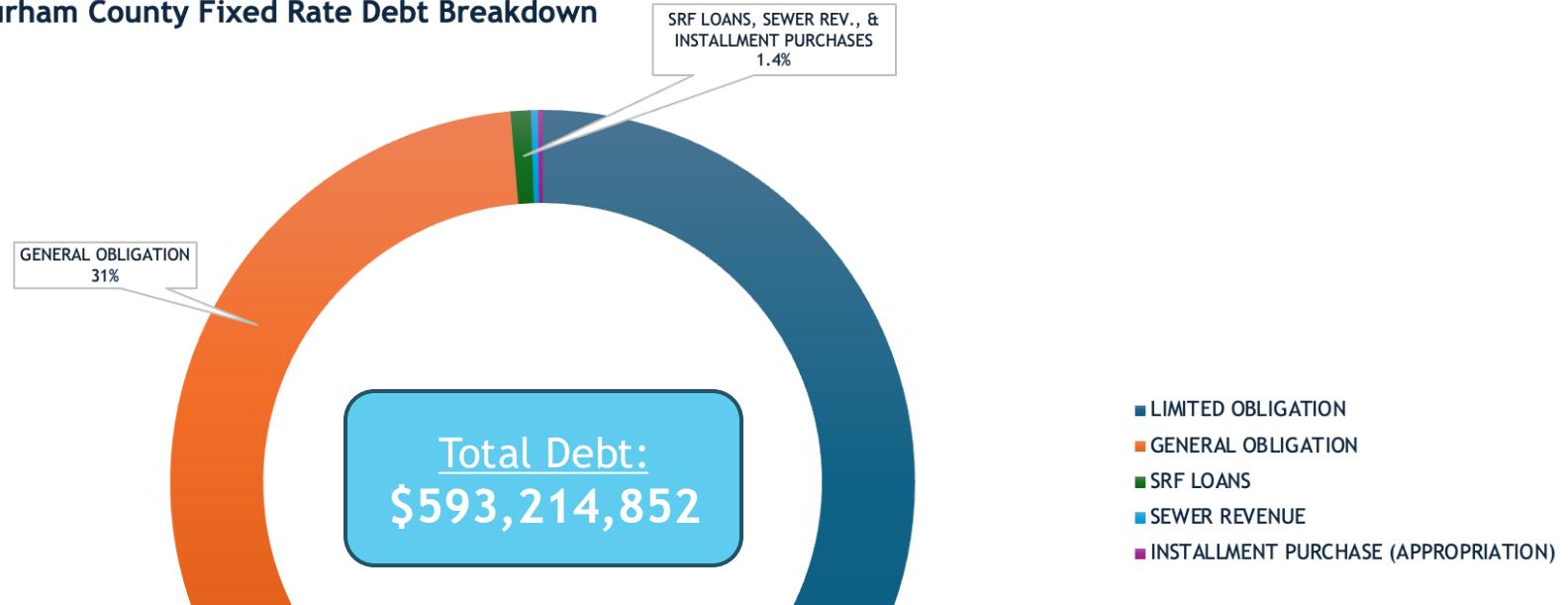
Consistent rise in the yield curve now abating for several reasons - Fed actions, supply/demand, “it’s time now”



Correction of spread imbalance in taxable vs. tax-exempt
(Good for the tax-exempts)

Financial Markets - Now

Durham County Fixed Rate Debt Breakdown

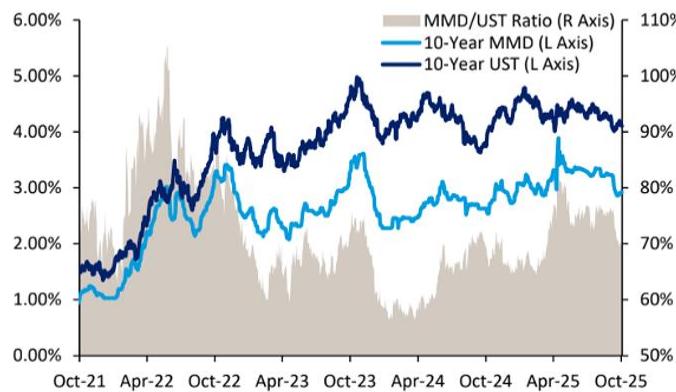


Source: County Finance - October 2025



Current Fixed Rate Market Environment as of 10/2025

10-Year Interest Rates



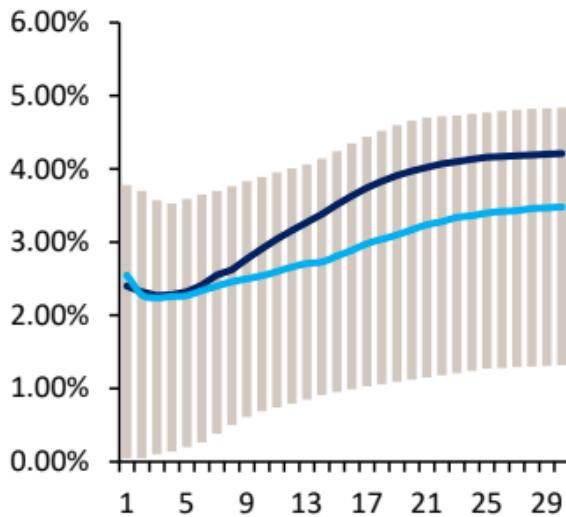
Source: Bank of America

	Current 10/2/25	Weekly Change	3-Month Change	6-Month Change	YTD Change
5-Year MMD	2.32%	+0.06%	-0.29%	-0.27%	-0.54%
10-Year MMD	2.91%	-0.01%	-0.32%	-0.06%	-0.15%
30-Year MMD	4.21%	-0.05%	-0.33%	+0.22%	+0.32%
5-Year UST	3.67%	-0.08%	-0.27%	-0.05%	-0.71%
10-Year UST	4.10%	-0.08%	-0.25%	+0.09%	-0.47%
30-Year UST	4.69%	-0.06%	-0.17%	+0.28%	-0.10%
5-Year MMD/UST	63.22%	+2.95%	-3.03%	-6.41%	-2.08%
10-Year MMD/UST	70.98%	+1.12%	-3.28%	-3.09%	+4.02%
30-Year MMD/UST	89.77%	+0.08%	-3.65%	-0.71%	+8.55%



Continued

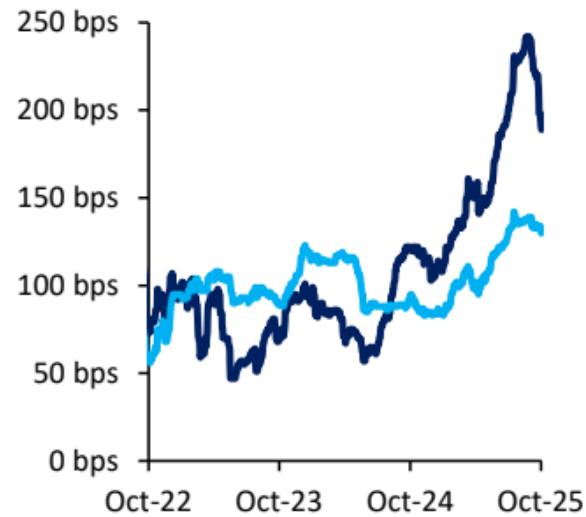
MMD Curve



- 5-Year Historical MMD Range
- 10/2/25 MMD
- 10/2/24 MMD

Source: Bank of America

Slope of MMD Curve



- Spread Between 2Y & 30Y MMD
- Spread Between 10Y & 30Y MMD

Financial Markets – What May Be Next

Multiple factors
influence future
market
movement

- Fed has initiated short-term rate cuts - continue?
- Recent inflation data is driving uncertainty
- Overall downward pressure on long-term rates
- Borrowing at the federal level
- And other factors...

Durham County
remains highly rated

- Recent positive improvement in interest rates
- AAA-rated debt is positioned to outperform lower-rated securities
- The national “Durham Economy Uniqueness”
- Stay the course on financial management

Upcoming Financings:
GO BAN Takeout in March
and
Wastewater Projects later in 2026



II. Rating Changes and Potential Impacts on County Financial Planning



Why do Rating Agencies Adjust Their Criteria?



- ▶ Macroeconomic shifts
- ▶ Investor sentiment
- ▶ Capital planning priorities
- ▶ Debt profiles
- ▶ Funding resources - diversity of sources, fund balances, and liquidity
- ▶ The regulatory landscape
- ▶ ESG considerations
- ▶ Timing dynamics
- ▶ Other “black box” reasons

Why do Rating Agencies Adjust Their Rating?

Implications for Durham County:

- ▶ Rating agencies increasingly emphasize community economic fundamentals
 - ▶ “Uniqueness of Durham Economy”
- ▶ County debt pressures as one of North Carolina’s “big ten”
- ▶ Strong financial management and planning
 - ▶ G.F. fund balance policy and meeting/exceeding the policy \$ level and policy %
 - ▶ D.S. fund balance is also important to meet debt affordability goals and provide “cushion” to meet financial market movements
- ▶ Active role of the governing body in furtherance of sound policy decisions
- ▶ Role of the LGC in prudent state-level governance
- ▶ Maintenance of transparent communications with agencies
- ▶ Independent credit research from investors

Durham County's credit rating remains top-tier

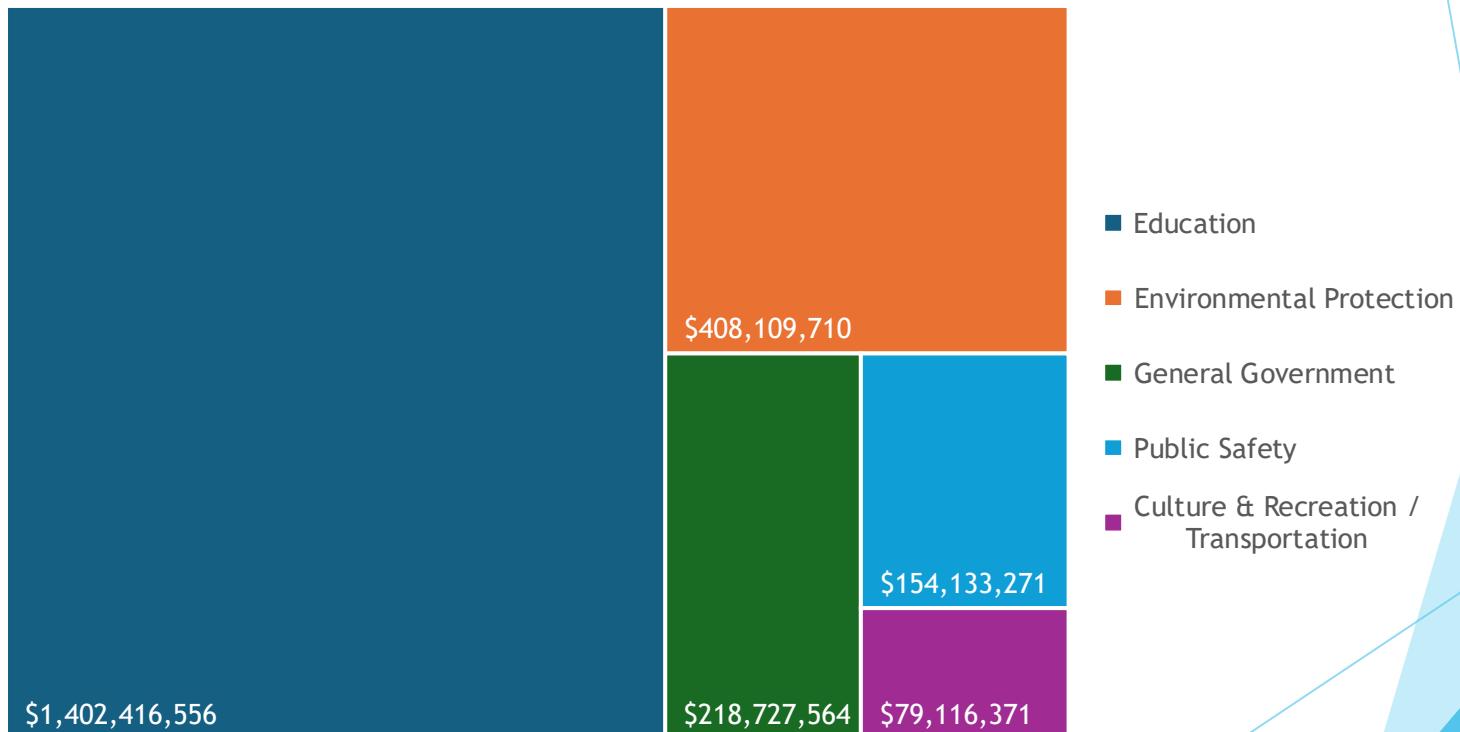


III. Capital Improvement Plans and Current Impact



County CIP Breakdown 2024-2033

Current CIP Total: **\$2,262,503,472**



Source: County Finance



Capital Improvement Plan Defines Community Needs



CIPs are growing larger

Drivers of Capital Needs:

- ❖ Economic Conditions
- ❖ Aging Assets
- ❖ New Facility Requests

Recent Examples:

- Mecklenburg County:
\$2.5 billion GO
referendum for schools
- Guilford County:
\$1.7 billion GO
referendum for schools

CIPs more difficult to fully fund

- Higher rates for borrowed sources
- Search for new resources available to fund construction and pay debt service
- Priority setting and timing of projects increasingly important and required



Capital Improvement Plan Defines Community Needs



CIP should first be driven by policy dynamics



Identify and prioritize individual project needs



Define timing of CIP implementation
(Often the most difficult element)



Debt Issuance Defines Construction Timing



Timing dynamics of project funding/affordability



Cash flow needs influence debt issuance capabilities



Addressing discrepancies between the CIP and actual project costs/timing differences

Correcting CIP/Financing Timing Mismatch

Solutions for timing mismatch

- ✓ Improving projections on timing/cost metrics
- ✓ Scheduling bond votes to more closely match implementation timing
 - ✓ “Steady-State”
- ✓ Ongoing measurement of plans to actual timing

Improving “steady-state” management

- ✓ Community perception of when a project will be ready to use
- ✓ Debt affordability and planning for issuance
- ✓ Bond votes occur at consistent intervals
- ✓ Consistency in bond purposes and sizing within individual bond votes



IV. County Financial Innovations and Positive Effects



Durham County Planning and County “Firsts”



Financial planning/policy setting has been a Durham “hallmark”

Key Metrics of Success:

- ✓ Retention of sound fund balances/debt management - Policies governing each
- ✓ Citizen support of G.O. bond referenda
- ✓ National reputation for economic growth and the County planning to accommodate it
- ✓ Triple A ratings/Triple A management



Moving to the next level in urban understanding and County action

Potential Drivers:

- Durham City/County one of the highest NC urban densities - Roles of each?
- Educational advancement paired with facility needs
- Uses for joint facilities - affordable housing, parking, and other uses
- Transportation plans
- And others...

Debt Management Accomplishments Aided by County “Firsts”



Debt management accomplishments

- ✓ Using diverse and matched debt funding modes - G.O.s, LOBs, Revenue Bonds
- ✓ Long time use of debt affordability modeling
- ✓ Structuring debt types and modes to lower cost and increase debt affordability
- ✓ Issuing construction period notes to fund construction cash flows - fixed rate takeout
- ✓ Durham County first to privately place the construction notes



How have these improved debt planning

- Increased debt affordability:
 - Issue more debt with same revenues
- Helped ensure that tax dollars will be more efficiently deployed
- Significantly aided in Durham's rating being among “the best of the best”



V. Key Takeaways

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Key Takeaways



Watch financial market conditions



Maintain the county's AAA rating -
Importance of G.F. fund balance



Adjust funding/timing discrepancy



Continue to dynamically develop the
CIP as a policy and planning tool



Continue to be an innovator in
debt management



Keep Durham County as a (the) North
Carolina financial powerhouse



Questions and Observations

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