

APPENDIX A

THE COUNTY OF DURHAM, NORTH CAROLINA

GENERAL DESCRIPTION

The County is located in the north central portion of the State on the Piedmont Plateau, approximately in the center of the South Atlantic States and equidistant from the cities of Philadelphia and Atlanta. The County's topography is typical of the Piedmont Plateau and is characterized by rolling hills and long, low ridges.

The County's attractiveness to business and industry is enhanced by its central East Coast location. With more than 118 million people living within a 550-mile radius (one day's travel time), the County is accessible to approximately 43% of the nation's population. According to the U.S. Census Bureau, the population of the Durham-Chapel Hill Metropolitan Statistical Area, which includes Durham, Orange, Chatham and Person counties, was estimated to be approximately 567,428 as of July 1, 2017 (the latest year for which data is available). The population of the larger Raleigh-Durham-Chapel Hill Combined Metropolitan Statistical Area, which includes the four counties noted above as well as Wake, Franklin, Johnston and Harnett counties, was estimated, by the U.S. Census Bureau, to be approximately 2,199,459 as of July 1, 2017 (the latest year for which data is available). In 2017, U.S. News & World Report ranked the Raleigh-Durham area as one of the top ten Best Places to Live in the United States.

The County, which was created by the General Assembly of the State in 1881, covers an area of approximately 299 square miles. According to the North Carolina Office of State Budget and Management, the County had a July 1, 2016 (the latest year for which data is available) population of 301,520 and the City of Durham (the "*City*"), the county seat, had a July 1, 2016 (the latest year for which data is available) population of 255,042 (approximately 85% of the County population).

DEMOGRAPHIC CHARACTERISTICS

Per capita income data for the County and the State are presented in the following table:

YEAR	COUNTY	STATE
2013	\$41,684	\$37,734
2014	42,830	39,171
2015	44,797	41,351
2016	45,391	42,203
2017	N/A	43,303

Source: United States Department of Commerce, Bureau of Economic Analysis.

Average wages for the County and the State are as follows:

YEAR	COUNTY	STATE
2013	\$57,358	\$41,750
2014	56,842	42,420
2015	58,231	43,280
2016	59,546	44,170
2017	60,232	45,280

Source: Labor & Economic Analysis Division of the North Carolina Department of Commerce

BUSINESS AND ECONOMIC PROFILE

The County's economic profile evolves from a diverse mixture of healthcare, research, education, manufacturing and service industries. Light manufacturing, including data processing, communications and computer products is currently the largest industrial activity. Advanced pharmaceutical and chemicals-related manufacturing and research and development complement this sector. Basic research, pharmaceutical research, medical care and education lead the non-manufacturing sectors of the economy.

EDUCATION

The three institutions of higher education located in the County are Duke University, North Carolina Central University - a constituent institution of The University of North Carolina System, and Durham Technical Community College - a part of the North Carolina Community Colleges System.

Duke. Duke University ("Duke") was founded in 1924, when James B. Duke designated Durham's Trinity College as one of the principal beneficiaries of the Duke Endowment. Its campus spans over 8,600 acres on three campuses in the County known as the East campus, West campus and Central campus. East campus is surrounded by established residential neighborhoods and is a short walking distance to the downtown district of the City. A majority of Duke's academic programs, including the world-renowned Duke University Medical Center, are located on the 720-acre West campus, which is about 1.5 miles from East campus. Central campus consists of nearly 200 acres and provides housing for over 1,000 upper-class students. As of the fall of the 2017-2018 school year, Duke has an enrollment of approximately 15,190 students in its nine schools and colleges. Employment at Duke and Duke University Medical Center is approximately 36,000.

NCCU. North Carolina Central University ("NCCU"), founded in 1910 as a private institution, became the first State-supported liberal arts college in the nation for African-Americans. It was designated a constituent institution of The University of North Carolina in 1972. NCCU offers programs of undergraduate and graduate study with emphasis in the areas of education, law, biomedicine and biotechnology. Located on a 100-acre campus southeast of downtown Durham, NCCU, as of the 2017-2018 school year, has an enrollment of approximately 8,100 students in its four schools and three colleges and currently employs approximately 1,800 persons.

Durham Technical Community College. Durham Technical Community College ("DTCC") offers vocational technical career programs tailored to meet the occupational needs of the Durham community. For the 2017-2018 school year, there were approximately 19,700 students enrolled, composed of both curriculum students and continuing-education students. DTCC has 43 curriculum programs of study comprising of 108 possible credentials (degree, diploma or certificate). DTCC receives the majority of its current expense funds from federal and State sources. At June 30, 2018, the County had expended \$6,816,720 for operating expenses and \$347,500 for capital outlay purposes of DTCC (estimated). In its budget for the fiscal year ending June 30, 2019, the County appropriated

\$7,210,703 for operating expenses and \$347,500 for capital outlay purposes. A portion of the additional ¼ cent Local Sales and Use Tax for Education approved by voters of the County in November of 2011 is funding the County's commitment to DTCC. Approximately \$1.3 million of funds collected from this source in the fiscal year ended June 30, 2018 (estimated) were allocated to DTCC and \$1.3 million was appropriated for the fiscal year ending June 30, 2019. The County has also issued its general obligation bonds from time to time to finance improvements at DTCC. The County does not designate management or significantly influence operations of DTCC, and DTCC is not accountable to the County for its fiscal matters beyond the County's annual appropriation.

UNC Chapel Hill; NC State. The University of North Carolina at Chapel Hill is located approximately five miles outside the County and North Carolina State University at Raleigh is located approximately 15 miles outside the County. These neighboring universities and those within the County provide the community with advanced educational opportunities, numerous cultural events and collegiate sports activities.

North Carolina School of Science and Mathematics. The North Carolina School of Science and Mathematics began operation in 1980. As of the 2017-2018 school year, enrollment at the school totaled approximately 680 students. The school is located on the historic Watts Hospital complex which was donated to the State by the County. The school is a residential high school which recruits students with aptitude and interest in science and mathematics from across the State. The school is a constituent institution of The University of North Carolina.

MEDICAL

Located within the County are Duke Regional Hospital, Duke University Medical Center, North Carolina Specialty Hospital, Lenox Baker Children's Hospital, Children's Health Center, a U.S. Veterans Administration Hospital and Lincoln Community Health Center. The location of five hospitals plus numerous specialized diagnostic and treatment clinics and an increasing concentration of medical-related manufacturers has earned the City the title of "*City of Medicine, USA.*" Nearly one-third of those working in the County are employed in a health-care related field. The physician to population ratio is four times that of the national average, and the registered nurse to population ratio is three times that of the national average.

Duke University Medical Center ("*DUMC*"), a non-profit institution, has approximately 957 licensed beds and offers care not only to residents of the County but also to patients referred from around the nation and the world. DUMC is the flagship of the broader DUHS, which also includes Duke Regional Hospital described above, Duke Raleigh Hospital located in neighboring Raleigh and more than 200 ambulatory care clinics. DUMC has made significant contributions to the study of cancer and heart disease and the science of organ transplantation. DUMC is consistently ranked as the top hospital in the State and among the top ten health care organizations in the country, with rankings in 13 adult specialties and nine pediatric specialties. In addition, DUMC operates one of the country's largest clinical and biomedical research enterprises.

Duke Regional Hospital has approximately 369 licensed beds and is leased from the County and operated by Duke University Health System, Inc., a subsidiary of Duke University. A planned \$102.4 million expansion at Duke Regional Hospital will update and enlarge the emergency department, plus add separate emergency, outpatient and inpatient space for a centralized behavioral health center. The proposed building project, which is expected to be completed in three years, would move 19 psychiatric beds from Duke University Hospital to Duke Regional Hospital to consolidate services at the single location.

North Carolina Specialty Hospital provides approximately 18 beds specializing in orthopedic, ophthalmology, ear, nose and throat. North Carolina Eye, Ear, Nose and Throat, PA provides outpatient care in the areas of ophthalmology and otolaryngology.

The Durham Veterans Affairs (VA) Medical Center (the “VA”), an approximately 271-bed facility, provides general medical and surgical care. The hospital also includes an approximately 120-bed extended care rehabilitation center. The hospital provides general and specialty medical, surgical, psychiatric inpatient and ambulatory services, and serves as a major referral center for North Carolina, southern Virginia, northern South Carolina, and eastern Tennessee. The hospital is a regional center for radiation therapy, neurological disorders, therapeutic endoscopy, and other special procedures. In addition, it serves as a referral center for high-risk open-heart surgery cases, angioplasty, and hemodynamic cardiac catheterization. The hospital is one of the nation’s VA research centers, conducting sponsored federal research in a public/private partnership between the VA and DUMC.

Lincoln Community Health Center (“*Lincoln*”), a non-profit institution, is a comprehensive health care facility designed for the health care consumer who wishes to enter a continuity-of-care system that includes disease prevention and maintenance of health care, management of chronic diseases, and hospitalization when indicated. At Lincoln, medical care is offered through a comprehensive array of services emphasizing health promotion and disease prevention. Patients are charged according to income based on federal poverty guidelines.

RESEARCH AND OTHER COUNTY BUSINESS PARKS

Research Triangle Park. The Research Triangle Park (the “*Park*”) is one of the largest planned research parks in the world, covering over 7,000 acres of rolling, wooded landscape. Approximately 80% of the Park lies within the County and 95% of Park businesses are located in the County. Founded in 1959, it is approximately equidistant from Duke University, The University of North Carolina at Chapel Hill, and North Carolina State University in Raleigh, which provide research capabilities to industries located in the Park. The Park has grown steadily since its founding from 200,000 square feet of space in 1960 to currently 22.5 million square feet of developed space. It is the home of more than 260 global companies (including International Business Machines Corporation, Cisco, RTI International, Lenovo, Syngenta, Fidelity Investments and GlaxoSmithKline), which employ over 50,000 employees with an estimated annual payroll of over \$2.9 billion. The Park’s presence has generated growth in the surrounding areas of the County for homes and commercial and industrial sites.

In 2014, the Research Triangle Foundation, a not-for-profit responsible for the development of the Park, acquired 100 acres of real estate along I-40 for the purpose of Park redevelopment and, in late 2015, secured financing to begin the first phase of the Park’s first mixed-use development, the Park Center Project. The mixed-use project is still in early pre-development stage with construction expected to start later in 2018 and includes stores, restaurants, condos, apartments and office space.

Treyburn Corporate Park. Treyburn Corporate Park (“*Treyburn*”) is a master planned 5,300 acre mixed-use development located in the northeastern part of the County. Treyburn houses schools, a retirement community, a planned community oriented retail area and recreational facilities as well as the Treyburn Corporate Park - a 1,400 acre master planned business park that was designed to attract corporate headquarters, R&D as well as manufacturing operations.

In January, 2018, the Durham County Board of Commissioners (the “*Board*”) approved an incentive deal worth up to \$2.7 million for glassware maker Corning to expand its Treyburn plant. Corning plans to invest approximately \$189 million in connection with the expansion and expects to create over 300 new jobs over three years, including 269 manufacturing jobs. Corning currently has around 300 employees.

BioMerieux, a French medical diagnostic testing equipment company which manufactures nearly one half of the world's blood culture reagents, has its North American Headquarters located in Treyburn as well as its R&D and manufacturing functions and the company currently employs approximately 630 workers. In 2017, BioMerieux completed the construction of new production line at its Treyburn facility. The production line represents an approximately \$60 million investment by the company and created 100 new permanent jobs, increasing BioMerieux's total employment in the County to 900.

Merck & Co. selected Treyburn for its new vaccine manufacturing campus in 2004 after a national site search and constructed a new vaccine fill and finish operation that has been certified by the FDA. Since 2006, Merck has invested more than \$1 billion in its campus and employs approximately 1,600 workers.

In 2013, Purdue Pharma, a prescription drug manufacturer announced the purchase of land for a new manufacturing facility in Treyburn. Construction of the \$59 million, 150,000 square-foot manufacturing facility was completed in early 2015.

AW North Carolina, Inc., a Toyota automotive component assembler located in Treyburn since 1999, employs approximately 2000 employees and is currently undertaking a \$112 million expansion to its facilities which is expected to add around 56 jobs. Cormetech, a joint venture between Mitsubishi and Corning, also located in Treyburn, develops and manufactures catalytic converters and employs 280 workers. Southern Research Institute, an energy and transportation fuel research facility which facilitates the development and commercial acceptance of technologies that convert nonpetroleum carbon resources into high value products such as clean diesel fuel, jet fuel, methanol, ethanol and electric power, has been located in Treyburn since 2007.

Other Business and Industrial Development. In addition to the Park and Treyburn, the County is home to more than 10 major business and industrial parks. The Imperial Center, adjoining the Park, is an office and industrial park consisting of 422 acres. Buildings containing two million square feet, together with the 331-room Sheraton Hotel and Convention Center, are located in the Imperial Center.

In 2017, Quintiles Transnational, Inc., the world's largest provider of biopharmaceutical development services, completed a merger with IMS Health Holdings valued at nearly \$18 billion, which resulted in the creation of IQVIA, headquartered in the County. IQVIA has more than 50,000 employees worldwide, including about 2,500 in the County. Cree, Inc., the global leader in LEDs and LED lighting created by researchers from North Carolina State University, is headquartered in the County, and employs approximately 2,125 workers.

DOWNTOWN DEVELOPMENT

There has been significant development within the downtown area of the City in recent years. Spurred by the Durham Bulls Athletic Park built in the mid-1990s and the American Tobacco Complex described below, the area has seen a resurgence of commercial development, including both public and private investment in the central business district.

According to Downtown Durham, Inc., from 2000 to 2016 (the latest date for which data is available), the downtown area has seen over \$1.7 billion in public and private investment, including commercial, retail and office space and residential units from the private sector and a new performing arts facility, park and streetscape improvements, and government facilities from the public sector. As of 2016, there was a 95% office occupancy rate, over 17,500 people worked in the downtown area and there were an estimated 1,700 residential units with over 2,500 residents.

The County, the City and Capitol Broadcasting Company, Inc. entered into a development and revitalization agreement in 2003 to redevelop the former American Tobacco Complex facilities located in the downtown area of the City including the construction of additional retail, office and residential facilities (the “*American Tobacco Complex*”). The project has resulted in almost one million square feet of office space; a 134-room Aloft hotel; 79 residential apartments; up to 12 restaurants; a YMCA fitness center and large meeting and event facilities. McKinney, Burt’s Bees, Duke University, the Art Institute of Raleigh-Durham, WUNC, the local NPR affiliate, and Oracle, along with more than 75 other businesses, maintain office space in the area. The project also served as the catalyst for substantial additional development immediately peripheral to the project, including the top-rated, world-class Durham Performing Arts Center. In addition, more than 500 additional residential apartments and 200,000 square feet of additional office space are currently under construction adjacent to the project. The area continues to undergo renovation and eventually will include additional residential, office, retail and restaurant facilities. The American Tobacco Complex currently houses approximately 3,000 employees of its various tenants. In addition, under the old tobacco factory, the American Underground, a research and development incubator for innovation and entrepreneurship, provides office space and other support for tech-driven start-ups.

On November 30, 2008, The Durham Performing Arts Center (“*DPAC*”) opened in downtown Durham. The DPAC is the largest performing arts center in the Carolinas, specifically designed to present the biggest shows on tour, including Broadway shows, the American Dance Festival, and various other mid-size performances throughout the year. The DPAC, owned by the City, includes a 2,800 seat multi-use performance theater with no seat further away than 135 feet. Listed five times in the top 5 in Pollstar magazine’s annual worldwide theater attendance rankings, DPAC is currently the #4 ranked theater in the country. DPAC estimates that visitors spent approximately \$77 million during the 2015-2016 season (the latest data available) with a total economic impact of nearly \$80 million. The theater is located adjacent to the Durham Bulls Athletic Park and American Tobacco Complex. A new 134-room Aloft Hotel, with restaurant and retail space, that wraps around the parking deck directly behind the DPAC opened in 2015.

In addition to the Aloft Hotel, there are four more hotels in the downtown area of the City. 21C Museum Hotels, which opened in April of 2015, is a renovation of one of the tallest buildings in the downtown area located on Corcoran and Main Streets. The hotel is a 124-room boutique hotel and art museum with a restaurant, bar and meeting space open to the public. The Durham Hotel, which opened in July of 2015, is another renovation of a historic building on Chapel Hill Street in downtown and is a 54-room boutique hotel with a restaurant, flexible meeting space and indoor/outdoor rooftop bar and deck. The Residence Inn by Marriott, at the corner of Main Street and Buchanan Boulevard in downtown, opened in June of 2015. Finally, the Durham Marriot City Center, located between Rigsbee Avenue and Foster Street, was renovated in 2017. The County and City have both entered into incentive agreements to encourage these projects to locate in the downtown area of the City. The County’s agreement calls for \$2 million over 10 years following the completion and continued occupancy of the 21C Museum Hotel and \$605,000 over a period of 7 years to the Durham Hotel once operational and a one-time incentive payment of \$400,000 to the Residence Inn.

Aspen, Colorado-based Austin Lawrence Partners has begun an \$80 million project, termed the City Center project, in the downtown area of the City. The project is planned to house about 21,000 square feet of street-level retail space; interior parking on floors two and three; 62,000 square feet of office space on floors three, four and five, of which, Duke University will occupy 55,000 square feet; and a stepped-back tower accommodating 130 to 134 apartments, the top six floors of which are contemplated as for-sale units of 1,750 to 2,400 square feet. The project is expected to open in 2018.

Boston-based Longfellow Real Estate Partners (“*Longfellow*”) has partnered with Measurement Inc., an educational company headquartered in the County, to develop a 15-acre site in the downtown into

what it has named “*Durham’s Innovation District*” or “*Durham.ID*” The master plan for the district, which is just west of the area around the Durham Athletic Park (the former home of the Durham Bulls), includes over one million square feet of laboratory and office space for life sciences and technology companies, as well as 300,000 square feet of residential space. Longfellow has announced that Durham.ID is expected to be developed in four phases. The first phase of Durham.ID includes two, seven story office buildings totaling 350,000 square feet, a 1,200 space parking garage and a public park expected to become operational in the summer of 2018.

In addition, the County developed a new Health and Human Services Complex and a new Justice Center in the downtown area. The Health and Human Service Complex, which serves as the Mortgaged Property for the Outstanding Certificates, is a 277,590 square-foot facility, which includes a 404-space surface parking facility. Phase I of the new facility opened in April 2011 and houses the County’s Public Health Department and a portion of Alliance Behavioral Healthcare (formerly The Durham Center). Phase II of the facility opened in November 2013 and houses the County’s Social Services Department, a County Wellness Center and a 500-person flexible meeting space. The new Justice Center opened in February 2013 and has replaced the existing Durham County Courthouse. The new Justice Center includes a parking structure to support its operations and is located adjacent to the current Durham County Detention Facility.

EMPLOYMENT

According to the Greater Durham Chamber of Commerce 2016 Economic Development Report (the latest data available), during calendar year 2016, new and existing companies invested of a total of \$875.8 million in the County, which created 4,256 new jobs. Of this investment, 67% was concentrated in the life sciences and education sectors. In addition, of the new jobs announced, 64% were associated with new construction activity with the balance attributable to expansion and renovation activity.

The following table lists, by name, product or service and approximate number of employees, the major business and institutional establishments in the County as of June 2018:

COMPANY OR INSTITUTION	PRODUCT OR SERVICE	APPROXIMATE NUMBER OF EMPLOYEES
Duke University Health System, Inc.	Clinical care, education and research	37,142
International Business Machines (IBM)	Information technology	7,000
Durham Public Schools	Public education	4,600
Blue Cross & Blue Shield of North Carolina	Health insurance	4,000
Fidelity Investments	Financial services	3,700
IQVI (Formerly Quintiles Transnational)	Biopharmaceutical services	3,000
Cree	Silicon-carbide wafers fabricator	2,600
GlaxoSmithKline	Pharmaceutical research and development	2,600
Durham City Government	City government	2,466
Research Triangle International	Contract research	2,276

Source: Greater Durham Chamber of Commerce.

The Labor & Economic Analysis Division of the North Carolina Department of Commerce has estimated the percentage of unemployment in the County to be as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
January	6.9%	6.1%	5.5%	5.2%	4.7%	July	6.9%	6.3%	5.3%	4.8%	N/A
February	7.0%	5.9%	5.3%	5.0%	4.6%	August	6.7%	5.9%	5.3%	4.8%	N/A
March	6.7%	5.6%	5.1%	4.5%	4.3%	September	5.9%	5.4%	5.0%	4.2%	N/A
April	5.8%	5.4%	4.8%	4.1%	3.7%	October	5.7%	5.4%	5.1%	4.3%	N/A
May	6.4%	6.0%	4.8%	4.3%	N/A	November	5.8%	5.4%	4.9%	4.5%	N/A
June	6.5%	6.1%	5.2%	4.6%	N/A	December	5.4%	5.2%	4.8%	4.3%	N/A

RETAIL SALES

Taxable retail sales in the County for the fiscal years ended June 30, 2014 through June 30, 2018 are shown in the following table:

<u>FISCAL YEAR ENDED JUNE 30</u>	<u>TAXABLE RETAIL SALES</u>	<u>INCREASE (DECREASE) OVER PREVIOUS YEAR</u>
2014	\$5,501,325,031	--
2015	6,097,770,417	10.8%
2016	6,458,506,000	5.9
2017	6,884,030,147	6.6
2017 ¹	5,751,378,963	--
2018 ²	5,960,633,083	3.6

Source: North Carolina Department of Revenue, Sales and Use Tax Division.

¹ Includes data for the 10-month period beginning in July of 2016 and ending in April of 2017.

² Includes data for the 10-month period beginning in July of 2017 ending in April of 2018.

CONSTRUCTION ACTIVITY

Construction activity in the County, including the City, is indicated by the following table showing the number of building permits issued and the related value of construction:

<u>CALENDAR YEAR</u>	<u>COMMERCIAL</u>		<u>RESIDENTIAL</u>		<u>TOTAL VALUE</u>
	<u>NUMBER</u>	<u>VALUE</u>	<u>NUMBER</u>	<u>VALUE</u>	
2014	931	\$525,549,220	2,820	\$396,800,327	\$ 922,349,547
2015	1,022	700,758,822	3,359	463,382,904	1,164,141,726
2016	945	779,672,567	3,613	612,520,530	1,392,193,097
2017	1,072	971,598,837	3,893	715,764,998	1,687,363,835
2017 ¹	357	34,6457,845	1,191	215,321,229	561,779,074
2018 ²	283	293,687,858	1,363	244,905,947	538,593,805

Source: City/County of Durham Inspections Department.

¹ Includes data for the 4-month period beginning in January of 2017 and ending in April of 2017.

² Includes data for the 4-month period beginning in January of 2018 and ending in April of 2018.

GOVERNMENT AND MAJOR SERVICES

Government Structure. The County is governed by a Board of Commissioners (the “*Board*”). The Board consists of five members who are elected at large to four-year terms on a partisan basis. Elections for the Board are held in November of every four years. The Board annually elects a chairman and a vice-chairman from among its members.

The major duties of the Board include adopting an annual budget; establishing the annual property tax rate; appointing various officials (the County Manager, the County Attorney and members of County boards and commissions); enacting policies concerning the operation of the County; planning for County needs; and enacting local ordinances. The Board also has authority to call bond referenda, enter into contracts and establish new programs and departments.

The County Manager is the chief administrator of the County. The County Manager is appointed by the Board and serves at the Board’s discretion. The major duties of the County Manager include supervising and coordinating the activities of the County departments for the Board; seeing that all orders and policies of the Board are carried out; making recommendations on appropriate matters of business; recommending an annual budget and advising the Board on the financial condition of the County; representing the County in business with other agencies; and performing other duties assigned by the Board.

Education.

--Public School System. There is one public school system serving the County. The Durham Public School System (“*DPS*”) is governed by a Board of Education (the “*Board of Education*”), consisting of seven members elected for four-year terms. A school superintendent is appointed by the Board of Education.

The State provides funding for a basic minimum educational program which is supplemented by the County and federal governments. This minimum program provides funds for operational costs only, while financing of public school facilities has been a joint State and County effort. Local financial support is provided by the County for capital and operating costs which is not provided for by the State or federal government.

The County makes contributions to the system from its General Fund and the proceeds of general obligation bonds issued from time to time for public school purposes by the County. For the fiscal year ended June 30, 2018, the County expended approximately \$132,665,201 for Board of Education operating purposes and \$1,370,000 for capital outlay expenses (estimated). For the fiscal year ending June 30, 2019, the County has budgeted appropriations to the Board of Education for such purposes of \$137,350,717 and \$1,370,000, respectively. In addition, in November 2007, County voters approved the issuance of \$194,240,000 general obligation bonds for public school capital outlay purposes, the first four installments of which were issued in calendar years 2010, 2012, 2014 and 2016. The County issued the fifth and final installment in the amount of \$3.8 million during the fiscal year ending June 30, 2017. In November 2016, County voters approved the issuance of \$90,870,000 general obligation bonds for public school capital outlay purposes. None of the approved bonds have been issued yet. In addition, the County contributes funding to DPS to support universal Pre-K programs. For the fiscal year ended June 30, 2018, the County expended \$1,500,000 for DPS Pre-K programs. For the fiscal year ending June 30, 2019, the County has budgeted \$2,160,000 in appropriations to DPS for such purposes.

An additional ¼ cent Local Sales and Use Tax for Education was approved by the voters of the County in November 2011. The County began collecting the additional tax on April 1, 2012, and the Board has committed these proceeds for use toward supporting educational purposes to include debt

service on County educational (school) debt. As such, any unspent portion of these funds are committed to fund balance for educational purposes in the County's General Fund. For the fiscal year ended June 30, 2018, the County collected \$14,374,681 (estimated). Of this amount, \$9,195,440 was used to fund operational support for DPS, and \$2,978,380 was used to fund County debt service on school-related obligations (estimated). For the fiscal year ending June 30, 2019, the County budgeted \$14,300,000. Of this amount, \$9,463,920 is budgeted to fund operational support for DPS and \$3,065,340 is budgeted to fund County debt service on school-related obligations.

The following table shows the combined number of schools by grade level and average daily membership ("ADM") for the Durham Public School System:

SCHOOL YEAR	ELEMENTARY GRADES K-5		JUNIOR HIGH GRADES 6-8		SECONDARY GRADES 9-12	
	NUMBER	ADM ¹	NUMBER	ADM ¹	NUMBER	ADM ¹
2013-14	30	15,987	10	6,573	15	10,684
2014-15	30	16,003	10	7,428	14	10,286
2015-16	30	16,462	9	7,133	15	10,573
2016-17	30	15,779	9	5,667	14	11,705
2017-18	30	15,593	9	5,516	14	11,963

¹ Average daily membership ("ADM") (determined by actual records at the schools) is computed by the North Carolina Department of Public Instruction on a uniform basis for all public school units in the State. The ADM computations are used as a basis for teacher allotments and for distribution of local funds.

Source: North Carolina Department of Public Instruction.

--Private and Charter Schools. In addition to the public school system, 35 private and parochial schools and 11 charter schools serve the County. The charter schools operate under license from the State to conduct innovative education efforts and are funded from local, State and federal sources. The County's appropriations to the charter schools are a part of its appropriations to the public school system.

Transportation. The County is served by a network of highways, including Interstate highways 40 and 85, U.S. highways 15, 70 and 501, and North Carolina highways 54, 55, 98, 147 and 751. Expansion and betterment of the State highways and federal highways are completely the responsibility of the State.

The County, together with the City, the City of Raleigh and the County of Wake, owns the Raleigh-Durham International Airport ("RDU"). The airport is operated by the Raleigh-Durham Airport Authority (the "Authority") and is served by nine major airlines and seven regional carriers out of two passenger terminals. In 2008, RDU opened the first phase of a renovated and expanded Terminal 2 and, in early 2011, opened the second phase, providing for a total of 900,000 square feet and 36 aircraft gates. The County contributes \$12,500 each year to the Authority. In July 2012, RDU began construction on the renovation of Terminal 1. Construction included a transformed terminal with more natural lighting, renovated ticketing and baggage claim areas and a larger security checkpoint. The project was completed in February 2014 and opened for business in early March 2014. The County is not financially responsible for airport capital improvements or operations.

GoTriangle (formerly known as Triangle Transit) is the regional public transportation agency that provides bus, vanpool and ride-matching services in the Raleigh-Durham-Chapel Hill area and is engaged in the planning and implementation of major regional transit investments. The Triangle region's two Metropolitan Planning Organizations ("MPOs") have jointly adopted a Long Range Transportation Plan which includes expansion of bus service and supporting park and ride facilities, the implementation of rail transit service, and expanded pedestrian and bicycle access to transit. In collaboration with the region's

local governments and MPOs, GoTriangle has developed a Bus and Rail Investment Plan, which analyzes the initial bus and rail investments that would be the most successful in generating ridership, enhancing economic opportunities and providing mobility choices for the region. In addition to new bus and commuter rail service, the Bus and Rail Investment Plan includes a recommendation to create the Durham-Orange Light Rail Transit Project - a 17-mile light rail project (with 17 stations and a Rail Operations Maintenance Facility) extending from southwest Chapel Hill to eastern Durham that would serve several educational, medical, and other key activity centers, including The University of North Carolina at Chapel Hill and Duke University Medical Center. The project received approval from the Federal Transit Administration to advance into the engineering phase of the federal Capital Investment Grant Program in July, 2017.

An additional ½ cent Local Sales and Use Tax for Public Transportation was approved by the voters of the County in November 2011. The County began to levy this tax in April 2013, as neighboring Orange County approved a similar transit tax so that the proceeds may be concurrently levied and used for multi-jurisdictional options, including implementation of the Bus and Rail Investment Plan. Further, the Board authorized the levy of a \$7.00 Motor Vehicle Registration Tax in March of 2013, collection of which began in September of 2013. The proceeds of the tax will be distributed to the County and shared with the municipalities located within the County who operate a public transit system on a pro rata basis. Through an interlocal agreement, the municipalities located within the County have agreed to allow the County to retain its share, which will be used to fund the Bus and Rail Investment Plan.

The County is served by three railroads (Norfolk Southern Corp., CSX Transportation and Amtrak) and two bus lines as well as the bus service provided by the Triangle Transit.

Human Services.

--*Social Services.* The mission of the County Social Services Department is to partner with families and communities in achieving well-being through prosperity, permanence, safety and support. The Department offers financial assistance and services to individuals and families directed toward family self-sufficiency and protection of vulnerable adults and children. Social services programs are regulated primarily by State and federal agencies. The County Social Services Department is charged with the administration of these programs on a County-wide basis.

Financial assistance and service programs and their administration are funded by varying percentages of federal, State, and County support. Financial assistance programs include Medicaid, Health Choice, TANF/Work First Family Assistance, State/County Special Assistance to Adults, Food Stamps, Special Assistance for the Blind, Adoption Assistance, Foster Care Payments, Child Care Subsidy, and Heat/Cooling Assistance. Service programs include In-Home Services, Adult Protective Services, Child Protective Services, Adult Care Home Monitoring, Employment Services, Child Support Services, and Adolescent Parenting.

The County's portion of expenditures for social services for the fiscal year ended June 30, 2018 was \$22,491,802 (estimated) and the County's appropriation budgeted for the fiscal year ending June 30, 2019 is \$21,916,684.

--*Mental Health.* As of July 1, 2012, the Durham County Mental Health, Development Disabilities, and Substance Abuse Authority (the "*Durham Center*") became Alliance Behavioral Healthcare ("*Alliance*"), as a result of a merger with Wake County Local Management Entity. The two entities combined the County's catchment area and Wake County's catchment area to establish a new multi-county Area Authority, operating as a political subdivision of the State and organized under North Carolina General Statute Chapter 122C-115, to administer mental health, substance abuse and development disability services for the County and Wake County. Effective July 1, 2013, mental health

services provided in Cumberland County were merged with those provided in Durham and Wake counties and became a part of Alliance Behavioral Healthcare. Funding for the administration of Alliance will be the responsibility of the State with Durham, Wake and Cumberland counties providing funds for the provision of services and Alliance will provide services to Johnston County for a fee.

The County's expenditures for mental health, substance abuse and developmental disability services in the fiscal year ended June 30, 2018 were \$6,131,224 (estimated). The County's expenditures for mental health, substance abuse and development disability services budgeted for the fiscal year ending June 30, 2019 totaled \$6,245,859. Funding for mental health services by counties is mandated by the State.

--*Public Health.* The County Health Department's mission is to preserve, protect and enhance the general health and environment of the community.

The County Health Department is comprised of seven divisions: Administration, Dental, Environmental Health, General Health Services Clinic, Health Education, Community Health and Nutrition. These divisions work collaboratively to accomplish the following goals:

- Promote optimal health and wellness of children
- Decrease premature death rates
- Prevent and control communicable disease
- Maximize organizational productivity

Major services of the County Health Department include communicable disease control, maternal and child health services, public health nursing, dental health, health education, public health laboratories, and vital statistics. The Environmental Health Division regulates sanitation in food handling establishments, public lodging places, public institutions and recreational facilities and the sanitation and quality of milk supplies. It also operates rodent and insect control programs, monitors solid waste disposal and conducts occupational disease programs.

The County's portion of expenditures for public health for the fiscal year ended June 30, 2018 was \$22,108,769 (estimated) and the County's appropriation for the fiscal year ending June 30, 2019 is \$20,851,234.

Health Trust Fund. Pursuant to agreements executed between the County, Duke Regional Hospital (formerly Durham Regional Hospital, effective July 1, 2013) and Duke, effective July 1, 1998, the County began leasing its Hospital facilities to Duke under the terms of an operating lease expiring on June 30, 2018. The cost of leased facilities to the County was \$63,605,860, and the accumulated depreciation and carrying values as of May 31, 2018 were \$31,797,533 and \$31,808,327, respectively. Under the terms of the original agreement, annual minimum lease payments to be remitted to the County for use of the facility were \$3,500,000. The rental payments received and to be received by the County on an annual basis are as follows:

From July 1, 2009 to June 30, 2018 = \$3,950,000
From July 1, 2018 to December 31, 2018 = \$1,975,000
From January 1, 2019 to June 30, 2019 = \$625,000
From July 1, 2019 to June 30, 2031 = \$1,250,000
From July 1, 2031 = \$0

In addition, under the terms of the Sublease, the County began receiving on July 1, 2009, an amount of \$2,200,000 annually, adjusted for inflation, for the support of emergency medical services previously provided by the Duke Regional Hospital and assumed by the County under the agreements.

These funds are accounted for in the General Fund. Also, beginning on July 1, 2009, DUHS began paying \$2,850,000 annually, adjusted for inflation, to the Lincoln Community Health Center, formerly a component unit of Duke Regional Hospital, for the provision of health services to the citizens of the County. The County has treated the Sublease as an operating lease.

Under the terms of the amendment to the Sublease in 2007, DUHS agreed to release its interest in the portion of Duke Regional Hospital commonly known as the Oakleigh Building and an adjacent lot to be used as a mental health and substance abuse treatment facility by the mental health services of the County. In connection with such release, DUHS also agreed to pay to the County, starting in the fiscal year ended June 30, 2009, an amount of \$100,000 annually over a ten year period for the support of mental health and substance abuse treatment services.

Library Facilities. The County Public Library was the first tax-supported library in the State. Funding for the library system is primarily from local revenues. The County's expenditures for the library system's operations for the fiscal year ended June 30, 2018 were \$11,674,146 (estimated) and the County's appropriation for operations for the fiscal year ending June 30, 2019 is \$11,235,746. The County has also issued its general obligation bonds from time to time to finance improvements to its library system.

Public Safety. The Durham County Sheriff is responsible for the administration and operation of the County's Detention Facility. The County's Detention Facility houses inmates in a safe, secure, and adequate environment while ensuring the protection of inmates, staff and the surrounding community through the proper administration and operation of the facility. It is dedicated to providing several "self-help" and work programs for inmates to reduce recidivism and promote rehabilitation and productive use of time spent under incarceration.

The Sheriff Law Enforcement Services is responsible for providing public safety and law enforcement services in the County and is divided into three major divisions, which are Operations, Support Services, and Planning and Development.

The Operations Division includes Patrol, Communications, Community Services, Gang Resistance Education Awareness Training (GREAT), School Resource Officer (SRO), Crisis Intervention, Domestic Violence, Juvenile Services and TRIAD), Crime Analysis, Fleet Maintenance, SCOPE (Sheriff's Community Policing Effort), Records, Permits, Warrants, Child Support, Hazardous Devices Unit and Search/Recovery Team.

The Support Services Division includes Investigations, SAC/NARC (vice unit), Civil Process, Court and Building Security, Transportation (inmates, prisoners, juveniles), Training, Administrative Information Desk, Pistol Team, Honor Guard and Negotiations Response Team.

The Planning and Development Division is responsible for Budget and Fiscal Management, Management Information System, Property Control, Purchasing, Asset Inventory Control, Promotional Process and Grant Development/Administration. This division also includes Professional Standards, which handles all matters relating to agency accreditation, internal affairs, vehicle purchases and evidence control, and Sheriff's Legal Advisor.

Fire Protection. Fire protection in the County is provided by the City Fire Department and volunteer fire departments. There are currently six fire service districts outside of the City limits which are tax-supported by residents of each district. Services historically have been provided by incorporated volunteer fire departments until July 1, 2013. Effective July 1, 2013, the County began providing fire protection services within the Bethesda Fire Service District but continued to support the cost of the services by levying a district tax. Effective, June 1, 2015, the County began providing fire protection

services within the Parkwood Fire District but continued to support the cost of the services by levying a district tax. Effective July 1, 2016, the County combined the Bethesda and Parkwood Fire Service Districts into one fire service district, Durham County Fire and Rescue Fire Service District (“DCFR”). The County continues to support the cost of the services for DCFR by levying a district tax. Effective for fiscal year ending June 30, 2019, the County entered into an interlocal agreement with the City to provide the fire services for DCFR as of July 1, 2019. The DCFR District is located in the southern area of the County and includes the Research Triangle Park. In entering into this agreement, the County DCFR firefighters became City firefighters with the City Fire Department effective July 1, 2019. In addition to fire protection, all of the fire departments provide first responder emergency medical services within their respective districts. With the cooperation and aid of the Emergency Medical Services Department, all departments respond to requests for assistance to surrounding departments and counties under mutual aid agreements. Coordination of these fire and rescue services is provided by the Durham County Fire Marshal.

Public Utility Enterprises. The primary water and wastewater services provider within the County is the City. The water service area includes all of the City’s incorporated area and portions of the County including the Research Triangle Park, and the City’s water and sewer system (the “System”) serves approximately 89,000 connections. The City has contractual agreements in effect with the Orange Water and Sewer Authority, the City of Raleigh, the Town of Cary, Chatham County, the Orange-Alamance Water System, the Town of Morrisville and the Town of Hillsborough to enable the systems to share water resources as needed.

The City’s water supply and distribution facilities currently supply approximately 28 million gallons per day (“MGD”) of water to its residential and non-residential customers. The City has two main water sources: Lake Michie, which is supplied by the Flat River and Little River Reservoir, which is supplied by the Little River. These sources together provide a safe yield of 26.4 MGD. In 2002, the City received a 10 MGD allocation from Jordan Lake and plans are underway to further develop this source, Terry Quarry is used as an emergency water source and plans have been identified for developing additional water supply from the Flat River by expanding Lake Michie. Treated water is supplied by two water treatment plants with a combined rated capacity of 52 MGD, one of which is currently undergoing expansion to add an additional 12 MGD of capacity.

The wastewater collected by the City’s sanitary sewer facilities is treated at two wastewater treatment plants, the North Durham Water Reclamation Facility and the South Durham Water Reclamation Facility. Both plants were upgraded and expanded in the mid-1990s and now have an aggregate permitted hydraulic capacity of 40 MGD. The collection system is served by 62 pump stations and approximately 1,100 miles of pipeline. Additionally, the County owns and operates the 12 MGD Triangle Wastewater Treatment Plant and associated collection system. This facility serves over 10,000 customers in Southeast Durham including the Durham County portion of Research Triangle Park and several areas annexed by the City.

Electric service is provided by Duke Energy and Piedmont Electric Corporation and natural gas service is provided by Public Service Company of North Carolina, Inc.

Other Services. The County and the City jointly own and operate the Durham Convention Center (the “Convention Center”) which includes more than 40,000 square feet of meeting space among 13 rooms and a 14,080 square-foot Grand Ballroom. The Convention Center was constructed as part of a downtown development project, with public and private components, that included the renovation of the Carolina Theater and a City-owned building leased to the Durham Arts Council and the construction of public parking facilities, a hotel and a private office building.

The County operates and maintains the Durham County Memorial Stadium and generates on-going revenues through rental and concession fees. The County recently completed a renovation of the stadium. The renovations included installation of an artificial football field, an eight-lane track as well as an expanded press box with elevator, improved locker rooms, improved ADA access and additional restrooms and concessions. The renovated facility is now home to two local high school football teams.

The City owns the Durham Bulls Athletic Park, a baseball stadium that is leased to the Durham Bulls, a Class AAA affiliate of the Tampa Bay Devil Rays, an American League baseball team.

In addition, in order to provide County citizens with a more cost-effective, efficient and user-friendly governance, the County has approved a Capital Improvement Plan that is reviewed and updated every two years. The plan lays the groundwork for the future building needs of the County and is centered on sound planning and solid financial research.

DEBT INFORMATION

Legal Debt Limit. In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, the County had the statutory capacity to incur additional net debt in the approximate amount of \$2,598,128,701 as of June 30, 2018.

Outstanding General Obligation Debt.

GENERAL OBLIGATION BONDS	PRINCIPAL OUTSTANDING AS OF			
	JUNE 30, 2015	JUNE 30, 2016	JUNE 30, 2017	JUNE 30, 2018
Governmental Bonds	\$270,300,272	\$243,742,658	\$288,450,361	\$258,989,287
Business-Type Bonds	604,728	32,342	--	--
Total Debt Outstanding	<u>\$270,905,000</u>	<u>\$243,775,000</u>	<u>\$288,450,361</u>	<u>\$258,989,287</u>

The County has issued a draw-down general obligation bond anticipation note (the “Note”), scheduled to mature on March 23, 2020, under which the County is authorized to borrow up to \$50,000,000 and approximately \$29,623,318 of which is outstanding as of June 30, 2018. The above table does not reflect the Note.

General Obligation Debt Ratios.

AT JUNE 30	TOTAL OUTSTANDING GO DEBT ¹	ASSESSED VALUATION	TOTAL GO DEBT TO ASSESSED VALUATION	POPULATION ²	TOTAL GO DEBT PER CAPITA ³	ASSESSED VALUATION PER CAPITA ³
2013	\$273,900,000	\$30,446,750,204	0.90	277,588	\$987	\$109,683
2014	295,905,000	32,025,003,772	0.92	284,437	1,040	112,591
2015	270,905,000	31,736,178,319	0.85	290,874	931	109,106
2016	243,775,000	32,454,800,165	0.75	293,647	830	110,523
2017	288,086,321	35,230,345,247	0.82	301,243	956	116,950
2018	258,989,287	32,476,608,767	0.78	308,941	819	105,377

¹ Does not include the debt evidenced by the Note described above.

² Estimates from Durham City/County Planning Department.

³ Totals may not foot due to rounding.

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General Obligation Debt Service Requirements as of June 30, 2018.

AT JUNE 30	GOVERNMENTAL		TOTAL	
	EXISTING DEBT		EXISTING DEBT	
	PRINCIPAL	PRINCIPAL & INTEREST	PRINCIPAL	PRINCIPAL & INTEREST
2018	\$25,205,000	\$ 9,738,531	\$25,205,000	\$34,943,531
2019	25,210,000	15,778,835	25,210,000	40,988,835
2020	25,465,000	7,468,752	25,465,000	32,933,752
2021	24,925,000	6,160,032	24,925,000	31,085,032
2022	16,920,000	4,964,708	16,920,000	21,884,708
2023-28	64,715,000	13,441,217	64,715,000	78,156,217
2029-34	31,660,000	2,916,775	31,660,000	34,576,775
2035-40	12,355,000	861,525	12,355,000	13,216,525

Note: Does not include the Note described under the caption “**DEBT INFORMATION – Outstanding General Obligation Debt**” herein.

General Obligation Bonds Authorized and Unissued.

PURPOSE	DATE APPROVED	BALANCE AUTHORIZED AND UNISSUED	BONDS NOW OFFERED	BALANCE
Schools	11/3/16	\$90,870,000	--	\$90,870,000
Community College	11/3/16	20,195,000	--	20,195,000
Library	11/3/16	44,725,000	--	44,725,000
Museum of Life & Science	11/3/16	14,210,000	--	14,210,000

General Obligation Debt Information For Underlying Units as of June 30, 2018.

UNIT	POPULATION¹	ASSESSED VALUATION	TAX RATE PER \$100	DEBT AUTHORIZED AND UNISSUED	TOTAL GO DEBT	GO DEBT PER CAPITA
Durham-City	255,011	\$27,772,219,495	.5786	\$13,035,000	\$147,335,000	\$577.76
Town of Chapel Hill	59,851	7,526,331,910	.5080	18,800,000	41,470,000	692.89
City of Raleigh	448,699	58,365,839,243	.0418	347,370,000	323,520,000	721.02

¹ North Carolina Office of State Planning, as of July 1, 2016 (the latest data available).

Note: Does not include certificates of participation, limited obligation bonds, state revolving loans and revenue bonds as these are not secured by a pledge of the taxing power of the respective unit.

Other Long-Term Commitments. Reimbursements for expenditures incurred for improvements to property of the Durham Public School System, Durham Technical Community College and various not-for-profit organizations are made upon request by such entities. Because the County is not a party to the related contracts, the unexecuted balances of such contracts are considered obligations of the Durham Public School System, Durham Technical Community College and various not-for-profit organizations. Additional payments, if any, to be made by the County will be from future appropriations.

The County participates in a number of federal and State grant awards programs. The disbursement of funds under these programs is subject to audit in accordance with the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the North Carolina State Single Audit Implementation Act. The amounts, if any, of expenditures which may be disallowed by the granting agencies resulting from such audits cannot be determined at this time, although the County expects they would be immaterial.

The County has also made economic incentive commitments to various industries ranging from one to five years the payments all of which are contingent upon performance by other parties. As of June 30, 2018, the aggregate amount of such commitments was \$10,084,692.

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The County has also entered into installment financing agreements as follows:

<u>DATE</u>	<u>COMPANY/COLLATERAL</u>	<u>ORIGINAL AMOUNT</u>	<u>PRINCIPAL AND INTEREST REPAYMENT REQUIREMENTS</u>	<u>6/30/18 PRINCIPAL BALANCE</u>
10/02	North Carolina Housing Finance Agency	\$ 196,859	20 years with half of amount to be forgiven @ 0% interest	47,482
08/03	Bank of America, N.A. (American Tobacco Project)	14,502,000	\$666,133 semi-annually for 15 years @ 4.415% interest*	609,346
04/09	Durham Capital Financing Corporation (Health & Human Services Complex and other projects) (refunded see below)	61,850,000	Annual principal from \$3,095,000 to \$3,090,000 for 22 years and semi- annual interest @ 4.0% to 5.0%	3,090,000
03/12	Durham Capital Financing Corporation (Health & Human Services Complex and other projects)	63,780,000	Annual principal from \$3,190,000 to \$3,185,000 for 20 years and semi- annual interest @ 2.0% to 5%	44,640,000
09/12	SunTrust (Utility Performance)	4,549,000	Annual principal from \$8,583 to \$208,122 for 15 years annual interest @ 2.285%	3,555,397
03/13	Durham Capital Financing Corporation (new County Courthouse and other projects)	112,470,000	Annual principal from \$3,745,000 to \$3,750,000 for 20 years and semi- annual interest @ 1.5% to 5%	93,730,000
04/16	Durham Capital Financing Corporation Refunding (Health & Human Services Complex and other projects)	34,590,000	Annual principal from \$2,820,000 to \$2,970,000 for 15 years and semi- annual interest @ 4.0% to 5.0%	34,590,000

* Modified to \$614,221 semi-annually @ 1.60% interest effective February 20, 2013.

Derivative Agreements. The County has previously entered into an interest rate swap agreement related to certain of its debt. See Note A in the Notes to Basic Financial Statements of the County in Appendix B attached hereto.

DEBT OUTLOOK

The County renewed its draw-down general obligation bond anticipation note program in March of 2017 through a private placement with a bank of the Note that is described herein under the caption “**DEBT INFORMATION —*Outstanding General Obligation Debt***”. The program permits the County to finance ongoing capital projects on a short-term, variable-rate basis in anticipation of the issuance of its authorized and unissued general obligation bonds and covers a three-year period. Under the Note, the County can borrow an amount not exceeding the amounts of its authorized and unissued Community College Bonds and School Bonds. The County expects to issue bonds to pay down the Note by March 23, 2020.

The County staff prepares a comprehensive 10-year Capital Improvement Plan (“CIP”) and submits it to the Board for review and approval during the budget cycle. The current CIP, for years 2017 through 2026, is available for review on the County’s website. The CIP addresses how the County might meet its capital improvement needs as well as the needs of other entities that the County supports, including the needs of its public schools, Durham Technical Community College and the Museum of Life and Science. Such needs are significant and the County expects to issue additional general obligation bonds or enter into additional installment financing agreements from time to time in the future to provide for some, if not all, of such needs. For the upcoming five-year period, the County has estimated a \$200 - \$250 million need for new long-term debt funding (including the execution and delivery of the 2018 Bonds). The County also expects to gain significant new debt capacity during this time period due to the retirement of various existing debt.

TAX INFORMATION

General Information.

	FISCAL YEAR ENDED OR ENDING JUNE 30			
	2015	2016	2017	2018
Assessed Valuation:				
Assessment Ratio ¹	100%	100%	100%	100%
Real Property	\$25,730,862,172	\$26,213,161,494	\$28,894,972,479	\$29,641,487,209
Personal Property	3,462,350,676	3,524,686,233	3,483,300,069	3,594,316,688
Public Service Companies ²	510,732,429	553,248,101	565,369,921	575,537,361
Registered Vehicles	2,032,233,042	2,163,704,337	2,286,702,778	2,259,584,197
Total Assessed Valuation	\$31,736,178,319	\$32,454,800,165	\$35,230,345,247	\$32,476,608,767
Per Capita Assessed Valuation ³	\$109,106	\$110,523	\$116,950	\$105,377
Rate per \$100	.7931	.7931	.7404	.7679
Levy Adjusted ⁴	\$236,807,235	\$258,519,128	\$263,020,558	\$277,682,642

¹ Percentage of appraised value has been established by statute.

² Valuation of railroads, telephone companies, and other utilities as determined by the North Carolina Property Tax Commission.

³ Calculated using population estimates of the Durham City/County Planning Department. For 2018, the 2017 population figure was used.

⁴ In addition to the County-wide rate shown, parts of the rural areas of the County are subject to special district taxes.

Note: A revaluation of real property is required by statute at least every eight years. The last revaluation occurred on January 1, 2016.

Special districts and their tax rates per \$100 of assessed valuation are as follows:

	FISCAL YEAR ENDED JUNE 30			
	2015	2016	2017	2018
Special Fire Districts	0.0799- 0.1386	0.0799- 0.1386	0.0778- 0.1344	0.0778- 0.1344
Durham Fire & Rescue Service District ⁺		0.1300	0.1300	0.1451
Other Special Districts	0.1514- 0.1729	0.0000- 0.1779	0.0000- 0.1880	0.0000- 0.1880

⁺ Effective July 1, 2013, the Bethesda Fire District became a Service District and the tax rate for the Bethesda Fire District was reduced to \$.0000. The new Bethesda Service District overlaid the Bethesda Fire District. Effective July 1, 2015, the Bethesda Service District was abolished, the Parkwood Fire District rate was reduced to \$.0000 and the Durham Fire & Rescue Service District was created. A portion of the Durham Fire & Rescue Service District overlaid the Parkwood Fire District and the remaining portion overlaid the Bethesda Fire District.

Total levy including County-wide and special districts:

	FISCAL YEAR ENDED JUNE 30			
	2015	2016	2017	2018
County-Wide	\$242,945,349	\$258,519,128	\$263,020,558	\$277,682,642
Special Fire Districts	6,986,651	7,810,209	7,881,708	7,767,167
Other Special Districts	764,935	977,224	1,223,435	1,157,946
Total Levy	<u>\$250,696,935</u>	<u>\$267,306,561</u>	<u>\$272,125,701</u>	<u>\$286,607,755</u>

Tax Collections.

FISCAL YEAR ENDED JUNE 30	CURRENT YEAR'S COUNTY- WIDE LEVY COLLECTED	PERCENTAGE OF CURRENT YEAR'S COUNTY-WIDE LEVY COLLECTED
2014	\$385,068,858	99.34%
2015	401,244,673	99.61
2016	411,447,291	99.70
2017	422,143,612	99.79
2018	431,495,164	99.75

Ten Largest Taxpayers for Fiscal Year Ended June 30, 2018.

NAME	TYPE OF ENTERPRISE	ASSESSED VALUATION	PERCENTAGE OF ASSESSED VALUE
AW North Carolina Inc.	Manufacturing	\$ 371,008,154	
Cree, Inc.	Manufacturing	326,318,448	
Merck Sharp & Dohme Corp	Medical Research	257,003,219	
Duke Energy Carolinas LLC	Utility	243,887,280	
IBM Corporation	Technology	217,289,808	
Southpoint Mall LLC	Retail	182,730,037	
International Business Machine	Manufacturing	179,086,853	
Biomerieux Inc	Medical Research	169,316,320	
EMC Corporation	Information Technology	146,404,550	
Parmer RTP LLC	Real Estate	133,416,216	
TOTAL		\$2,226,460,885	

2017-18 OPERATING RESULTS

The County's final adopted budget for the General Fund for the fiscal year ended June 30, 2018 was in the amount of \$475,792,641. This budget included a tax increase of \$0.0275 to \$0.7679 per \$100 of assessed valuation. Because of strong operating results, the County's General fund balance is currently estimated to increase by \$3,062,165 to \$197,861,055. Of this amount, fund balance available for appropriation at fiscal-year end is estimated at \$161,389,411 or 35.73% as a percentage of expenditures, a decrease from 36.61% for the fiscal year ended June 30, 2017. The fiscal year ended June 30, 2017 was

the eight consecutive year that revenues collected were over 100% of the budgeted revenue amount. The estimated revenues the fiscal year ended June 30, 2018 are projected to be over 100% of the budgeted revenue amount of \$438,175,052 by 1.16%, or \$5,101,049 (*i.e.*, the ninth consecutive year that revenues collected were over 100% of the budgeted amount). Also, primarily because of management's control of spending, expenditures for the fiscal year ended June 30, 2018 were at 94.03% of an expenditure budget of \$402,242,798. Revenues collected are estimated to be in excess of expenditures by more than \$65 million combined with transfers in of over \$11.5 million and transfers out of over \$66.6 million. Of the \$73.5 million, over \$66.6 million was funding of annual retirement of debt service with the balance funding of capital projects per the County's capital improvement plan.

2018-19 BUDGET OUTLOOK

The County's originally adopted budget for the General Fund for the fiscal year ending June 30, 2019 is \$480,883,731, a 6.22% increase over the prior year's originally adopted budget. This budget includes a tax increase of \$0.01 to \$0.7779 per \$100 of assessed valuation. It is too early in the fiscal year to provide estimates for the fiscal year ending June 30, 2019. However, the County will continue to manage the 2019 budget as it has past budgets with the timely monitoring of revenues and continual control of spending.

EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

The County participates in the North Carolina Local Governmental Employees' Retirement System ("*NC LGERS*") and five other pension plans. For information concerning the County's participation in various pension plans and its other retirement benefits, see Notes H and O to the County's Audited Financial Statements in Appendix B.

Financial statements and required supplementary information for NC LGERS are included in the Comprehensive Annual Financial Report ("*CAFR*") for the State. Please refer to the State's CAFR for additional information.

OTHER POST-EMPLOYMENT BENEFITS

The County administers a healthcare benefits plan for employees hired on or after July 1, 2006, that provides post-employment healthcare benefits to retirees who participate in NC LGERS and have at least 30 years of creditable County service. The plan also provides these benefits to employees hired after July 1, 2006 who are age 60 or more with 25 years or more of continuous County service. Employees hired prior to July 1, 2006 qualify for the same benefits after at least 20 years of creditable County service.

The accounting and reporting of the plan's related expenses and liabilities were done in accordance with requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*" ("*GASB 45*") through the fiscal year ended June 30, 2017. In response to GASB 45, the County completed an actuarial study to determine its unfunded healthcare benefits plan ("*OPEB*") liability and annual required contribution ("*ARC*"). The completed actuarial valuation at June 30, 2016, concluded that the County had an unfunded actuarial accrued liability ("*UAAL*") of \$133,959,494, and an ARC for the fiscal year ended June 30, 2017 of \$8,746,485 with an annual OPEB cost (expense) of \$8,846,423. During the fiscal year ended June 30, 2017, the County did not contribute to an irrevocable trust but rather committed additional funding for the plan in the fund balance of the General Fund in the amount of \$3,443,403, which represented 39.37% of the ARC. In addition, during the fiscal year ended June 30, 2017, the County contributed \$2,959,382, or 3.03% of annual covered payroll, from operating expenses. As of the fiscal year ended June 30, 2017, the County's total committed fund balance for OPEB for the General Fund was \$48,699,722. Under the County's Fund Balance Policy, the total committed for OPEB fund balance is not to exceed 25% of the total fund balance to ensure that the portion of fund balance

committed for OPEB remains reasonably proportionate to the total fund balance of the General Fund as a whole. The County has performed a detailed fund balance analysis and projection for ending fund balance as of June 30, 2018. Based on this analysis, the County does anticipate growth in the fund balance of the General Fund for the fiscal year ended June 30, 2018. The County will continue to follow its fund balance policy as it relates to the fund balance committed for OPEB. GASB Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”* is effective for the fiscal year ended June 30, 2018 and later and replaces the requirements of GASB Statement No. 45. As of June 30, 2018, the County estimates contributions of \$3,678,704, or []% of annual covered payroll.

For additional information concerning the County’s obligation to provide such healthcare benefits and information concerning a plan of the County to provide death benefits to certain employees, see Note H in the Notes to Basic Financial Statements of the County in Appendix B attached hereto.

CONTINGENT LIABILITIES

The County follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or possible to estimate in amount. Though there are actions against the County presently pending, the County Attorney has reviewed and evaluated these, and it is his opinion that these actions, individually and collectively, will not materially affect the ability of the County to meet its financial obligations. Further, there are no actions challenging the validity of the Bonds.