

**INVITATION TO TENDER FOR PURCHASE**  
**made by**

**CITY OF CHARLOTTE, NORTH CAROLINA**

**to the Holders described herein of all or any portion of the maturities listed in Tables 1 and 2 on pages (iii) and (iv), as applicable, herein of the following bond issues (collectively, the "Target Bonds"):**

**City of Charlotte, North Carolina**  
**Water and Sewer System Refunding Revenue**  
**Bonds, Series 2018 (the "2018 Target Bonds")**

**City of Charlotte, North Carolina**  
**Water and Sewer System Refunding Revenue Bonds,**  
**Series 2019 (the "2019 Target Bonds")**

**City of Charlotte, North Carolina**  
**Water and Sewer System Refunding Revenue Bonds,**  
**Series 2020 (the "2020 Target Bonds")**

**THIS INVITATION WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON JUNE 2, 2026,**  
**UNLESS EARLIER TERMINATED OR EXTENDED AS DESCRIBED HEREIN.**

This Invitation to Tender for Purchase, dated May 18, 2026 (as it may be amended or supplemented, including the cover page and Appendices hereto, this "Invitation"), describes an invitation by the City of Charlotte, North Carolina (the "City"), with the assistance of BofA Securities, Inc., as dealer manager (the "Dealer Manager"), to the beneficial owners (the "Holders" or "Bondholders") of the Target Bonds to tender such Target Bonds for purchase by the City for cash at the applicable purchase prices (each, a "Purchase Price") described herein.

Should the City accept an offer to purchase a validly tendered Target Bond, the purchase price for such Target Bond (the "Purchase Price") will be determined as follows:

- With respect to the 2018 Target Bonds and the 2019 Target Bonds (the "2018/2019 Target Bonds") listed in Table 1 of this Invitation, the applicable Purchase Prices will be the Purchase Prices set forth therein (the "2018/2019 Purchase Prices"); and
- With respect to the 2020 Target Bonds listed in Table 2 of this Invitation, the Purchase Price (the "2020 Purchase Prices") will be calculated using a yield determined by adding a fixed spread (each "Fixed Spread") to the yield on the relevant Reference BVAL Index (the "Reference Yield") listed in Table 2 of this Invitation. The Reference BVAL Index for each 2020 Target Bond will be based on the month and year of the Maturity Date for such 2020 Target Bond. The Reference Yield will be based on the yield for the applicable Reference BVAL Index, as set forth in the Monthly Value Table as of the date and time the 2020 Purchase Prices are determined, as shown on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website at the following address:

<https://emma.msrb.org/ToolsAndResources/BloombergYieldCurve?daily=True>

See "INTRODUCTION—Determination of Purchase Prices" for a description of the methodology to be used for the calculation of the Purchase Prices. In addition to the Purchase Price, Bondholders who tender Target Bonds for purchase on the Settlement Date (as defined herein) will receive accrued interest on such Target Bonds to, but not including, the Settlement Date ("Accrued Interest"). On or about June 4, 2026, the City will publish the Notice of Purchase Prices, which will set forth the Purchase Price for each respective CUSIP of the Target Bonds.

Subject to the terms and conditions of this Invitation, and assuming all conditions to this Invitation have then been satisfied or waived by the City, the City will purchase Target Bonds, which are tendered and accepted for purchase by the City in accordance with this Invitation, on June 18, 2026 unless earlier terminated or extended by the City (such date being the "Settlement Date"), provided that such Target Bonds have been validly tendered by the Expiration Date (as defined herein). Bondholders who tender Target Bonds for purchase on the Settlement Date also will receive Accrued Interest on such Target Bonds. **If the City selects any of the Target Bonds of a particular CUSIP number (excluding 2020 Target Bonds due in 2050, CUSIP 161045QZ5), the City will purchase all Target Bonds of that CUSIP number tendered under such offer.** Should the City choose to purchase some but not all of the 2020 Target Bonds due in 2050, CUSIP 161045QZ5, the City will select those on a pro rata basis. The City is permitted to and intends to apply purchases of such Target Bonds to any sinking fund redemption requirement of its choosing including, without limitation, to the earliest sinking fund requirements.

The source of funds to purchase the Target Bonds validly tendered and accepted for purchase by the City will be limited to (a) the proceeds of water and sewer system refunding revenue bonds of the City to be issued for such purpose (the "Series 2026 Bonds"), which are anticipated to be issued on the Settlement Date, or (b) other available funds of the City. The Series 2026 Bonds will be issued in the manner, on the terms and with the security therefor described in the Preliminary Official Statement dated May 18, 2026, attached hereto as APPENDIX A (the "Series 2026 Bonds POS"). The source of funds for payment of Accrued Interest on Target Bonds validly tendered and accepted for purchase by the City will be legally available moneys of the City and paid on the Settlement Date. The purchase of any Target Bonds tendered pursuant to this Invitation is contingent on the issuance of the Series 2026 Bonds. The purchase of any Target Bonds tendered pursuant to this Invitation is also subject to certain other conditions, including, without limitation, the Financing Conditions (as defined herein). See "INTRODUCTION – General; Financing Conditions" and "TERMS OF THE INVITATION— Conditions to Purchase" herein.

**HOLDERS OF TARGET BONDS TENDERED PURSUANT TO THIS INVITATION BUT NOT ACCEPTED BY THE CITY FOR PURCHASE WILL CONTINUE TO HOLD SUCH TARGET BONDS AND SUCH TARGET BONDS WILL REMAIN OUTSTANDING UNDER THE GENERAL INDENTURE (AS DEFINED HEREIN). THE CITY RESERVES THE RIGHT TO, AND MAY DECIDE TO, REFUND (ON AN ADVANCE OR CURRENT BASIS) SOME OR ALL OF THE TARGET BONDS NOT PURCHASED PURSUANT TO THIS INVITATION THROUGH THE ISSUANCE OF PUBLICLY-OFFERED OR PRIVATELY-PLACED TAXABLE OR TAX-EXEMPT OBLIGATIONS OF THE CITY. See "INTRODUCTION – Target Bonds Not Tendered for Purchase" and "ADDITIONAL CONSIDERATIONS" herein.**

To make an informed decision as to whether, and how, to tender Target Bonds for purchase pursuant to this Invitation, Bondholders must read this Invitation carefully, including APPENDIX A, and consult with their broker, account executive, financial advisor, attorney and/or other professionals. For more information about risks concerning this Invitation, please see "ADDITIONAL CONSIDERATIONS" herein.

Any Bondholder wishing to tender Target Bonds pursuant to this Invitation should follow the procedures more specifically described herein. Bondholders and their brokers and account executives with questions about this Invitation should contact the Dealer Manager or the Information and Tender Agent (as defined herein).

*The Information and Tender Agent for this Invitation is*

**Globic Advisors**

*The Dealer Manager for this Invitation is*

**BofA Securities, Inc.**

**Key Dates and Times**

*All of these dates and times are subject to change. All times in this Invitation are New York City time.  
Notices of changes will be sent in the manner provided for in this Invitation.*

Launch Date and Publication Date of Series 2026 Bonds POS .....	<b>May 18, 2026</b>
Expiration Date .....	<b>5:00 p.m. on June 2, 2026</b>
Notice of Results.....	<b>June 3, 2026</b>
Determination of Purchase Prices .....	<b>Approx. 10:00 a.m. on June 4, 2026</b>
Notice of Purchase Prices .....	<b>Before 5:00 p.m. on June 4, 2026</b>
Acceptance Date/Notice of Acceptance.....	<b>June 5, 2026</b>
Settlement Date.....	<b>June 18, 2026</b>

**TABLE 1**  
**2018/2019 TARGET BONDS<sup>(1)</sup>**

<b>Target Bonds Series</b>	<b>CUSIP<sup>†</sup></b>	<b>Maturity Date</b>	<b>Optional Redemption Date at Par</b>	<b>Interest Rate</b>	<b>Par Amount Outstanding</b>	<b>Purchase Price (% of Principal Amount)</b>
2018	161045NR6	7/1/2030	7/1/2028	5.000%	\$7,045,000	105.503
2018	161045NS4	7/1/2030	7/1/2028	3.000	10,000,000	100.144
2018	161045NT2	7/1/2031	7/1/2028	5.000	17,820,000	105.503
2018	161045NU9	7/1/2032	7/1/2028	5.000	18,730,000	105.503
2018	161045NV7	7/1/2033	7/1/2028	5.000	19,695,000	105.503
2018	161045NW5	7/1/2034	7/1/2028	5.000	20,705,000	105.345
2018	161045NX3	7/1/2035	7/1/2028	4.000	21,655,000	102.788
2018	161045NY1	7/1/2036	7/1/2028	5.000	22,650,000	104.980
2018	161045NZ8	7/1/2037	7/1/2028	4.000	23,700,000	102.458
2018	161045PC7	7/1/2040	7/1/2028	5.000	6,630,000	104.668
2018	161045PD5	7/1/2041	7/1/2028	5.000	6,970,000	104.593
2018	161045PE3	7/1/2044 <sup>(2)</sup>	7/1/2028	5.000	23,120,000	103.766
2019	161045PW3	7/1/2032	7/1/2029	5.000	4,995,000	107.720
2019	161045PX1	7/1/2033	7/1/2029	5.000	5,320,000	107.720
2019	161045PY9	7/1/2034	7/1/2029	5.000	5,650,000	107.612
2019	161045PZ6	7/1/2035	7/1/2029	3.000	1,730,000	98.186

<sup>(1)</sup> Term Bond subject to mandatory sinking fund redemption in specified annual principal amounts prior to their maturity date. See "ADDITIONAL CONSIDERATIONS - Adjustment of Sinking Fund Provisions for Target Bonds Not Tendered for Purchase."

<sup>(2)</sup> Term bond.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Dealer Manager or the Information and Tender Agent takes any responsibility for the accuracy of such numbers.

**TABLE 2**  
**2020 TARGET BONDS<sup>(1)</sup>**

<b>Target Bonds Series</b>	<b>CUSIP<sup>†</sup></b>	<b>Maturity Date</b>	<b>Optional Redemption Date at Par</b>	<b>Interest Rate</b>	<b>Par Amount Outstanding</b>	<b>Reference Date for BVAL Curve <sup>(2)</sup></b>	<b>Fixed Spreads (bps)<sup>(3)</sup></b>
2020	161045QQ5	7/1/2035	7/1/2030	2.000%	\$19,030,000	Jul-2035	63.0
2020	161045QS1	7/1/2037	7/1/2030	2.000	20,220,000	Jul-2037	66.0
2020	161045QT9	7/1/2038	7/1/2030	2.000	20,620,000	Jul-2038	66.0
2020	161045QU6	7/1/2039	7/1/2030	3.000	21,145,000	Jul-2039	46.0
2020	161045QV4	7/1/2040	7/1/2030	3.000	3,350,000	Jul-2040	45.0
2020	161045QW2	7/1/2041	7/1/2028	2.000	3,435,000	Jul-2041	65.0
2020	161045QX0	7/1/2042	7/1/2028	2.000	3,505,000	Jul-2042	63.0
2020	161045QZ5	7/1/2050 <sup>(4)</sup>	7/1/2028	2.250	17,385,000	Jul-2050	31.0

- (1) 2020 Purchase Prices will be determined using the methodology set forth under the caption "INTRODUCTION - Determination of Purchase Prices." Table 3 contains illustrative 2020 Purchase Prices as of May 15, 2026. The actual 2020 Purchase Prices will be determined through the methodology set forth under caption "INTRODUCTION - Determination of Purchase Prices." For each CUSIP the calculation of the 2020 Purchase Price may be performed to either the maturity date or the optional redemption date at par, in accordance with standard market convention.
- (2) The Reference Yield will be based on the yield for the applicable Reference BVAL Index, as set forth in the Monthly Value Table as of date and time the 2020 Purchase Prices are determined, as shown on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website at the following address: <https://emma.msrb.org/ToolsAndResources/BloombergYieldCurve?daily=True>.
- (3) Fixed spreads are shown in basis points and do not include Accrued Interest on the Target Bonds tendered for purchase. Accrued Interest on the Target Bonds tendered and accepted for purchase will be paid by the City to but not including the Settlement Date in addition to the applicable 2020 Purchase Price.
- (4) Term bond.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Dealer Manager or the Information and Tender Agent takes any responsibility for the accuracy of such numbers.

## IMPORTANT INFORMATION

*This Invitation and other information with respect to this Invitation are and will be available from BofA Securities, Inc. (the "Dealer Manager") and Globic Advisors (the "Information and Tender Agent") at <http://emma.msrb.org> and [www.globic.com/charlottewater](http://www.globic.com/charlottewater). Bondholders wishing to tender their Target Bonds for purchase pursuant to this Invitation should follow the procedures described in this Invitation. The City, in its sole discretion, reserves the right to (i) cancel or modify this Invitation at any time on or prior to the Expiration Date and (ii) make a future invitation to tender bonds at prices different than the prices described herein. The City will have no obligation to purchase Target Bonds tendered if a cancellation or a modification occurs or if the City is unable to issue the Series 2026 Bonds. The City further reserves the right to accept nonconforming tenders or waive irregularities in any tender. The City also reserves the right in the future to refund (on an advance or current basis) any remaining portion of outstanding Target Bonds through the issuance of publicly offered or privately placed taxable or tax-exempt obligations. The purchase of Target Bonds pursuant to this Invitation is also subject to certain other conditions, including, without limitation, the Financing Conditions that are anticipated to occur after the Expiration Date but prior to the Settlement Date.*

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THIS INVITATION OR PASSED UPON THE FAIRNESS OR MERITS OF THIS INVITATION OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS INVITATION. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

This Invitation is not being extended to, and Target Bonds tendered in response to this Invitation will not be accepted from or on behalf of, Bondholders in any jurisdiction in which this Invitation or such acceptance thereof would not be in compliance with the laws of such jurisdiction. In any jurisdictions where the securities, "blue sky" or other laws require this Invitation to be made through a licensed or registered broker or dealer, this Invitation shall be deemed to be made on behalf of the City through the Dealer Manager or one or more registered brokers or dealers licensed under the laws of that jurisdiction.

References to website addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not a part of, this Invitation.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Invitation, including the appendices hereto, and, if given or made, such information or representation may not be relied upon as having been authorized by the City.

The delivery of this Invitation shall not under any circumstances create any implication that any information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the information set forth herein or in any attachments hereto or materials delivered herewith or in the affairs of the City or its water and sewer system, since the date hereof. The information contained in this Invitation is as of the date of this Invitation only and is subject to change, completion, or amendment without notice.

Certain statements included or incorporated by reference into this Invitation constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "forecast," "plan," "expect," "estimate," "budget" or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when changes to its expectations, or events, conditions or circumstances on which such statements are based, occur.

This Invitation, including the appendices hereto, contains important information which should be read in its entirety before any decision is made with respect to this Invitation.

## TABLE OF CONTENTS

	<b>Page</b>
INTRODUCTION .....	1
General; Financing Conditions .....	1
Determination of Purchase Prices.....	4
Sources of Funds to Purchase Target Bonds and Pay Accrued Interest .....	6
Brokerage Commissions and Solicitation Fees .....	6
Target Bonds Not Tendered for Purchase .....	6
Dealer Manager, Information and Tender Agent.....	6
TERMS OF THE INVITATION .....	7
Expiration Date.....	7
Tenders Only Through the City's ATOP Account.....	7
Information to Bondholders.....	7
Priority of Allocation to Series 2026 Bonds.....	8
Minimum Denominations and Consideration.....	8
Accrued Interest.....	8
Provisions Applicable to Tenders.....	8
Representations by Tendering Bondholders to the City .....	9
Tender of Target Bonds by Financial Institutions; City's ATOP Account .....	10
Determinations as to Form and Validity of Tenders; Right of Waiver and Rejection.....	10
Amendment or Withdrawals of Tenders Prior to the Expiration Date .....	11
Acceptance of Tenders for Purchase .....	11
Acceptance of Tenders Constitutes Irrevocable Agreement; Notice of Results .....	12
Settlement Date; Purchase of Target Bonds .....	12
Purchase and Accrued Interest Funds.....	13
Conditions to Purchase .....	13
Extension, Termination and Amendment of the Invitation; Changes to Terms .....	14
AVAILABLE INFORMATION.....	15
ADDITIONAL CONSIDERATIONS .....	15
The City May Later Acquire Target Bonds at More Favorable Prices Than Those Offered Pursuant to this Invitation.....	15
Target Bonds Not Tendered for Purchase .....	15
Adjustment of Sinking Fund Provisions for Target Bonds Not Tendered for Purchase.....	15
Timeliness of Tender .....	16
Acceptance Date.....	16
SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES .....	16

Tendering U.S. Holders .....	17
Backup Withholding .....	18
SOLICITING DEALER FEES; ELIGIBLE INSTITUTIONS ARE NOT AGENTS .....	18
DEALER MANAGER .....	18
INFORMATION AND TENDER AGENT .....	19
APPROVAL OF LEGAL PROCEEDINGS .....	19
MISCELLANEOUS .....	19
APPENDIX A SERIES 2026 BONDS POS .....	A-1
APPENDIX B FORM OF SOLICITATION FEE PAYMENT REQUEST .....	B-1

**INVITATION TO TENDER FOR PURCHASE**  
**made by**  
**CITY OF CHARLOTTE, NORTH CAROLINA**

**to the Holders described herein of all or any portion of the maturities listed in Tables 1 and 2 on pages (iii) and (iv) herein of the following bond issues (collectively, the "Target Bonds"):**

**City of Charlotte, North Carolina**  
**Water and Sewer System Refunding Revenue**  
**Bonds, Series 2018 (the "2018 Target Bonds")**

**City of Charlotte, North Carolina**  
**Water and Sewer System Refunding Revenue Bonds,**  
**Series 2019 (the "2019 Target Bonds")**

**City of Charlotte, North Carolina**  
**Water and Sewer System Refunding Revenue Bonds,**  
**Series 2020 (the "2020 Target Bonds")**

**INTRODUCTION**

**General; Financing Conditions**

This Invitation to Tender for Purchase, dated May 18, 2026 (as it may be amended or supplemented, including the cover page and Appendices hereto, this "Invitation"), describes an invitation by the City of Charlotte, North Carolina (the "City"), with the assistance of BofA Securities, Inc., as dealer manager (the "Dealer Manager"), to the beneficial owners (the "Holders" or "Bondholders") of the Target Bonds to tender such Target Bonds for purchase by the City for cash at the applicable purchase prices.

Should the City accept an offer to purchase a validly tendered Target Bond, the purchase price for such Target Bond (the "Purchase Price") will be determined as follows:

- With respect to the 2018 Target Bonds and the 2019 Target Bonds (the "2018/2019 Target Bonds") listed in Table 1 of this Invitation, the applicable Purchase Prices will be the Purchase Prices set forth therein (the "2018/2019 Purchase Prices"); and
- With respect to the 2020 Target Bonds listed in Table 2 of this Invitation, the Purchase Price (the "2020 Purchase Prices") will be calculated using a yield determined by adding a fixed spread (each "Fixed Spread") to the yield on the relevant Reference BVAL Index (the "Reference Yield") listed in Table 2 of this Invitation. The Reference BVAL Index for each 2020 Target Bond will be based on the month and year of the Maturity Date for such 2020 Target Bond. The Reference Yield will be based on the yield for the applicable Reference BVAL Index, as set forth in the Monthly Value Table as of the date and time the 2020 Purchase Prices are determined, as shown on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website at the following address:

<https://emma.msrb.org/ToolsAndResources/BloombergYieldCurve?daily=True>

See "- Determination of Purchase Prices" for a more detailed description of the methodology to be used for the calculation of the Purchase Prices. In addition to the Purchase Price, Bondholders who tender Target Bonds for purchase on the Settlement Date (as defined herein) will receive accrued interest on such Target Bonds up to, but not including, the Settlement Date ("Accrued Interest").

If the City selects any of the Target Bonds of a particular CUSIP number (excluding 2020 Target Bonds due in 2050, CUSIP 161045QZ5), the City will purchase all Target Bonds of that CUSIP number tendered under such offer. Should the City choose to purchase some but not all of the 2020 Target Bonds due in 2050, CUSIP 161045QZ5, the City will select those on a pro rata basis. The City is permitted to and intends to apply purchases

of such Target Bonds to any sinking fund redemption requirement of its choosing, including, without limitation, to the earliest sinking fund requirements.

A more detailed description of the manner in which the 2020 Purchase Prices will be calculated and illustrative Tax-Exempt Purchase Prices as of May 15, 2026, are set forth under the heading "—Determination of Purchase Prices" and Table 3 below. On or about June 4, 2026, the City will publish the Notice of Purchase Prices, which will set forth the Purchase Price for each respective CUSIP of the Target Bonds.

The Target Bonds were issued General Indenture dated as of November 1, 1996, between the City and U.S. Bank National Association, as trustee, which was amended and restated pursuant to an Amended and Restated General Trust Indenture dated as of September 24, 2020 (the "General Indenture"), between the City and U.S. Bank Trust Company, National Association, successor to U.S. Bank National Association, as trustee (the "Trustee"). For certain information concerning the City, see the Preliminary Official Statement dated May 18, 2026 attached hereto as APPENDIX A (the "Series 2026 Bonds POS").

Subject to the terms and conditions of this Invitation, the City will purchase Target Bonds tendered and accepted by the City for purchase on June 18, 2026\*, unless earlier terminated or extended by the City, assuming all conditions to such purchase have then been satisfied or waived by the City (such date being the "Settlement Date"), provided that such Target Bonds have been validly tendered for purchase by the Expiration Date (as defined herein). Bondholders who tender Target Bonds for purchase on the Settlement Date also will receive Accrued Interest on such Target Bonds to but not including the Settlement Date. Subject to the terms and conditions of this Invitation, on the Settlement Date the City will purchase Target Bonds tendered for purchase, provided that such Target Bonds tendered for purchase have been validly tendered by 5:00 p.m., New York City time, on June 2, 2026 (as extended from time to time in accordance with this Invitation, the "Expiration Date") and accepted by the City on or before 5:00 p.m., New York City time, on June 5, 2026 (the "Acceptance Date"), unless earlier terminated or extended by the City, assuming all conditions to the purchase of Target Bonds tendered for purchase have then been satisfied or waived by the City. Bondholders who tender Target Bonds for purchase on the Settlement Date also will receive Accrued Interest on such Target Bonds.

The source of funds to purchase the Target Bonds validly tendered and accepted for purchase by the City will be limited to proceeds of bonds of the City issued for such purpose (the "Series 2026 Bonds"), which are anticipated to be issued on the Settlement Date. The Series 2026 Bonds will be issued in the manner, on the terms and with the security therefor described in the Series 2026 Bonds POS. The source of funds for payment of Accrued Interest on Target Bonds validly tendered and accepted for purchase by the City will be legally available moneys of the City.

**As set forth herein, the City's obligation to accept for purchase Target Bonds validly tendered (and not validly withdrawn) pursuant to this Invitation is subject to the City determining in its reasonable discretion that it will receive sufficient economic benefit as a result of market conditions, actual level of participation by holders of the Target Bonds, or any other factors not within the sole control of the City, all on terms and conditions that are in the City's best interest, from the purchase of Target Bonds, and is also subject to the terms of this Invitation and certain other conditions as described herein, including the rights of the City to terminate this Invitation as described in "TERMS OF THE INVITATION - Conditions to Purchase" herein (collectively, the "Financing Conditions"). In addition, the City may elect to purchase less than all of the tendered Target Bonds in order to maximize the economic benefits of the transaction.**

**The City reserves the right, subject to applicable law, to amend or waive any of the conditions to this Invitation, in whole or in part, at any time prior to the Expiration Date or from time to time, in its sole discretion. This Invitation may be withdrawn by the City at any time prior to the Expiration Date.**

---

\* Preliminary, subject to change.

**TO MAKE AN INFORMED DECISION AS TO WHETHER, AND HOW, TO TENDER THEIR TARGET BONDS FOR PURCHASE, BONDHOLDERS MUST READ THIS INVITATION AND ALL APPENDICES TO THIS INVITATION.**

**None of the City, the Dealer Manager or Information and Tender Agent (as defined herein) makes any recommendation that any Bondholder tender or refrain from tendering all or any portion of such Bondholder's Target Bonds for purchase. Bondholders must make their own decisions and should read this Invitation carefully and consult with their broker, account executive, financial advisor, attorney and/or other appropriate professional in making these decisions.**

In the event all conditions to this Invitation are not satisfied or waived by the City on or prior to the Settlement Date, any Target Bonds tendered pursuant to this Invitation shall be returned to the applicable Holders.

**HOLDERS OF TARGET BONDS TENDERED PURSUANT TO THIS INVITATION BUT NOT ACCEPTED BY THE CITY FOR PURCHASE WILL CONTINUE TO HOLD SUCH TARGET BONDS AND SUCH TARGET BONDS WILL REMAIN OUTSTANDING UNDER THE GENERAL INDENTURE. THE CITY RESERVES THE RIGHT TO, AND MAY DECIDE TO, REFUND (ON AN ADVANCE OR CURRENT BASIS) SOME OR ALL OF THE TARGET BONDS NOT PURCHASED PURSUANT TO THIS INVITATION THROUGH THE ISSUANCE OF PUBLICLY-OFFERED OR PRIVATELY-PLACED TAXABLE OR TAX-EXEMPT OBLIGATIONS OF THE CITY. See "INTRODUCTION - Target Bonds Not Tendered for Purchase" and "ADDITIONAL CONSIDERATIONS" herein.**

## Determination of Purchase Prices

### *2018/2019 Purchase Prices*

The 2018/2019 Purchase Prices applicable to each CUSIP of the 2018/2019 Target Bonds listed in Table 1 of this Invitation represents the price, expressed as a percent of principal amount, at which the City will purchase such 2018/2019 Target Bonds. In addition to the Purchase Prices of the 2018/2019 Target Bonds accepted for purchase by the City, Accrued Interest on such 2018/2019 Target Bonds will be paid by the City to the tendering Bondholders on the Settlement Date.

### *2020 Purchase Prices*

The 2020 Purchase Price applicable to each CUSIP of the 2020 Target Bonds will be calculated on June 4, 2026, at approximately 10:00 a.m., New York City time.

On June 4, 2026, following the calculation of the 2020 Purchase Prices, the City will publish the Notice of Purchase Prices, which Notice of Purchase Prices will set forth the 2020 Purchase Prices for each respective CUSIP of the 2020 Target Bonds. The Notice of Purchase Prices will be made available: (i) on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website, currently located at <http://emma.msrb.org> (the "EMMA Website"), using the CUSIP numbers for the 2020 Target Bonds listed in Table 2 on page (iii) of this Invitation; (ii) to DTC (as defined herein) and to the DTC participants holding the 2020 Target Bonds; and (iii) by posting electronically on the website of the Information and Tender Agent at [www.globic.com/charlottewater](http://www.globic.com/charlottewater).

The applicable 2020 Purchase Price payable by the City for each \$1,000 principal amount of each CUSIP of 2020 Target Bonds validly tendered at or prior to the Expiration Date, and accepted by the City pursuant to this Invitation on or prior to the Acceptance Date, will be determined in accordance with standard market practice, as described in this Invitation. The applicable 2020 Purchase Prices will be equal to (such price being truncated to the nearest cent per \$1,000 principal amount):

(a) the present value on the Settlement Date, as determined on date and at the time the 2020 Purchase Prices are calculated, of \$1,000 principal amount of such 2020 Target Bonds due on the maturity date of such 2020 Target Bonds<sup>1</sup>, or, if applicable and as described below, the optional redemption date at par (also referred to herein as the "par call date") of such 2020 Target Bonds, and all scheduled interest payments on such principal amount of 2020 Target Bonds to be made from (but excluding) the Settlement Date, up to and including such maturity date or par call date, discounted to the Settlement Date in accordance with standard market practice, at a discount rate equal to the applicable Purchase Yield (as calculated in the following paragraph), minus

(b) the applicable Accrued Interest per \$1,000 principal amount of such 2020 Target Bonds.

The Purchase Yield will be equal to the sum of:

(a) the Reference Yield, the yield on the indicated reference month and year (the "Reference BVAL Index") for the BVAL AAA Callable Municipal Curve (set forth in Table 2 on page (iv) of this Invitation) as set forth in the Monthly Value Table as of date and time of the calculation of the 2020 Purchase Prices, as shown on the EMMA Website at the following address: <https://emma.msrb.org/ToolsAndResources/BloombergYieldCurve?daily=True> and accessed by the link to Monthly Value Table. The Reference BVAL Index for each 2020 Target Bond will be the month and year of the Maturity Date for such 2020 Target Bond, and

---

<sup>1</sup> Term Bonds priced to their Maturity Date are priced as if the entire principal amount of such Term Bonds is paid on the applicable Maturity Date for such Term Bonds and sinking fund installments for such Term Bonds are disregarded.

(b) the applicable Fixed Spread specified on Table 2 on page (iii) of this Invitation for each CUSIP of the 2020 Target Bonds.

For any 2020 Target Bond, if the stated interest rate on a 2020 Target Bond is less than the applicable Purchase Yield, then the calculation will assume that the payment of such 2020 Target Bond is through the Maturity Date of such 2020 Target Bond, and if the stated interest rate on a 2020 Target Bond is greater than the applicable Purchase Yield, then the calculation will assume that the payment of such 2020 Target Bond is through the par call date of such 2020 Target Bond. Promptly after the 2020 Purchase Prices are determined, the City will issue the Notice of Purchase Prices.

In addition to the 2020 Purchase Price, Holders whose 2020 Target Bonds are accepted for purchase will receive Accrued Interest equal to the accrued and unpaid interest on such 2020 Target Bonds from and including the immediately preceding interest payment date for such 2020 Target Bonds to, but excluding, the Settlement Date. Such Accrued Interest will be calculated in accordance with the terms of such 2020 Target Bonds. For the avoidance of doubt, Accrued Interest will cease to accrue on the Settlement Date for all 2020 Target Bonds accepted and purchased by the City. Under no circumstances will any interest be payable because of any delay in the transmission of funds to Holders by DTC or its participants.

Table 3 below provides an example of the 2020 Purchase Prices realized by Bondholders who submit an Offer based on the following BVAL yields as of 4PM EST as of May 15, 2026, for the Reference BVAL Index provided below and the 2020 Fixed Spreads. THIS EXAMPLE IS PROVIDED FOR CONVENIENCE ONLY AND IS NOT TO BE RELIED UPON BY A BONDHOLDER AS AN INDICATION OF THE TAX-EXEMPT PURCHASE YIELD OR TAX-EXEMPT PURCHASE PRICES THAT MAY BE ACCEPTED BY THE CITY.

Based on these BVAL yields, the following 2020 Purchase Prices would result:

**TABLE 3**

**Illustrative Purchase Price Calculations for 2020 Target Bonds  
(BVAL Index as of May 15, 2026)**

**2020 TARGET BONDS**

CUSIP	Maturity Date	Optional Redemption Date at Par	Interest Rate	Reference Date for BVAL Curve	Illustrative BVAL Yield	Fixed Spreads (bps) <sup>(1)</sup>	Illustrative Purchase Yield	Illustrative Purchase Price per \$1,000 Principal Amount
161045QQ5	7/1/2035	7/1/2030	2.000%	Jul-2035	2.938%	63.0	3.568%	879.78
161045QS1	7/1/2037	7/1/2030	2.000	Jul-2037	3.131	66.0	3.791	839.69
161045QT9	7/1/2038	7/1/2030	2.000	Jul-2038	3.224	66.0	3.884	820.22
161045QU6	7/1/2039	7/1/2030	3.000	Jul-2039	3.301	46.0	3.761	922.13
161045QV4	7/1/2040	7/1/2030	3.000	Jul-2040	3.389	45.0	3.839	909.60
161045QW2	7/1/2041	7/1/2028	2.000	Jul-2041	3.451	65.0	4.101	765.93
161045QX0	7/1/2042	7/1/2028	2.000	Jul-2042	3.563	63.0	4.193	745.83
161045QZ5	7/1/2050 <sup>(2)</sup>	7/1/2028	2.250	Jul-2050	4.303	31.0	4.613	658.90

- (1) Fixed spreads are shown in basis points and do not include Accrued Interest on the 2020 Target Bonds tendered for purchase. Accrued Interest on the 2020 Target Bonds tendered and accepted for purchase will be paid by the City to but not including the Settlement Date in addition to the applicable 2020 Purchase Price.
- (2) Term Bond.

### **Sources of Funds to Purchase Target Bonds and Pay Accrued Interest**

The source of funds to purchase the Target Bonds validly tendered and accepted for purchase by the City pursuant to this Invitation will be limited to the proceeds of the Series 2026 Bonds. The payment of Accrued Interest on Target Bonds validly tendered and accepted for purchase by the City pursuant to this Invitation will be made with legally available moneys of the City.

**THE PURCHASE OF ANY TARGET BONDS TENDERED PURSUANT TO THIS INVITATION IS CONTINGENT ON THE ISSUANCE BY THE CITY OF THE SERIES 2026 BONDS, THE ISSUANCE OF WHICH IS SUBJECT TO CONDITIONS TO BE SATISFIED ON OR PRIOR TO THE SETTLEMENT DATE.**

### **Brokerage Commissions and Solicitation Fees**

Bondholders will not be obligated to pay any brokerage commissions or solicitation fees to the City, the Dealer Manager, or the Information and Tender Agent in connection with this Invitation. However, Bondholders should check with their broker, bank, account executive or other financial institution which maintains the account in which their Target Bonds are held (their "Financial Representative") to determine whether it will charge any commissions or fees.

### **Target Bonds Not Tendered for Purchase**

Any Target Bonds that are not tendered for purchase in response to this Invitation will continue to be outstanding, and payable and secured, pursuant to the terms of the General Indenture and the related series indenture under which a particular series of Target Bonds were issued. THE CITY RESERVES THE RIGHT TO, AND MAY DECIDE TO, REFUND (ON AN ADVANCE OR CURRENT BASIS) SOME OR ALL OF THE TARGET BONDS NOT PURCHASED PURSUANT TO THIS INVITATION THROUGH THE ISSUANCE OF PUBLICLY-OFFERED OR PRIVATELY-PLACED TAXABLE OR TAX-EXEMPT OBLIGATIONS OF THE CITY. See "ADDITIONAL CONSIDERATIONS" herein.

The purchase by the City of Target Bonds of any CUSIP may have certain potential adverse effects on holders of Target Bonds not purchased pursuant to this Invitation, including the following:

- principal amount of the Target Bonds of such CUSIP available to trade publicly will be reduced, which could adversely affect the liquidity and market value of any Target Bonds of that CUSIP that remain outstanding; and
- if less than all of the Target Bonds of a CUSIP for which sinking fund installments have been established are purchased by the City pursuant to this Invitation, the average life of the remaining Target Bonds of that CUSIP may change.

### **Dealer Manager, Information and Tender Agent**

BofA Securities, Inc. is the Dealer Manager for this Invitation. Investors with questions about this Invitation should contact the Dealer Manager or Globic Advisors, which serves as Information and Tender Agent (the "Information and Tender Agent") for this Invitation, at the addresses and telephone numbers set forth in "MISCELLANEOUS." See "DEALER MANAGER" and "INFORMATION AND TENDER AGENT" herein.

## TERMS OF THE INVITATION

### Expiration Date

This Invitation will expire on the Expiration Date, unless earlier terminated or extended, as described in this Invitation. In the sole discretion of the City, Target Bonds tendered after 5:00 p.m., New York City time, on the Expiration Date and prior to the acceptance of tenders by the City on the Acceptance Date as described below under the heading "- Acceptance of Tenders Constitutes Irrevocable Agreement; Notice of Results" may be accepted by the City for purchase. See "- Extension, Termination and Amendment of the Invitation; Changes to Terms" below for a discussion of the City's ability to extend the Expiration Date and to terminate or amend this Invitation.

### Tenders Only Through the City's ATOP Account

The Target Bonds are held in book-entry-only form through the facilities of The Depository Trust Company ("DTC"). The City, through the Information and Tender Agent, will establish an Automated Purchase Offer Program ("ATOP") account at DTC for this Invitation. Bondholders who wish to tender their Target Bonds for purchase pursuant to this Invitation may do so through the City's ATOP account.

**ALL TENDERS FOR PURCHASE MUST BE MADE THROUGH THE CITY'S ATOP ACCOUNT. THE CITY WILL NOT ACCEPT ANY TENDERS FOR PURCHASE THAT ARE NOT MADE THROUGH ITS ATOP ACCOUNT. LETTERS OF TRANSMITTAL ARE NOT BEING USED IN CONNECTION WITH THIS INVITATION.**

Any financial institution that is a participant in DTC may make a book-entry tender of the Target Bonds by causing DTC to transfer such Target Bonds into the City's ATOP account relating to this Invitation in accordance with DTC's procedures for such transfer. Bondholders who are not DTC participants can only tender Target Bonds pursuant to this Invitation by making arrangements with and instructing their Financial Representative to tender the Bondholder's Target Bonds through the City's ATOP account. To ensure a Bondholder's Target Bonds are tendered to the City's ATOP account by 5:00 p.m., New York City time, on the Expiration Date, the Bondholder must provide instructions to the Bondholder's Financial Representative in sufficient time for the Financial Representative to tender the Target Bonds to the City's ATOP account by this deadline. A Bondholder should contact its Financial Representative for information as to when the Financial Representative needs the Bondholder's instructions in order to tender the Bondholder's Target Bonds to the City's ATOP account by 5:00 p.m., New York City time, on the Expiration Date. See "- Tender of Target Bonds by Financial Institutions; City's ATOP Account."

The City, the Dealer Manager, and the Information and Tender Agent are not responsible for the transfer of any tendered Target Bonds to the City's ATOP account or for any mistakes, errors or omissions in the transfer of any tendered Target Bonds.

### Information to Bondholders

**The City may give information about this Invitation to the market and Bondholders by posting such information to the EMMA Website against the CUSIPs for the Target Bonds, which institution, together with the Information and Tender Agent are collectively referred to herein as the "*Information Services*." The Information and Tender Agent will deliver information provided to it by the City through its website, [www.globic.com/charlottewater](http://www.globic.com/charlottewater). Delivery by the City of information to the Information Services will be deemed to constitute delivery of this information to each Bondholder.**

**The Dealer Manager and the Information and Tender Agent have no obligation to ensure that a Bondholder actually receives any information given to the Information Services.**

Bondholders who would like to receive information transmitted by or on behalf of the City to the Information Services may receive such information from the Dealer Manager or the Information and Tender Agent by contacting them using the contact information set forth in "MISCELLANEOUS" or by making appropriate arrangements with its Financial Representative or directly with the Information Services.

Any updates to this Invitation, including, without limitation any supplements to the Series 2026 Bonds POS, will be distributed through the Information Services. The final Official Statement with respect to the Series 2026 Bonds will be posted to the EMMA Website against the CUSIPs for the Target Bonds subsequent to the Acceptance Date and prior to the Settlement Date.

### **Priority of Allocation to Series 2026 Bonds**

The City has advised BofA Securities Inc., as representative of the underwriters (the "Representative") for the Series 2026 Bonds, that any Holder who tenders Target Bonds for purchase pursuant to this Invitation and who submits an order to purchase any Series 2026 Bonds may, subject to certain limitations, have a preference of allocation of the Series 2026 Bonds up to the principal amount of the Target Bonds that such Bondholder is tendering for purchase. The Representative has the discretion to accept orders outside of the City's advised priorities if it determines that it is in the best interests of the underwriters of the Series 2026 Bonds, as provided in the rules of the Municipal Securities Rulemaking Board. The City also has the discretion to alter its advised priorities.

### **Minimum Denominations and Consideration**

A Bondholder may tender Target Bonds for purchase of a particular CUSIP that it owns in an amount of its choosing, but in a principal amount equal to the minimum denomination of \$5,000 (the "Minimum Authorized Denomination") or any integral multiple of \$5,000 in excess thereof only.

### **Accrued Interest**

The Purchase Price of the Target Bonds will not include Accrued Interest. In addition to the Purchase Prices of the Target Bonds accepted for purchase by the City, Accrued Interest on such Target Bonds will be paid by, or on behalf of, the City to the tendering Bondholders on the Settlement Date. The source of funds for payment of Accrued Interest on Target Bonds validly tendered and accepted for purchase by the City will be from legally available moneys of the City.

### **Provisions Applicable to Tenders**

***Need for Advice.*** A Bondholder should ask its Financial Representative or financial advisor for help in determining: (a) whether to tender Target Bonds of a particular CUSIP for purchase, and (b) the principal amount of Target Bonds of such CUSIP to be tendered. A Bondholder also should inquire as to whether its Financial Representative or financial advisor will charge a fee for submitting tenders if the City purchases the Bondholder's tendered Target Bonds. The City, the Dealer Manager, and the Information and Tender Agent will not charge any Bondholder for tendering Target Bonds.

***Need for Specificity of Tender.*** A tender cannot exceed the par amount of Target Bonds owned by the Bondholder and must include the following information: (1) the CUSIP number(s) of the Target Bond(s) being tendered, and (2) the principal amount of each CUSIP being tendered (such principal amount must be stated in Minimum Authorized Denomination and if not so stated, for tenders of less than all of the Holder's position in the Target Bonds, such principal amount will be reduced to the greatest integral multiple of \$5,000). Any Bondholder located outside of the United States should check with their broker to determine if there any additional minimal increments, alternative settlement timing or other limitations.

"All or none" tenders are not permitted.

Target Bonds may be tendered for payment only in principal amounts equal to the Minimum Authorized Denomination and integral multiples of \$5,000 in excess thereof. Holders who tender less than all of their Target Bonds must continue to hold their Target Bonds in at least the Minimum Authorized Denomination and integral multiples of \$5,000 in excess thereof. No alternative, conditional or contingent tenders will be accepted.

**ALL TENDERS FOR PURCHASE MUST BE MADE THROUGH THE CITY'S ATOP ACCOUNT. THE CITY WILL NOT ACCEPT ANY TENDERS FOR PURCHASE THAT ARE NOT MADE THROUGH ITS ATOP ACCOUNT. LETTERS OF TRANSMITTAL ARE NOT BEING USED IN CONNECTION WITH THIS INVITATION.** See "- Tender of Target Bonds by Financial Institutions; City's ATOP Account."

*General.* A Bondholder may only tender Target Bonds it owns or controls. By tendering Target Bonds pursuant to this Invitation, a Bondholder will be deemed to have represented and agreed with the City as set forth below under "- Representations by Tendering Bondholders to the City." All tenders shall survive the death or incapacity of the tendering Bondholder.

Bondholders who would like to receive information furnished by the City to the Information Services can review the EMMA Website for the CUSIPs for the Target Bonds or may receive such information from the Dealer Manager or the Information and Tender Agent by contacting them using the contact information set forth in "MISCELLANEOUS" or by making appropriate arrangements with its Financial Representative or directly with the Information Services.

#### **Representations by Tendering Bondholders to the City**

By tendering Target Bonds for purchase, each tendering Bondholder will be deemed to have represented to and agreed with the City that:

(a) the Bondholder has received this Invitation and the Series 2026 Bonds POS and has had the opportunity to review this Invitation and the Series 2026 Bonds POS prior to making its decision to tender Target Bonds, and agrees if the purchase of any tendered Target Bonds is consummated, the purchase of such Target Bonds shall be on the terms and conditions set forth in this Invitation;

(b) the Bondholder has full power and authority to tender, sell, assign and transfer the tendered Target Bonds; and on the Settlement Date, the City will acquire good, marketable and unencumbered title thereto, free and clear of all liens, charges, encumbrances, conditional sales agreements or other obligations and not subject to any adverse claims, subject to payment to the Bondholder of the applicable Purchase Price(s) plus Accrued Interest;

(c) the Bondholder has made its own independent decision to tender its Target Bonds for purchase pursuant to this Invitation, and as to the terms thereof, and such decision is based upon the Bondholder's own judgment and upon advice from such advisors with whom the Bondholder has determined to consult;

(d) the Bondholder is not relying on any communication from the City, the Dealer Manager or the Information and Tender Agent as investment advice or as a recommendation to tender the Bondholder's Target Bonds at the applicable Purchase Price, it being understood that the information from the City, the Dealer Manager and the Information and Tender Agent related to the terms and conditions of this Invitation made pursuant to this Invitation shall not be considered investment advice or a recommendation to tender Target Bonds; and

(e) the Bondholder is capable of assessing the merits of and understanding (on its own and/or through independent professional advice), and does understand, agree and accept, the terms and conditions of this Invitation.

## **Tender of Target Bonds by Financial Institutions; City's ATOP Account**

The City, through the Information and Tender Agent, will establish the City's ATOP account at DTC for this Invitation promptly after the date of this Invitation. Any financial institution that is a participant in DTC may make a book-entry tender of the Target Bonds by causing DTC to transfer such Target Bonds into the City's ATOP account corresponding to this Invitation in accordance with DTC's procedures.

Concurrently with the delivery of Target Bonds through book-entry transfer into the City's ATOP account, an Agent's Message (as described below) in connection with such book-entry transfer must be transmitted to and received at the City's ATOP account by not later than 5:00 p.m., New York City time, on the Expiration Date, *provided, however*, a tender of Target Bonds related to an Agent's Message transmitted to the City's ATOP account after such time may be accepted by the City for purchase if the City, in its sole discretion, waives the defect in the timing of the delivery of such message. The confirmation of a book-entry transfer to the City's ATOP account as described above is referred to herein as a "Book-Entry Confirmation." The term "Agent's Message" means a message transmitted by DTC to, and received by, the Information and Tender Agent and forming a part of a Book-Entry Confirmation which states that DTC has received an express acknowledgment from the DTC participant tendering Target Bonds that are the subject of such Book-Entry Confirmation, stating the CUSIP number(s) and the principal amount(s) of the Target Bonds that have been tendered by such participant pursuant to this Invitation, and to the effect that such participant agrees to be bound by the terms of this Invitation. By causing DTC to transfer Target Bonds into the City's ATOP account, a financial institution warrants to the City that it has full authority, and has received from the Bondholder(s) of such Target Bonds all direction necessary, to tender, transfer and sell such Target Bonds as set forth in this Invitation.

**ALL TENDERS FOR PURCHASE MUST BE MADE THROUGH THE CITY'S ATOP ACCOUNT. THE CITY WILL NOT ACCEPT ANY TENDERS FOR PURCHASE THAT ARE NOT MADE THROUGH ITS ATOP ACCOUNTS. LETTERS OF TRANSMITTAL ARE NOT BEING USED IN CONNECTION WITH THIS INVITATION.**

Bondholders who are not DTC participants can only tender Target Bonds pursuant to this Invitation by making arrangements with and instructing their Financial Representative to tender the Bondholder's Target Bonds through the City's ATOP account. To ensure a Bondholder's Target Bonds are tendered to the City's ATOP account by 5:00 p.m., New York City time, on the Expiration Date, a Bondholder must provide instructions to its Financial Representative in sufficient time for the Financial Representative to tender the Bondholder's Target Bonds to the City's ATOP account by this deadline. A Bondholder should contact its Financial Representative for information as to when the Financial Representative needs the Bondholder's instructions in order to tender the Bondholder's Target Bonds to the City's ATOP account by 5:00 p.m., New York City time, on the Expiration Date.

## **Determinations as to Form and Validity of Tenders; Right of Waiver and Rejection**

All questions as to the validity (including the time of receipt at the City's ATOP account), form, eligibility and acceptance of any Target Bonds tendered for purchase pursuant to this Invitation will be determined by the City in its sole discretion and such determinations will be final, conclusive and binding.

The City reserves the right to accept nonconforming tenders or waive any irregularities in any tender. The City, the Dealer Manager, and the Information and Tender Agent are not obligated to give notice of the acceptance of any nonconforming tenders or the waivers of any irregularities in tenders and they will have no liability for failing to give such notice.

The City reserves the absolute right to reject any and all tenders, whether or not they comply with the terms of this Invitation.

## **Amendment or Withdrawals of Tenders Prior to the Expiration Date**

A Bondholder may withdraw the Target Bonds tendered for purchase pursuant to this Invitation by causing a withdrawal notice to be transmitted via DTC's ATOP system to, and received by, the Information and Tender Agent before 5:00 p.m., New York City time, on the Expiration Date.

Bondholders who are not DTC participants can only withdraw their tendered Target Bonds by making arrangements with and instructing the custodial intermediary through which they hold their Target Bonds to submit the Bondholder's notice of withdrawal through DTC's ATOP system.

All tenders of the Target Bonds for purchase will become irrevocable as of 5:00 p.m., New York City time, on the Expiration Date. See "—Acceptance of Tenders Constitutes Irrevocable Agreement; Notice of Results."

A notice of withdrawal must be submitted in substantially the same manner as an initial tender of Target Bonds.

**Bondholders who have tendered their Target Bonds will not receive any information from the City, the Dealer Manager or the Information and Tender Agent concerning tenders by other Bondholders. Offering Bondholders will not be afforded an opportunity to amend their tender after 5:00 p.m., New York City time, on the Expiration Date. An amended or withdrawn tender must specify the applicable CUSIP number, the principal amount previously tendered and the new amount being tender, if any. All questions as to the validity (including the time of receipt) of an amendment or withdrawal will be determined by the City in its sole discretion and will be final, conclusive and binding.**

Tenders of Target Bonds may be withdrawn prior to 5:00 p.m., New York City time, on the Expiration Date. **ALL TENDERS OF TARGET BONDS SHALL BE IRREVOCABLE AT 5:00 P.M. , NEW YORK CITY TIME, ON THE EXPIRATION DATE.**

## **Acceptance of Tenders for Purchase**

On the Acceptance Date, upon the terms and subject to the conditions of this Invitation, the City will publish a Notice of Acceptance (the "Notice of Acceptance") which identifies the outstanding Target Bonds validly tendered pursuant to this Invitation (or defectively tendered, if such defect has been waived by the City) it has elected to accept for purchase, with acceptance subject to the satisfaction or waiver by the City of the conditions to the purchase of tendered Target Bonds. See "- Acceptance of Tenders Constitutes Irrevocable Agreement; Notice of Results" and "- Conditions to Purchase."

The City will have no obligation to purchase Target Bonds tendered if a cancellation or a modification occurs or if the City is unable to issue the Series 2026 Bonds. **In addition, as set forth herein, the City's obligation to accept for purchase, Target Bonds validly tendered (and not validly withdrawn) pursuant to this Invitation are subject to the City determining in its reasonable discretion that it will receive sufficient economic benefit as a result of market conditions, actual level of participation by holders of the Target Bonds, or any other factors not within the sole control of the City, all on terms and conditions that are in the City's best interest, from the purchase of Target Bonds, and is also subject to the terms of this Invitation and certain other Financing Conditions, including the rights of the City to terminate this Invitation as described in "- Conditions to Purchase" herein. In addition, the City may elect to purchase less than all of the Target Bonds in order to maximize the economic benefits of the transaction.**

The City in its sole discretion will select which, if any, Target Bonds to purchase of a particular CUSIP based on its determination of the economic benefit from such purchase. If the City selects any offer for Target Bonds of a particular CUSIP number (excluding 2020 Target Bonds due in 2050, CUSIP 161045QZ5), the City will purchase all Target Bonds of that CUSIP number tendered under such offer. Should the City choose to purchase some but not all of the 2020 Target Bonds due in 2050, CUSIP 161045QZ5, the City will accept those

tendered 2020 Target Bonds due in 2050, CUSIP 161045QZ5 on a pro rata basis reflecting the ratio of (a) the principal amount, if any, the City determines to purchase to (b) the aggregate principal amount of valid offers to sell received. If, as a result of any *pro rata* acceptance, the City would be required to accept a principal amount of the 2020 Target Bonds due in 2050, CUSIP 161045QZ5, that is not equal to an authorized denomination, the City will, in such manner as is in its sole discretion, round up the principal amount of the 2020 Target Bonds due in 2050, CUSIP 161045QZ5, to be accepted from any affected Bondholder so that the principal amount of the 2020 Target Bonds due in 2050, CUSIP 161045QZ5, accepted will be equal to an authorized denomination. All such determinations and allocations will be final and binding. The proration factor will take into consideration rounding procedures, which will allow the City to accept the amount of the 2020 Target Bonds due in 2050, CUSIP 161045QZ5 it has determined to purchase.

**Notwithstanding any other provision of this Invitation, the consummation of this Invitation and the City's obligation to accept for purchase, and to pay for, Target Bonds validly tendered (and not validly withdrawn) pursuant to this Invitation are subject to the satisfaction of or waiver of the conditions set forth in "—Conditions to Purchase" herein. The City reserves the right, subject to applicable law, to amend or waive any of the conditions to this Invitation, in whole or in part, at any time prior to the Expiration Date or from time to time, in its sole discretion. This Invitation may be withdrawn by the City at any time prior to the Expiration Date.**

#### **Acceptance of Tenders Constitutes Irrevocable Agreement; Notice of Results**

Acceptance by the City of Target Bonds tendered for purchase will constitute an irrevocable agreement between the offering Bondholder and the City to sell and purchase such Target Bonds, subject to satisfaction of all conditions to the City's obligation to purchase, tendered Target Bonds and the other terms of this Invitation. See "- Minimum Denominations and Consideration" and "- Conditions to Purchase" herein.

On June 3, 2026, unless such date is extended by the City, the City will provide a Notice of Results by notification of the Information Services. The notification will state the principal amount of Target Bonds of each CUSIP which were tendered for purchase by holders of the Target Bonds.

If the City selects any of the Target Bonds of a particular CUSIP number (2020 Target Bonds due in 2050, CUSIP 161045QZ5), the City will purchase all Target Bonds of that CUSIP number tendered under such offer. Should the City choose to purchase some but not all of the 2020 Target Bonds due in 2050, CUSIP 161045QZ5, the City is permitted to and intends to apply purchases of such Target Bonds to any sinking fund redemption requirement of its choosing including, without limitation, to the earliest sinking fund requirements. All such determinations and allocations will be final and binding.

The acceptance of Target Bonds tendered for purchase is expected to be made by notification to the Information Services no later than 5:00 p.m., New York City time, on the Acceptance Date, unless such date is earlier terminated or extended by the City. This notification will state the principal amount of the Target Bonds of each CUSIP that the City has agreed to purchase, in accordance with this Invitation, which may be zero for a particular CUSIP.

Following the publication of the Notice of Acceptance, all Target Bonds that were tendered but were not accepted for purchase will be released and returned to the tendering institution in accordance with DTC's ATOP procedures. The City, the Dealer Manager, and the Information and Tender Agent are not responsible or liable for the operation of the ATOP system by DTC to properly credit such released Target Bonds to the applicable account of the DTC participant or custodial intermediary or by such DTC participant or custodial intermediary for the account of the Bondholder.

#### **Settlement Date; Purchase of Target Bonds**

Subject to satisfaction of all conditions to the City's obligation to purchase tendered Target Bonds, as applicable and as described herein, the Settlement Date is the day on which Target Bonds accepted for purchase

will be purchased at the applicable Purchase Price(s) together with Accrued Interest thereon. The Settlement Date will occur following the Acceptance Date, subject to all conditions to this Invitation having been satisfied or waived by the City. The expected Settlement Date is June 18, 2026, unless earlier terminated or extended by the City, assuming all conditions to this Invitation have been satisfied or waived by the City. Bondholders whose Target Bonds are accepted for purchase on the Settlement Date will receive Accrued Interest.

The City may, in its sole discretion, change the Settlement Date by giving notice to the Information Services prior to the change. See "- Conditions to Purchase."

Subject to satisfaction of all conditions to the City's obligation to purchase Target Bonds tendered for purchase pursuant to this Invitation, as described herein, payment by the City, or on the City's behalf, will be made in immediately available funds on the Settlement Date by deposit with DTC of the aggregate Purchase Price and Accrued Interest on the Target Bonds accepted for purchase. The City expects that, in accordance with DTC's standard procedures, DTC will transmit the aggregate Purchase Price (plus Accrued Interest) in immediately available funds to each of its participant financial institutions holding the Target Bonds accepted for purchase on behalf of Bondholders for delivery to the Bondholders. **The City, the Dealer Manager, and the Information and Tender Agent have no responsibility or liability for the distribution of the Purchase Prices plus Accrued Interest by DTC to the Bondholders.**

#### **Purchase and Accrued Interest Funds**

The source of funds to pay the Purchase Price of the Target Bonds validly tendered and accepted for purchase by the City pursuant to this Invitation is anticipated to be proceeds of the Series 2026 Bonds. The source of funds for payment of Accrued Interest on Target Bonds validly tendered and accepted for purchase by the City pursuant to this Invitation will be from legally available moneys of the City. The purchase of any Target Bonds tendered pursuant to this Invitation is contingent on the issuance by the City of the Series 2026 Bonds, as well as certain other conditions which must be satisfied on or prior to the Settlement Date. See "- Conditions to Purchase" herein for more information on the conditions precedent to this Invitation.

#### **Conditions to Purchase**

If, after the Acceptance Date, but prior to payment for Target Bonds accepted by the City on the Settlement Date, any of the following events should occur, the City will have the absolute right to cancel its obligations to purchase Target Bonds without any liability to any Bondholder (collectively, the "Financing Conditions"):

- Litigation or another proceeding is pending or threatened which the City reasonably believes may, directly or indirectly, have an adverse impact on this Invitation or the expected benefits of this Invitation to the City or the Bondholders;
- A war, national emergency, banking moratorium, suspension of payments by banks, a general suspension of trading by the New York Stock Exchange or a limitation of prices on the New York Stock Exchange exists and the City reasonably believes this fact makes it inadvisable to proceed with the purchase of Target Bonds;
- A material change in the business or affairs of the City's water and sewer system has occurred which the City reasonably believes makes it inadvisable to proceed with the purchase of Target Bonds;
- If for any reason, the Series 2026 Bonds are not issued; or
- A material disruption in securities settlement, payment or clearance services.

These Financing Conditions are for the sole benefit of the City and may be asserted by the City, prior to the time of payment of the Target Bonds it has agreed to purchase, regardless of the circumstances giving rise to any of these conditions, or may be waived by the City in whole or in part at any time and from time to time in its discretion, and may be exercised independently for each CUSIP. The failure by the City at any time to exercise any of these rights will not be deemed a waiver of any of these rights, and the waiver of these rights with respect to particular facts and other circumstances will not be deemed a waiver of these rights with respect to any other facts and circumstances. Each of these rights will be deemed an ongoing right of the City which may be asserted at any time and from time to time prior to the time of payment of the Target Bonds it has agreed to purchase. Any determination by the City concerning the events described in this section will be final and binding upon all parties.

Any tendered Target Bonds not purchased as a result of a failure to satisfy the Financing Conditions may now or in the future be refunded by the City and at any time in the future Bondholders may be invited to tender such Target Bonds for purchase by the City in its sole discretion.

### **Extension, Termination and Amendment of the Invitation; Changes to Terms**

Through and including the Expiration Date, the City has the right to extend this Invitation, as to any or all of the Target Bonds, to any date in its sole discretion, provided that a notice of any extension of the Expiration Date is given to the Information Services, including by posting such notice to the EMMA Website against the CUSIPs for the Target Bonds, on or about 9:00 a.m., New York City time, on the first business day after the Expiration Date.

The City also has the right, prior to acceptance of Target Bonds tendered for purchase as described above under the heading "—Acceptance of Tenders Constitutes Irrevocable Agreement; Notice of Results," to terminate this Invitation at any time by giving notice to the Information Services. The termination will be effective at the time specified in such notice.

The City also has the right, prior to acceptance of Target Bonds tendered for purchase as described above under the heading "—Acceptance of Tenders Constitutes Irrevocable Agreement; Notice of Results," to amend or waive the terms of this Invitation in any respect and at any time by giving notice to the Information Services. This amendment or waiver will be effective at the time specified in such notice.

If the City extends this Invitation, or amends the terms of this Invitation to change the consideration offered for the Bonds, including, without limitation, a change in the Purchase Price of the Target Bonds pursuant to this Invitation, the City shall provide notice thereof no less than five (5) business days prior to the Expiration Date, as extended. **In such event, any tenders submitted with respect to the affected Target Bonds prior to such change in the Purchase Price for such Target Bonds pursuant to this Invitation will remain in full force and effect and any Bondholder of such affected Target Bonds wishing to revoke their tender of such Target Bonds must affirmatively withdraw such tender prior to the Expiration Date.** See "—Amendment or Withdrawals of Tenders Prior to the Expiration Date."

If the City amends the terms of this Invitation (other than any term that relates to the consideration offered for the Target Bonds), which amendment may include a waiver of any term, in any material respect, notice of such amendment or waiver will be given no later than three (3) business days before the Expiration Date, as extended to provide reasonable time for dissemination of such amendment or waiver to Holders and for Holders to respond.

No extension, termination or amendment of this Invitation (or waiver of any terms of this Invitation) will change the City's right to decline to purchase any Target Bonds without liability. See "- Conditions to Purchase."

The City, the Dealer Manager and the Information and Tender Agent have no obligation to ensure that a Bondholder actually receives any information given to the Information Services.

## AVAILABLE INFORMATION

Certain information relating to the Target Bonds and the City and its water and sewer system may be obtained by contacting the Dealer Manager or Information and Tender Agent at the contact information set forth under "MISCELLANEOUS". Such information is limited to this Invitation, including the information set forth in the Series 2026 Bonds POS which is attached hereto as APPENDIX A.

## ADDITIONAL CONSIDERATIONS

*None of the City, the Dealer Manager or the Information and Tender Agent make any recommendation that any Bondholder tender or refrain from tendering all or any portion of the Target Bonds. Each Bondholder must make its decision and should read this Invitation and the Series 2026 Bonds POS and consult with its broker, account executive, financial advisor and/or other financial professional in making such decision.*

In deciding whether to participate in this Invitation, each Bondholder should consider carefully, in addition to the other information contained in this Invitation, the following:

- In the event that the Series 2026 Bonds are not issued and sold, tendered Target Bonds accepted for purchase are not required to be purchased by the City and in such event, Bondholders will continue to hold their respective tendered Target Bonds.
- Even if the City does not purchase any tendered Target Bonds, the City shall have the right now or in the future to refund all or any portion of the tendered Target Bonds or may in the future invite Bondholders to tender such tendered Bonds for purchase by the City.

### **The City May Later Acquire Target Bonds at More Favorable Prices Than Those Offered Pursuant to this Invitation**

The City reserves the right to, and may in the future decide to, acquire some or all of the Target Bonds not purchased pursuant to this Invitation through open market purchases, privately negotiated transactions, subsequent purchase offers, exchange offers or otherwise, upon such terms and at such prices as it may determine, which may be more or less than the consideration offered pursuant to this Invitation set forth in this Invitation, which could be cash or other consideration. Any future acquisition of Target Bonds may be on the same terms or on terms that are more or less favorable to Bondholders than the terms of this Invitation. The decision to make future purchases by the City and the terms of such future transactions will depend on various factors existing at that time. There can be no assurance as to which of these alternatives, if any, the City will ultimately choose to pursue in the future.

### **Target Bonds Not Tendered for Purchase**

Holders of Target Bonds who do not tender their Target Bonds for purchase pursuant to this Invitation and Holders of Target Bonds whose tenders are rejected by the City will continue to hold their interest in such Target Bonds. **If the Target Bonds are purchased pursuant to this Invitation, the Principal Amount of the Target Bonds for a particular CUSIP that remains outstanding will be reduced, which could adversely affect the liquidity and market value of the Target Bonds of that CUSIP that remain outstanding.**

### **Adjustment of Sinking Fund Provisions for Target Bonds Not Tendered for Purchase**

Certain Target Bonds are Term Bonds subject to mandatory sinking fund redemptions in specified principal amounts prior to their maturity dates. If any Target Bonds subject to mandatory sinking fund redemption are purchased by the City pursuant to this Invitation, under the General Indenture and the series indenture under which a particular series of Target Bonds were issued, the specified principal amounts to be redeemed on each mandatory sinking fund redemption date and paid upon their maturity date of the Target Bonds of such CUSIP that remain outstanding, will be adjusted with the remaining mandatory sinking fund redemption

payment amounts to be reduced proportionally by the highest possible integral multiple (if any) of \$5,000 principal amount, as adjusted if deemed necessary by the City to comply with applicable tax law. Such adjustment will be made in the sole determination of the City. The City is permitted to and intends to apply purchases of Target Bonds that are Term Bonds to any sinking fund redemption requirement of its choosing including, without limitation, to the earliest sinking fund requirements. As such, those unpurchased Target Bonds will continue to be subject to mandatory sinking fund redemption in annual amounts that will be reflected on a revised mandatory sinking fund redemption schedule.

### **Timeliness of Tender**

The Invitation will expire at 5:00 p.m., New York City time, on the Expiration Date (currently scheduled for **June 2, 2026**), unless extended or terminated. Target Bonds tendered as described in this Invitation after 5:00 p.m., New York City time on the Expiration Date will not be accepted for tender, except in the City's sole discretion.

### **Acceptance Date**

Notification of acceptance of Target Bonds tendered pursuant to this Invitation will be given on or before 5:00 p.m., New York City time, on the Acceptance Date (currently scheduled for June 5, 2026), unless the Expiration Date is extended or this Invitation is terminated. See "TERMS OF THE INVITATION - Acceptance of Tenders for Purchase" herein.

## **SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of the Target Bonds that tender their Target Bonds for cash. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective tendering Bondholders should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given Bondholder, nor does it address the U.S. tax considerations applicable to all categories of Bondholders, some of which may be subject to special taxing rules (regardless of whether or not such Bondholders constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, Bondholders that hold their Target Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar, or certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies. Furthermore, it does not address: (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Internal Revenue Code of 1986, as amended (the "Code"), or (iii) the indirect effects on persons who hold equity interests in a Bondholder. This summary also does not consider the tax consequences of a tender of the Target Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to Bondholders who hold their Target Bonds as "capital assets" within the meaning of Section 1221 of the Code. The following discussion does not address tax considerations applicable to any holders of the Target Bonds other than U.S. Holders.

As used herein, "U.S. Holder" means a Bondholder that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). If a partnership holds Target Bonds, the tax treatment of a tender to such partnership or a partner in such

partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Target Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of a tender of Target Bonds (including their status as U.S. Holders).

PROSPECTIVE TENDERING BONDHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE U.S. FEDERAL, STATE, LOCAL OR NON-U.S. TAX CONSEQUENCES TO THEM FROM THE TENDER OF THE TARGET BONDS IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.

### **Tendering U.S. Holders**

The tender of a Target Bond for cash will be a taxable event for U.S. federal income tax purposes. Although interest on the Target Bonds is excluded from gross income under Section 103 of the Code, that exclusion generally does not extend to gain recognized on the sale or other disposition of a Target Bond, including a tender. In general, a U.S. Holder of a tendered Target Bond will recognize gain or loss equal to the difference between (i) the amount of cash received, excluding any portion attributable to qualified stated interest accrued but unpaid through the tender settlement date and, in the case of a Target Bond issued with original issue discount, any original issue discount accrued through the tender settlement date, and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Target Bond. Subject to the discussion of market discount below, gain or loss recognized on the tender of a Target Bond generally will be capital gain or loss. In the case of a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to long-term capital gain (gain on a Target Bond held for more than one year) is lower than the maximum marginal rate applicable to ordinary income. The deductibility of capital losses is subject to limitations.

A U.S. Holder's adjusted basis in a Target Bond generally will equal the price the U.S. Holder paid for the Target Bond, (a) increased by the amount of any original issue discount previously accrued by the U.S. Holder (reduced by any acquisition premium properly allocable thereto), and (b) decreased by the amount of any bond premium previously amortized by the U.S. Holder. **In the case of a Target Bond acquired by the U.S. Holder at a premium, amortization of bond premium is mandatory under Section 171(a)(2) of the Code, and the U.S. Holder's basis is reduced by the amortizable bond premium whether or not the U.S. Holder has actually offset such premium against tax-exempt interest received on the Target Bond.**

*Market Discount.* A U.S. Holder who acquired a Target Bond (other than at original issuance) for an amount less than its stated redemption price at maturity (or, in the case of a Target Bond issued with original issue discount, less than its revised issue price) generally will be treated as having acquired the Target Bond with "market discount," unless the difference is less than a statutory de minimis amount. Any gain recognized on the tender of a Target Bond will be treated as **ordinary interest income** to the extent of any accrued market discount that has not previously been included in income; accrued market discount on a tax-exempt obligation is not itself tax-exempt. A U.S. Holder may elect under Section 1278(b) of the Code to include market discount in income currently as it accrues, in which case gain on a subsequent disposition will not be recharacterized as ordinary income under this rule. U.S. Holders are urged to consult their tax advisors regarding the application of the market discount rules.

*Net Investment Income Tax.* A non-corporate U.S. Holder whose modified adjusted gross income exceeds the applicable threshold under Section 1411 of the Code may be subject to an additional 3.8% tax on net investment income, which includes capital gain recognized on the tender of a Target Bond.

## **Backup Withholding**

Payments with respect to tenders of Target Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a tendering non-corporate U.S. Holder of a Target Bond may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Target Bonds and the gross proceeds of a sale, exchange, redemption, retirement, or other disposition of the Target Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code, or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. A U.S. Holder generally may avoid backup withholding by timely furnishing a properly completed IRS Form W-9 (or, in the case of certain non-corporate U.S. Holders eligible for an exemption, by certifying exempt status on a Form W-9). Amounts withheld under the backup withholding rules may be refunded or credited against a U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. Holders (including, among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

## **SOLICITING DEALER FEES; ELIGIBLE INSTITUTIONS ARE NOT AGENTS**

The City agrees to pay or caused to be paid to any commercial bank or trust company having an office, branch or agency in the United States, and any firm which is a member of a registered national securities exchange or of the Financial Industry Regulatory Authority (an "Eligible Institution"), a solicitation fee of \$1.25 per \$1,000 on the principal amount of Target Bonds purchased from each of its Retail Customers by the City pursuant to this Invitation. A "Retail Customer" is an individual who owns less than \$250,000 principal amount of Target Bonds and manages his or her own investments or an individual who owns less than \$250,000 principal amount of Target Bonds whose investments are managed by an investment manager or bank trust department that holds the investments of that individual in a separate account in the name of that individual.

The Solicitation Fee Payment Request Form, attached hereto as APPENDIX B, must be returned to the Information and Tender Agent no later than 5:00 p.m., New York City time, on or before the next business day following the Expiration Date, unless earlier terminated or extended. No payment of a solicitation fee will be made on requests received after this time. No solicitation fee will be paid on requests improperly submitted or for Target Bonds not purchased by the City.

Eligible Institutions are not agents of the City for this Invitation.

## **DEALER MANAGER**

The City has retained BofA Securities, Inc. ("BofA Securities") to act on its behalf as Dealer Manager for this Invitation. The City has agreed to pay the Dealer Manager customary fees for its services and to reimburse the Dealer Manager for its reasonable out-of-pocket costs and expenses relating to this Invitation. References in this Invitation to the Dealer Manager are to BofA Securities only in its capacity as the Dealer Manager. The compensation of the Dealer Manager is based upon the amount of Target Bonds tendered to and accepted by the City.

The Dealer Manager may contact Bondholders regarding this Invitation and may request brokers, dealers, custodian banks, depositories, trust companies and other nominees to forward this Invitation to beneficial owners of the Target Bonds.

The Dealer Manager and its affiliates together comprise full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Dealer Manager and its affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the City for which it received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Dealer Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities and financial instruments which may include bank loans and/or credit default swaps) for their own account and for the accounts of their respective customers and may at any time hold long and short positions in such securities and instruments. Such investment securities activities may involve securities and instruments of the City, including the Target Bonds. Affiliates of a Dealer Manager may have holdings of Target Bonds that they are unable to disclose for legal or regulatory reasons.

In addition to its role as a Dealer Manager for the Target Bonds, BofA Securities is also serving as the Representative of the Underwriters for the Series 2026 Bonds as described in the Series 2026 Bonds POS.

The Dealer Manager is not acting as a financial or municipal advisor to the City in connection with this Invitation or the Series 2026 Bonds.

### **INFORMATION AND TENDER AGENT**

The City has retained Globic Advisors to serve as Information and Tender Agent for this Invitation. The City has agreed to pay the Information and Tender Agent customary fees for its services and to reimburse the Information and Tender Agent for its reasonable out-of-pocket costs and expenses relating to this Invitation.

### **APPROVAL OF LEGAL PROCEEDINGS**

Certain legal matters and the issuance of the Series 2026 Bonds is subject to the approval of Parker Poe Adams & Bernstein LLP, Bond Counsel and delivery of the approving opinions of Bond Counsel in substantially the forms set forth in Appendix D of the Series 2026 Bonds POS attached hereto as APPENDIX A. Certain legal matters will be passed upon for the City by Andrea Leslie-Fite, Esq., City Attorney to the City. Certain legal matters will be passed on for the Dealer Manager by its counsel, McGuireWoods LLP. Compensation of such counsels is contingent in whole or in part on the issuance of the Series 2026 Bonds.

### **MISCELLANEOUS**

No one has been authorized by the City, the Dealer Manager, or the Information and Tender Agent to recommend to any Bondholder whether to tender Target Bonds pursuant to this Invitation or the amount of Target Bonds to tender. No one has been authorized to give any information or to make any representation in connection with this Invitation other than those contained in this Invitation. Any recommendations, information and representations given or made cannot be relied upon as having been authorized by the City, the Dealer Manager or the Information and Tender Agent.

None of the City, the Dealer Manager, or the Information and Tender Agent make any recommendation that any Bondholder tender or refrain from tendering all or any portion of the principal amount of such Bondholder's Target Bonds. Bondholders must make their own decisions and should read this Invitation carefully and consult with their broker, account executive, financial advisor, attorney and/or other professional in making these decisions.

Investors with questions about this Invitation should contact the Dealer Manager or the Information and Tender Agent. The contact information for the Dealer Manager and the Information and Tender Agent is as follows:

***Dealer Manager***

**BofA Securities, Inc.**

One Bryant Park, 12<sup>th</sup> Floor New York, New York 10036 Tel: (215) 446-7020  
Attn: Contact your BofA Securities Representative or the Municipal Liability Management Group  
Email: dg.muni-lm@bofa.com

***The Information and Tender Agent***

**Globic Advisors**

7777 Glades Road, Suite 100, Boca Raton, Florida 33434  
Tel: (212) 227-9698  
Attn: Patrick Seguritan Email: [pseguritan@globic.com](mailto:pseguritan@globic.com)  
Document Website: [www.globic.com/charlottewater](http://www.globic.com/charlottewater)

**APPENDIX A**  
**SERIES 2026 BONDS POS**

[THIS PAGE INTENTIONALLY LEFT BLANK]

PRELIMINARY OFFICIAL STATEMENT DATED MAY 18, 2026

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Moody's: "Aaa"  
S&P: "AAA"  
(See "RATINGS" herein)

In the opinion of Parker Poe Adams & Bernstein LLP, Bond Counsel, under existing law (1) assuming compliance by the City (as defined below) with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the 2026 Bonds (i) is excludable from gross income for federal income tax purposes, and (ii) is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations, and (2) interest on the 2026 Bonds is exempt from State of North Carolina income taxation. See "TAX TREATMENT" herein.



CITY OF CHARLOTTE, NORTH CAROLINA  
\$555,575,000\*  
Water and Sewer System Revenue Bonds,  
Series 2026

Dated: Date of Issuance

Due: As shown on the inside cover page

This Official Statement has been prepared by the City of Charlotte, North Carolina (the "City") to provide information on the 2026 Bonds (as defined herein). Selected information is presented on this cover page for the convenience of the user. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Security:

The 2026 Bonds and all other Bonds Outstanding under the General Indenture (as defined herein), are special obligations of the City, secured solely by the pledge of Net Revenues of the City's Water and Sewer System, except to the extent payable from proceeds of the 2026 Bonds, certain investment earnings and certain net insurance and other proceeds. Neither the credit nor the taxing power of the City or the State of North Carolina (the "State") or any of the State's political subdivisions is pledged for the payment of the principal of, premium if any, or interest on the 2026 Bonds. No Owner of the 2026 Bonds has the right to compel the exercise of the taxing power of the State, the City or any of the State's political subdivisions or the forfeiture of any of their respective properties in connection with any default on the 2026 Bonds. The principal of and premium, if any, and interest on the 2026 Bonds are payable solely from the Net Revenues pledged by the City and neither the State, the City nor any of the State's political subdivisions is obligated to pay the principal of, premium, if any, or interest on the 2026 Bonds except from such Net Revenues. See "SECURITY AND SOURCES OF PAYMENT" herein.

Redemption:

The 2026 Bonds are subject to optional and mandatory redemption before maturity as described herein.

Issued Pursuant to:

The 2026 Bonds will be issued pursuant to The State and Local Government Revenue Bond Act, specifically, Article 5, Chapter 159 of the General Statutes of North Carolina, as amended; an Amended and Restated General Trust Indenture dated as of September 24, 2020 (the "General Indenture"), between the City and U.S. Bank Trust Company, National Association, successor to U.S. Bank National Association, as trustee (the "Trustee"); and Series Indenture, Number 27, dated as of June 1, 2026, between the City and the Trustee ("Series Indenture, Number 27").

Purpose:

Proceeds of the 2026 Bonds will be used to (1) refund all or a portion of the City's Water and Sewer System Refunding Revenue Bonds, Series 2015 and Water and Sewer System Refunding Revenue Bonds, Series 2018, (2) prepay the outstanding principal amount of the City's Water and Sewer System Revenue Bond Anticipation Note, Series 2024, (3) pay the purchase price for the Purchased Refunded Bonds (as defined herein) tendered to the City pursuant to the Tender Offer (as defined herein), and (4) pay certain costs related to the issuance of the 2026 Bonds.

Interest Payment Dates:

January 1 and July 1 of each year, commencing January 1, 2027.

Denomination:

\$5,000 or integral multiples thereof.

Closing/Delivery Date:

On or about June 18, 2026\*.

Registration:

Full book-entry only; The Depository Trust Company. See Appendix E.

Trustee:

U.S. Bank Trust Company, National Association.

Bond Counsel:

Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina.

City Attorney:

Andrea Leslie-Fite, Esq., Charlotte, North Carolina.

Underwriters' Counsel:

McGuireWoods LLP, Charlotte, North Carolina.

Municipal Advisor:

DEC Associates, Inc., Charlotte, North Carolina.

BofA Securities

J.P. Morgan  
Ramirez & Co., Inc.

PNC Capital Markets LLC  
Wells Fargo Securities

Date of this Official Statement is June \_\_, 2026

\* Preliminary, subject to change.

THIS PRELIMINARY OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO COMPLETION OR AMENDMENT IN A FINAL OFFICIAL STATEMENT. The 2026 Bonds may not be sold nor may offers to buy be accepted prior to the time the Final Official Statement is delivered. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the 2026 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction.

## MATURITY SCHEDULE

### \$318,280,000\* Serial 2026 Bonds

<u>Due (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP** (161045)</u>
2027	\$ 6,210,000			
2028	7,360,000			
2029	7,725,000			
2030	10,120,000			
2031	12,825,000			
2032	14,095,000			
2033	14,260,000			
2034	15,655,000			
2035	19,970,000			
2036	16,840,000			
2037	22,855,000			
2038	15,655,000			
2039	12,585,000			
2040	14,735,000			
2041	24,515,000			
2042	28,090,000			
2043	24,140,000			
2044	16,065,000			
2045	16,870,000			
2046	17,710,000			

\$106,150,000\* \_\_\_% Term 2026 Bonds due July 1, 2051, Yield \_\_\_% CUSIP \_\_\_\*\*  
\$131,145,000\* \_\_\_% Term 2026 Bonds due July 1, 2056, Yield \_\_\_% CUSIP \_\_\_\*\*

---

\* Preliminary, subject to change.

\*\* CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. Copyright©2026 CUSIP Global Services. All rights reserved. The CUSIP data herein is provided solely for the convenience of reference only. The Local Government Commission, the City, nor the Underwriters are responsible for selection or use of these CUSIP numbers, and no representation is made as to their correctness on the 2026 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2026 Bonds as a result of various subsequent actions.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation in connection with this offering other than as contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2026 Bonds by any person, in any jurisdiction in which it is not lawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City and from other sources that are deemed to be reliable, but is not guaranteed as to accuracy or completeness by the Underwriters, and is not to be construed as a representation by the Underwriters.

The electronic distribution of this Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2026 Bonds described herein to the residents of any particular state and is not specifically directed to the residents of any particular state. The 2026 Bonds shall not be offered or sold in any state unless and until they are either registered pursuant to the laws of such state, or qualified pursuant to an appropriate exemption from registration in such state.

The information set forth herein has been obtained from sources which are believed to be reliable and is in a form deemed final by the City for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for certain information permitted to be omitted under Rule 15c2-12(b)(1)). The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

NEITHER THE 2026 BONDS NOR THE GENERAL INDENTURE HAS BEEN REGISTERED OR QUALIFIED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(A)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED AND SECTION 304(A)(4) OF THE TRUST INDENTURE ACT OF 1939, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THE 2026 BONDS AND THE GENERAL INDENTURE IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE 2026 BONDS AND THE GENERAL INDENTURE HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2026 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document for purposes of, and as that term is defined in, Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expectations," "estimate," "project," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the expectations of the City in any way, regardless of the level of optimism communicated in the information. The City is not obligated to issue, nor does it plan to issue any updates or revisions to the forward-looking statements.

## TABLE OF CONTENTS

	<b>Page</b>
INTRODUCTION .....	1
Purpose.....	1
The 2026 Bonds .....	1
Security .....	2
Professionals .....	3
Additional Information .....	3
THE 2026 BONDS .....	4
Authorization .....	4
General Terms.....	4
Redemption Provisions .....	5
Book-Entry-Only Form.....	7
THE PLAN OF FINANCE .....	7
General.....	7
Refunded 2015 Bonds and Refunded 2018 Bonds .....	7
Prepay 2024 BAN.....	8
Purchased Refunded Bonds .....	8
Invitation to Tender Bonds .....	8
ESTIMATED SOURCES AND USES OF FUNDS .....	9
DEBT SERVICE REQUIREMENTS.....	10
FINANCIAL SCHEDULES .....	11
Historical Financial Information <sup>1</sup> .....	11
Projected Financial Information .....	11
SECURITY AND SOURCES OF PAYMENT .....	13
Special Obligations .....	13
Pledge of Net Revenues .....	14
Rate Covenant.....	15
Funds and Accounts Held Under General Indenture .....	15
Reserve Fund .....	16
Additional Bonds .....	16
THE WATER AND SEWER SYSTEM.....	16
Personnel.....	16
Water System.....	18
Sanitary Sewer System .....	21

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
Regionalization .....	23
Economic Impact Assessment .....	24
Water and Sewer Line Extensions .....	24
Environmental Compliance .....	25
Capital Improvements Program .....	25
Work and Asset Management System .....	26
Water and Sanitary Sewer Rates .....	26
Number of Accounts .....	29
Major Users.....	29
Billing and Collection Procedures .....	30
Budget Procedures .....	31
Future Rate Increases .....	31
THE CITY OF CHARLOTTE.....	31
General Description and Demographic Characteristics .....	31
Business and Economic Profile .....	32
Development Activity.....	33
Labor Force and Unemployment .....	34
Pension Plans .....	34
Health and Life Benefits .....	36
Other Post-Employment Benefits .....	36
Contingent Liabilities.....	37
Cybersecurity .....	39
Environmental, Social, and Governance.....	40
Financial Information.....	43
GENERAL INDENTURE SUMMARY .....	43
LEGAL MATTERS.....	43
Litigation.....	43
Opinions of Counsel .....	44
TAX TREATMENT .....	44
General.....	44
Original Issue Premium .....	45
Original Issue Discount.....	46

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
CONTINUING DISCLOSURE OBLIGATION .....	47
RATINGS .....	49
FINANCIAL STATEMENTS .....	49
UNDERWRITING .....	49
RELATED PARTIES .....	51
MUNICIPAL ADVISOR.....	51
APPROVAL .....	51
APPENDIX A CITY OF CHARLOTTE, NORTH CAROLINA AUDITED FINANCIAL STATEMENTS FOR THE WATER AND SEWER SYSTEM FOR THE FISCAL YEAR ENDED JUNE 30, 2025 .....	A-1
APPENDIX B SUMMARY OF INDENTURES.....	B-1
APPENDIX C THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA.....	C-1
APPENDIX D PROPOSED FORM OF BOND COUNSEL'S OPINION.....	D-1
APPENDIX E BOOK-ENTRY SYSTEM.....	E-1
APPENDIX F DESCRIPTION OF PURCHASED REFUNDED BONDS .....	F-1



## OFFICIAL STATEMENT

*relating to*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**\$555,575,000\***  
**Water and Sewer System Revenue Bonds,**  
**Series 2026**

### INTRODUCTION

This Official Statement, which includes the cover and the appendices, provides certain information concerning the City of Charlotte, North Carolina (the "City") and certain other information in connection with the issuance by the City of \$555,575,000\* Water and Sewer System Revenue Bonds, Series 2026 (the "2026 Bonds").

This introduction provides certain limited information to serve as a guide to this Official Statement and is expressly qualified by this Official Statement as a whole. Prospective investors should make a full review of the entire Official Statement and of the documents summarized or described herein. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Neither the delivery of this Official Statement nor of the 2026 Bonds shall under any circumstances create any implication that there has been no change in the City's affairs since the date of this Official Statement.

#### **Purpose**

The City will use the proceeds of the 2026 Bonds, together with other funds of the City, to (1) refund all or a portion of the City's Water and Sewer System Revenue Bonds, Series 2015 and Water and Sewer System Refunding Revenue Bonds, Series 2018, (2) prepay the outstanding principal amount of the City's Water and Sewer System Revenue Bond Anticipation Note, Series 2024, (3) pay the purchase price for the Purchased Refunded Bonds (as defined herein) tendered to the City pursuant to the Tender Offer (as defined herein), and (4) pay certain costs related to the issuance of the 2026 Bonds.

See "**THE PLAN OF FINANCE**" and "**ESTIMATED SOURCES AND USES OF FUNDS.**"

#### **The 2026 Bonds**

The 2026 Bonds will be dated as of their date of issuance and will bear interest from their date. Interest on the 2026 Bonds will be payable on January 1, 2027, and semiannually thereafter on each January 1 and July 1, at the rates shown on the inside cover page. Principal on the 2026 Bonds will be payable, subject to redemption as described herein, on July 1 in the years and amounts shown on the inside

---

\* Preliminary, subject to change.

cover page. The 2026 Bonds will be issued in fully registered form in denominations of \$5,000 and integral multiples thereof. The 2026 Bonds will be subject to redemption as described below.

## Security

The 2026 Bonds will be special obligations of the City, solely secured by and payable from net revenues (the "Net Revenues," as defined in the General Indenture referenced below) of the City's water and sanitary sewer utilities system (the "Water and Sewer System") on a parity with all other Bonds Outstanding from time to time under the General Indenture, except to the extent payable from proceeds of the 2026 Bonds, certain investment earnings and certain net insurance and other proceeds.

The 2026 Bonds are not payable from the City's general funds and do not constitute a legal or equitable pledge, charge, lien or encumbrance on any of the City's property or on any of its income, receipts or revenues, except the Net Revenues and other funds pledged to their payment. Neither the City's credit nor its taxing power is pledged for the payment of the principal of or interest on the 2026 Bonds, and no Owner has the right to compel the exercise of the City's taxing power or the forfeiture of any City property in connection with any default on the 2026 Bonds. See "**SECURITY AND SOURCES OF PAYMENT.**"

The 2026 Bonds will be authorized and issued pursuant to a bond order and a resolution adopted by the City Council of the City and pursuant to (1) an Amended and Restated General Indenture (the "General Indenture") dated as of September 24, 2020, between the City and U.S. Bank Trust Company, National Association, as successor trustee (the "Trustee"), and (2) Series Indenture, Number 27 ("Series Indenture, Number 27" and collectively with the General Indenture, the "Indentures"), dated as of June 1, 2026, between the City and the Trustee.

The previously issued revenue bonds which remain Outstanding under the General Indenture are:

<b>Series of Bonds</b>	<b>Initial Par Amount</b>	<b>Principal Currently Outstanding<sup>1, 2, 3</sup></b>
Water and Sewer System Refunding Revenue Bonds, Series 2015 (the "2015 Bonds")	\$459,585,000	\$44,860,000
Water and Sewer System Refunding Revenue Bonds, Series 2018 (the "2018 Bonds")	409,915,000	326,370,000
Water and Sewer System Refunding Revenue Bonds, Series 2019 (the "2019 Bonds")	58,750,000	42,000,000
Water and Sewer System Refunding Revenue Bonds, Series 2020 (the "2020 Bonds")	333,445,000	280,270,000
Water and Sewer System Revenue Bonds, Series 2022A (the "2022A Bonds")	464,680,000	426,570,000
Water and Sewer System Refunding Revenue Bonds, Series 2024 (the "2024 Bonds")	543,000,000	535,180,000
Water and Sewer System Refunding Revenue Bonds, Series 2025 (the "2025 Bonds")	146,110,000	146,110,000
Subtotal	<u>\$2,415,485,000</u>	<u>\$1,801,360,000</u>
Water and Sewer System Revenue Bond Anticipation Note, Series 2024 (the "2024 BAN")	Maximum 500,000,000	Maximum 500,000,000
Total	<u><u>\$2,915,485,000</u></u>	<u><u>\$2,301,360,000</u></u>

<sup>1</sup> As of June 1, 2026.

<sup>2</sup> Includes the 2015 Bonds and the 2018 Bonds which are expected to be refunded in whole or in part with a portion of the 2026 Bonds as well as other available funds.

<sup>3</sup> Includes the 2018 Bonds, the 2019 Bonds and the 2020 Bonds a portion of which are included in the Target Bonds (as defined herein) subject to the City's Tender Offer.

Under the General Indenture, the City has previously (i) issued the 2015 Bonds, the 2018 Bonds, the 2019 Bonds, the 2020 Bonds, the 2022A Bonds, the 2024 Bonds and the 2025 Bonds (the "Prior Bonds") and (ii) executed the 2024 BAN to provide for short term construction financing needs, issued in the

maximum principal amount of \$500,000,000, of which \$500,000,000 is Outstanding. The 2024 BAN is on a parity with the Prior Bonds.

After the issuance of the 2026 Bonds, the refunding of the Refunded Bonds (as defined herein) and the prepayment of the 2024 BAN, \$2,331,105,000\* will be Outstanding under the General Indenture, consisting of Prior Bonds in the aggregate principal amount of \$1,775,530,000\* and the 2026 Bonds in the aggregate principal amount of \$555,575,000\*. The 2026 Bonds will be secured by and payable from the Net Revenues on a parity with the Prior Bonds and any additional Bonds Outstanding from time to time under the General Indenture.

Pursuant to a bond order and a resolution adopted by the City Council of the City and pursuant to the General Indenture and a Series Indenture, Number 28, the City plans to authorize a Water and Sewer System bond anticipation note commercial paper program ("Water and Sewer CP Program"), pursuant to which the City will issue its Water and Sewer System Commercial Paper Revenue Bond Anticipation Notes, Series 2026 (the "Water and Sewer CP Notes") in an aggregate principal amount up to \$530,000,000. Water and Sewer CP Notes will be issued with maturities of not more than 270 days after the issuance of the Water and Sewer CP Notes, and all Water and Sewer CP Notes shall mature by June 1, 2034. Under the Water and Sewer CP Program, the City will be authorized to issue Water and Sewer CP Notes to provide short-term financing of the capital costs of extensions, additions and capital improvements to, or the acquisition, renewal or replacement of capital assets of, or purchasing and installing new equipment for the Water and Sewer System. The City expects to make the first draw after the issuance of the 2026 Bonds and the remainder of the schedule in which the City will issue Water and Sewer CP Notes is uncertain at this time. The 2026 Bonds will be parity obligations with the Prior Bonds and the Water and Sewer CP Notes under the Bond Order. The City will execute a Dealer Agreement with BofA Securities, Inc. to serve as dealer under the Water and Sewer CP Program, and Bank of America, N.A. is providing a three-year liquidity facility to support the Water and Sewer CP Program. The City expects to issue Bonds under the General Indenture to prepay the Water and Sewer CP Notes within three years. If the City is unable to issue Bonds to refinance the Water and Sewer CP Notes it could have a material adverse effect on the financial position of the Water and Sewer System. **The Water and Sewer CP Notes are not being offered pursuant to this Official Statement.**

### **Professionals**

BofA Securities, Inc., J.P. Morgan Securities LLC, PNC Capital Markets LLC, Ramirez & Co., Inc. and Wells Fargo Bank, N.A. (collectively, the "Underwriters") are underwriting the 2026 Bonds. DEC Associates, Inc., Charlotte, North Carolina, is serving as Municipal Advisor to the City. First Tryon Advisors, Charlotte, North Carolina, is serving as Financial Consultant to the City. Parker Poe Adams & Bernstein LLP ("Bond Counsel"), Charlotte, North Carolina, is serving as Bond Counsel to the City. McGuireWoods LLP, Charlotte, North Carolina, is serving as counsel to the Underwriters. Andrea Leslie-Fite, Esq., Charlotte, North Carolina, is the City Attorney. U.S. Bank Trust Company, National Association, Charlotte, North Carolina, is serving as Trustee under the Indentures.

### **Additional Information**

Additional information and copies in reasonable quantity of the principal financing documents may be obtained from the City's Finance Department, Charlotte-Mecklenburg Government Center, 600 East Fourth Street, Charlotte, North Carolina 28202, (704) 336-2538.

---

\* Preliminary, subject to change.

Copies of such documents may be obtained from the Trustee at U.S. Bank Trust Company, National Association, Global Corporate Trust and Custody, Trust Center – 214 N. Tryon Street, 27<sup>th</sup> Floor, Charlotte, North Carolina 28202.

In addition, the City will undertake to provide continuing disclosure of certain annual financial information and operating data and material events regarding the 2026 Bonds. See "**CONTINUING DISCLOSURE**" herein.

## **THE 2026 BONDS**

### **Authorization**

The 2026 Bonds will be issued pursuant to the Indentures.

The City's issuance of the 2026 Bonds is authorized by The State and Local Government Revenue Bond Act (the "Act"), which is Article 5, Chapter 159 of the North Carolina General Statutes, and by a bond order and resolution adopted by the City Council of the City.

The City received the required approval of the North Carolina Local Government Commission (the "LGC") for the issuance of the 2026 Bonds on May 5, 2026. The LGC is a division of the North Carolina State Treasurer's office charged with general oversight of local government finance in the State of North Carolina (the "State"). The LGC's approval is required for substantially all local government bond issues and substantially all other local government financing arrangements in the State.

Under the Act, in determining whether to allow bonds to be issued, the LGC has wide discretion to consider the need for and feasibility of the projects to be financed, the local government's capability to repay the amount financed from the pledged revenue sources, and the local government's general compliance with State budget and finance laws. Under the Act, the LGC is also responsible, with the issuing unit's approval, for selling bonds issued pursuant to the Act. See **Appendix C** for additional information on the LGC and its powers and duties.

### **General Terms**

#### ***Payment Terms***

The 2026 Bonds will be dated their date of issuance and will bear interest from their date. Interest on the 2026 Bonds will be payable on January 1, 2027, and semiannually thereafter on each January 1 and July 1 (the "Interest Payment Dates"), at the rates shown on the inside cover page (calculated on the basis of a 360-day year consisting of twelve 30-day months). Principal on the 2026 Bonds will be payable, subject to redemption as described herein, on July 1 in the years and amounts shown on the inside cover page of this Official Statement.

Payments will be effected through The Depository Trust Company ("DTC"). See **Appendix E**.

Interest with respect to the 2026 Bonds will be paid by the Trustee to each Owner as its name and address appear on the register kept by the Trustee at the close on the 15<sup>th</sup> day (whether or not a Business Day) of the month next preceding an Interest Payment Date. The Trustee will make payments due on non-Business Days on the succeeding Business Day.

#### ***Denominations***

The 2026 Bonds are offered in denominations of \$5,000 and integral multiples thereof.

***Registration and Exchange***

So long as DTC or its nominee is the registered owner of the 2026 Bonds, transfers and exchanges of beneficial ownership interests in the 2026 Bonds will be available only through DTC participants, as hereinafter described. See **Appendix E**. The General Indenture describes the provisions for transfer and exchange applicable if a book-entry system is no longer in effect.

**Redemption Provisions**

***Optional Redemption of 2026 Bonds***

The 2026 Bonds maturing on or before July 1, 20\_\_ are not subject to optional call and redemption prior to maturity at the option of the City. The 2026 Bonds maturing on and after July 1, 20\_\_ may be redeemed prior to their maturities, at the option of the City, from any funds that may be available for such purpose, either in whole or in part on any date on or after July 1, 20\_\_ at a redemption price of 100% of the principal amount of 2026 Bonds to be redeemed, without premium, plus accrued interest to the Redemption Date.

***Mandatory Redemption of 2026 Bonds***

The 2026 Bonds maturing on July 1, 20\_\_ (the "20\_\_ Term Bonds"), are subject to mandatory redemption prior to maturity, in part, on each July 1, at the redemption price of 100% of the principal amount thereof, without premium, plus accrued interest to the Redemption Date, in amounts and in the years as follows:

<u>Redemption Date</u>	<u>Principal Amount</u>
	\$
	*
<hr/>	
	*Maturity

The 2026 Bonds maturing on July 1, 20\_\_ (the "20\_\_ Term Bonds" and collectively with the 20\_\_ Term Bonds, the "Term Bonds"), are subject to mandatory redemption prior to maturity, in part, on each July 1, at the redemption price of 100% of the principal amount thereof, without premium, plus accrued interest to the Redemption Date, in amounts and in the years as follows:

<u>Redemption Date</u>	<u>Principal Amount</u>
	\$
	*
<hr/>	
	*Maturity

At its option, to be exercised on or before the 45th day next preceding any mandatory redemption date, the City may (1) deliver to the Trustee for cancellation, Term Bonds or portions thereof (in Authorized Denominations) in any aggregate principal amount desired, or (2) receive a credit in respect of its mandatory redemption obligation for the Term Bonds (in Authorized Denominations) which prior to said date have been purchased or redeemed (otherwise than through mandatory redemption) and cancelled by the Trustee and not theretofore applied as a credit against any mandatory redemption obligation. Each such Term Bond or portion thereof so delivered or previously purchased or redeemed and cancelled by the

Trustee shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the City to redeem the Term Bonds on such mandatory redemption date, and any excess over such amount shall be credited against future mandatory redemption obligations as the City directs in writing, and the principal amount of the Term Bonds so to be redeemed shall be accordingly reduced.

### ***Notice of Redemption***

The Trustee will send notice of redemption not less than 30 days nor more than 60 days before the Redemption Date of the 2026 Bonds or portions thereof to be redeemed (1) to the LGC by first-class United States mail, postage prepaid ("Mail") or electronic transmission, (2)(a) to DTC or its nominee by registered or certified mail at the address provided to the Trustee by DTC or as otherwise permitted by DTC's rules and procedures or (b) if DTC or its nominee is no longer the Owner of the 2026 Bonds, by Mail to the then-registered Owners of 2026 Bonds to be redeemed at the last address shown on the registration books kept by the Registrar and (3) to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB.

### ***Selection of 2026 Bonds for Redemption***

In the case of any partial redemption of the 2026 Bonds, the City will select the maturity or maturities of the 2026 Bonds to be redeemed (and if there is more than one interest rate applicable to the 2026 Bonds of the maturity, the portion of such maturity at a particular rate) and DTC will select the 2026 Bonds within the same maturity pursuant to its rules and procedures or, if the book-entry system with DTC or any other securities depository has been discontinued, the Registrar will select the 2026 Bonds within the same maturity to be redeemed by lot in such manner as the Registrar in its discretion may deem proper. For this purpose, each integral multiple of \$5,000 of principal amount (the "Authorized Denomination") represented by any 2026 Bond will be considered a separate 2026 Bond for purposes of selecting the 2026 Bonds to be redeemed. Immediately on the selection of the 2026 Bonds to be redeemed, the Registrar will notify the Trustee of the specific 2026 Bonds to be redeemed.

If a 2026 Bond subject to redemption is in a denomination larger than the minimum Authorized Denomination, a portion of such 2026 Bond may be redeemed, but only in a principal amount such that the unredeemed portion of such 2026 Bond is equal to an Authorized Denomination. For any 2026 Bond in a denomination of more than the minimum Authorized Denomination, the Trustee will treat each such 2026 Bond as representing a single 2026 Bond in the minimum Authorized Denomination plus that number of 2026 Bonds that is obtained by dividing the remaining principal amount of such 2026 Bond by the minimum Authorized Denomination.

If it is determined that one or more, but not all, of the Authorized Denominations of principal amount represented by any 2026 Bond is to be called for redemption, then, on written notice of intention to redeem such Authorized Denominations of principal amount of such 2026 Bond, the Owner of such 2026 Bond, on surrender of such 2026 Bond to the Paying Agent for payment of the principal amount of such 2026 Bond, will be entitled to receive new 2026 Bonds of the same aggregate principal amount of the unredeemed balance of the principal amount of such 2026 Bond. New 2026 Bonds representing the unredeemed balance of the principal amount of such 2026 Bonds will be issued to the Owner thereof without charge therefor.

If the Owner of any 2026 Bond of a denomination greater than the amount being redeemed fails to present such 2026 Bond to the Paying Agent for payment and exchange as aforesaid, such 2026 Bond will, nevertheless, become due and payable on the date fixed for redemption to the extent of the denomination being redeemed and to that extent only.

### ***Effect of Call for Redemption***

If the City makes available sufficient funds or securities for redemption at the time and place indicated for redemption, in accordance with the Indentures, the 2026 Bonds or portions thereof so called for redemption will become due and payable on the Redemption Date, and interest on such 2026 Bonds or portions thereof will cease to accrue from and after such date and will not be considered to be Outstanding or to have any other rights under the Indentures other than the right to receive payment.

### ***No Partial Redemption After Default***

If an Event of Default occurs and is continuing, there will be no redemption of less than all of the 2026 Bonds Outstanding.

### **Book-Entry-Only Form**

The 2026 Bonds will be delivered as fully registered certificates in book-entry-only form without physical delivery of certificates to the beneficial owners of the 2026 Bonds. The Trustee will make payments of principal and interest on the 2026 Bonds to DTC, which will in turn remit such payments to its direct participants for subsequent distribution to the beneficial owners of the 2026 Bonds. See **Appendix E**.

## **THE PLAN OF FINANCE**

### **General**

The City will use the proceeds of the 2026 Bonds to (1) refund all or a portion of the City's 2015 Bonds and 2018 Bonds, (2) prepay the outstanding principal amount of the City's Water and Sewer System Revenue Bond Anticipation Note, Series 2024, (3) pay the purchase price for the Purchased Refunded Bonds (as defined herein) tendered to the City pursuant to the Tender Offer (as defined herein), and (4) pay certain costs related to the issuance of the 2026 Bonds.

For purposes herein the Refunded 2015 Bonds (as defined herein), the Refunded 2018 Bonds (as defined herein) and the Purchased Refunded Bonds are collectively referred to as the "Refunded Bonds."

### **Refunded 2015 Bonds and Refunded 2018 Bonds**

The City may redeem all or a portion of the outstanding 2015 Bonds, which are subject to optional redemption at a redemption price of 100% (the "Refunded 2015 Bonds") and a portion of the outstanding 2018 Bonds, which are subject to optional redemption at a redemption price of 100% (the "Refunded 2018 Bonds").

The proceeds of the 2015 Bonds were used to (1) refund all or a portion of the City's Variable Rate Water and Sewer System Revenue Bonds, Series 2002B, Variable Rate Water and Sewer System Refunding Revenue Bonds, Series 2002C, Water and Sewer System Refunding Revenue Bonds, Series 2005A, and Water and Sewer System Revenue Bonds, Series 2006A, (2) prepay the City's water and sewer system bond anticipation note, (3) pay all or a portion of the costs incurred in connection with the termination of certain of the City's interest rate swap agreements and (4) pay certain costs related to the issuance of the 2015 Bonds.

The proceeds of the 2018 Bonds were used to (1) refund a portion of the City's Water and Sewer System Revenue Bonds, Series 2008, (2) prepay the City's water and sewer system bond anticipation note, and (3) pay certain costs related to the issuance of the 2018 Bonds.

The Refunded 2015 Bonds and the Refunded 2018 Bonds will be redeemed on or about the date the 2026 Bonds are issued at a price equal to 100% of the outstanding principal amount of the Refunded 2015 Bonds and the Refunded 2018 Bonds, plus accrued interest to the date of payment.

### **Prepay 2024 BAN**

The 2024 BAN proceeds were used to finance the costs of extensions, additions and capital improvements to, or the renewal and replacement of capital assets of, or purchasing and installing new equipment for the Water and Sewer System.

The 2024 BAN is currently expected to be prepaid on the closing date for the 2026 Bonds at a price equal to 100% of the outstanding principal amount of the 2024 BAN, plus accrued interest to the date of prepayment.

### **Purchased Refunded Bonds**

A portion of the proceeds of the 2026 Bonds may be used to pay the purchase price for the Purchased Refunded Bonds tendered to the City pursuant to the Tender Offer as more fully described under "- Invitation to Tender Bonds"

The Purchased Refunded Bonds will be listed in Appendix F.

### **Invitation to Tender Bonds**

The City released its Invitation to Tender For Purchase, dated May 18, 2026 (the "Invitation"), inviting owners of certain outstanding water and sewer revenue bonds of the City, which are described in more detail in the Invitation (the "Target Bonds"), to tender such Target Bonds for purchase by the City (the "Tender Offer"). The purpose of the Tender Offer is to give the City the opportunity to purchase the Target Bonds and realize debt service savings. Target Bonds tendered for purchase will be retired and cancelled on the date of issuance of the 2026 Bonds (the "2026 Settlement Date").

Pursuant to the Tender Offer as set forth in the Invitation, the owners of Target Bonds may tender such Target Bonds for cash and, subject to the conditions set forth therein, the City expects to purchase the Target Bonds that are accepted for purchase per the terms and at the purchase prices set forth in the Invitation plus accrued interest to but not including the 2026 Settlement Date. The Target Bonds purchased pursuant to the Tender Offer (the "Purchased Refunded Bonds") will be cancelled on the 2026 Settlement Date and shall no longer be deemed outstanding. Funds to pay the purchase price of the Purchased Refunded Bonds and to pay the costs of the Tender Offer, are expected to be provided from proceeds of the 2026 Bonds and other available funds of the City.

This section is not intended to summarize all of the terms of the Invitation, and for owners of the Targeted Bonds and prospective purchasers of the 2026 Bonds reference is made to the Invitation for a discussion of the terms of the Tender Offer, the description of the Target Bonds and the conditions for settlement of the Target Bonds validly tendered and accepted for purchase. The closing related to the Target Bonds tendered for purchase will be contingent upon the City's issuance of the 2026 Bonds and the availability of certain other available funds of the City.

Acceptance of the Tender Offer is within the discretion of the owners of the Target Bonds. The City can provide no assurance as to whether all or any portion of the Target Bonds will be tendered for purchase. As set forth in the Invitation, the City's obligation to accept for purchase Target Bonds validly tendered pursuant to the Invitation is subject to the City determining in its reasonable discretion that it will receive sufficient economic benefit as a result of market conditions, actual level of participation by holders of the Target Bonds, or any other factors not within the sole control of the City. In the event the City

determines in its discretion that the acceptance rate is substantially less than expected or otherwise determines not to accept for purchase the Target Bonds, the City may reduce the estimated principal amount of the 2026 Bonds.

**ESTIMATED SOURCES AND USES OF FUNDS**

The following table presents estimated information as to sources and uses of funds for the Plan of Finance:

	<b>2026 Bonds</b>
<b>Sources of Funds:</b>	
Par Amount of 2026 Bonds	\$
[Net] Original Issue [Premium/Discount]	
City Contribution <sup>1</sup>	
Total	\$
 <b>Uses of Funds:</b>	
Refunded 2015 Bonds	
Refunded 2018 Bonds	
Prepay the 2024 BAN	
Purchase of Purchased Refunded Bonds	
Costs of Issuance <sup>2</sup>	
Total	\$

<sup>1</sup> Consists of accrued interest due on the Refunded Bonds and the 2024 BAN.

<sup>2</sup> Includes various professional fees, other financing costs and underwriters' discount.

## DEBT SERVICE REQUIREMENTS

The following table presents information on the City's debt service obligations on the 2026 Bonds, the Prior Bonds, and other obligations of the City, the proceeds from which were applied to improvements to the Water and Sewer System and the principal of and interest on which are payable from the Net Revenues of the Water and Sewer System. The City's draw schedule for the Water and Sewer CP Notes is uncertain at this time. Under the series indenture with respect to the Water and Sewer CP Notes, the City will pay interest only on the Water and Sewer CP Notes until maturity. The City expects to refinance the outstanding principal amount of the Water and Sewer CP Notes with a long-term financing within three years. The maximum authorized principal amount of the Water and Sewer CP Notes is \$530,000,000.

Fiscal Year Ending June 30	2026 Bonds			Prior Bonds Total <sup>1</sup>	Outstanding Revenue Bonds Total	Contractual Obligations (Including General Obligation Indebtedness) <sup>2</sup>	Total
	Principal	Interest	Total				
2026				\$ 150,529,701		\$ 12,208,449	\$ 162,738,150
2027				150,608,388		10,894,653	161,503,041
2028				150,487,138		9,527,189	160,014,327
2029				138,339,388		9,317,059	147,656,447
2030				138,285,263		6,376,929	144,662,192
2031				138,253,763		6,306,799	144,560,562
2032				138,194,263		6,236,669	144,430,932
2033				138,146,013		6,166,539	144,312,552
2034				138,097,013		6,096,410	144,193,423
2035				138,028,013		6,026,280	144,054,293
2036				137,965,663		5,956,150	143,921,813
2037				139,352,513		5,886,020	145,238,533
2038				116,169,888		5,589,525	121,759,413
2039				116,139,688		5,519,395	121,659,083
2040				97,224,038		5,449,265	102,673,303
2041				79,041,638		4,335,038	83,376,676
2042				79,857,638		4,270,755	84,128,393
2043				79,834,388		4,044,247	83,878,635
2044				79,800,713		561,660	80,362,373
2045				79,785,588		555,830	80,341,418
2046				79,764,638		-	79,764,638
2047				69,836,613		-	69,836,613
2048				69,809,913		-	69,809,913
2049				69,775,831		-	69,775,831
2050				60,058,906		-	60,058,906
2051				60,023,044		-	60,023,044
2052				55,443,900		-	55,443,900
2053				55,407,925		-	55,407,925
2054				34,544,750		-	34,544,750
2055				34,506,625		-	34,506,625
Totals	\$	\$	\$	\$3,013,312,843	\$	\$121,324,861	\$3,134,637,704

Note: Totals may not tie due to rounding

<sup>1</sup> The Prior Bonds Total includes the following fixed rate bonds: the 2015 Bonds, the 2018 Bonds, the 2019 Bonds, the 2020 Bonds, the 2022A Bonds, the 2024 Bonds, the 2025 Bonds and excludes debt service on the 2024 BAN. Upon the issuance of the 2026 Bonds, all or a portion of the 2015 Bonds and the 2018 Bonds are expected to be refunded, the 2024 BAN is expected to be prepaid and a portion of the 2018 Bonds, the 2019 Bonds and the 2020 Bonds are expected to be purchased pursuant to the Invitation.

<sup>2</sup> Includes several installment financing obligations entered into by the City to acquire vehicles and equipment for the Water and Sewer System and State Revolving Fund Loans which have been issued to finance certain water and sewer projects. The aggregate principal amount of such financing obligations payable from Net Revenues is approximately \$108 million.

## FINANCIAL SCHEDULES

The following table prepared by the City summarizes certain historical financial information related to the Water and Sewer System.

### Historical Financial Information<sup>1</sup>

	Fiscal Year Ended June 30 (000's omitted)				
	2021	2022	2023	2024	2025
Revenue					
Charges for Services	\$363,572	\$396,831	\$424,449	\$443,904	\$473,223
Availability Fees	50,813	52,190	53,896	56,795	60,398
System Development Fees <sup>2</sup>	38,890	45,377	57,126	62,712	76,607
Miscellaneous – operating	5,394	4,741	5,065	8,082	6,295
Investment income <sup>3</sup>	(1,133)	(2,675)	9,291	9,153	16,905
Other – net	1,640	3,413	2,793	1,105	4,670
Total Revenue	459,176	499,877	552,620	581,751	638,098
Operating Expenditures <sup>4</sup>	152,163	270,897	243,309	230,051	254,892
Net Income Available for Debt Service	<u>\$307,013</u>	<u>\$228,980</u>	<u>\$309,311</u>	<u>\$351,700</u>	<u>\$383,206</u>
Revenue Bond Debt Service <sup>5</sup>	119,429	119,713	124,087	150,651	165,619
Revenue Bond Debt Service Coverage (times) <sup>5</sup>	2.57x	1.91x	2.49x	2.33x	2.31x
Total Debt Service <sup>6</sup>	\$143,370	\$133,079	\$139,905	\$167,013	\$177,453
Total System Debt Service Coverage (times) <sup>6</sup>	2.14x	1.72x	2.21x	2.11x	2.16x

<sup>1</sup> Extracted from the City's Annual Comprehensive Financial Reports for Fiscal Years ended June 30, 2021 through June 30, 2025 and supporting documentation.

<sup>2</sup> Relates to capital recovery charges collected at time of customer connection.

<sup>3</sup> Includes earnings on debt service funds, operating funds and construction funds which do not contain revenue bond proceeds. Excludes earnings on the Construction Fund and accounts thereof established under the Indentures.

<sup>4</sup> Excludes depreciation and amortization.

<sup>5</sup> Includes debt service on Prior Bonds and interim construction financings. Debt service calculations include interest on interim construction financings, but not payment of principal of interim construction financings.

<sup>6</sup> Includes debt service on Prior Bonds, interim construction financings, and contractual obligations related to the Water and Sewer System.

### Projected Financial Information

#### *Statement of Assumptions*

Certain assumptions were made in conjunction with the financial projections prepared by the City for the Water and Sewer System (the "System") for the six fiscal years ending June 30, 2026, through 2031. These assumptions, as well as the financial projections, were reviewed by First Tryon Advisors, an independent consultant experienced in the preparation of financial projections for water and sewer systems and found to be reasonable. The following is a summary of the primary assumptions made in conjunction with the financial projections:

(a) Projected operating results for Fiscal Year 2026 are based upon the City's adopted operating budgets for the System and projected operating results for Fiscal Year 2027 are based on the City's preliminary operating budget for the System.

(b) Based on projected fixed and volume charges as well as availability fee components of the rate structure for water and sewer service, the average residential bill assuming 6 Ccf and 7 Ccf of usage is projected to increase by an average of 5.75% and 5.98%, respectively, per year for Fiscal Years 2027-2031.

(c) The number of water and sewer accounts are each projected to increase by 1.5% annually for Fiscal Year 2027 and beyond. Water usage and sewer usage are each projected to increase by 1.0% annually, from a Fiscal Year 2027 base of 49.12 million Ccf of water usage and 40.24 million Ccf of sewer usage.

(d) Receipts from water and sewer connection fees are preliminarily budgeted to be \$7,500,000 in Fiscal Year 2027 and remain flat annually thereafter. Annual receipts from water and sewer system development fees are preliminarily budgeted to be \$50,000,000.

(e) Receipts from availability fees are preliminarily budgeted to be \$68,644,000 in Fiscal Year 2027 and increase by 1.50% annually thereafter.

(f) Projected investment income on operating and capital funds is preliminarily budgeted to be approximately \$6,000,000 in Fiscal Year 2027 with income in future years based on the projected aggregate balance and a projected investment yield of 2.00% for Fiscal Year 2028 and beyond.

(g) Current Expenses are budgeted to be \$275,394,000 in Fiscal Year 2026, are preliminarily budgeted to be \$290,569,000 in Fiscal Year 2027, and are projected to increase by an average of 5.35% annually through Fiscal Year 2031.

(h) Total capital expenditures for Fiscal Years 2026 through 2031 are projected to be \$2,844,873,000 funded as follows: \$1,575,000,000 from proceeds of future bond / bond anticipation note proceeds, \$30,200,000 from proceeds of installment purchase financings, \$14,000,000 from the cities of Belmont and Mount Holly, North Carolina, representing their portion of joint capital expenditures, \$1,000,000 from other reimbursements and construction deposits, and \$1,224,673,000 from internally generated pay-as-you-go funds, including funds held in the capital fund.

(i) Annual capital expenditures projected to be funded from bond anticipation note proceeds include \$250,000,000 in each Fiscal Year from 2026 through 2031. The 2026 Bonds will refund the \$500,000,000 outstanding balance of the City's Water and Sewer System Revenue Bond Anticipation Note, Series 2024 with the debt amortized over an approximately 30-year level debt service basis at an assumed interest rate of 5.00%. It is assumed that the future bond anticipation notes will be redeemed periodically with proceeds of refunding bonds, including a projected \$530,000,000 bond issue in Fiscal Year 2029 and a projected \$530,000,000 bond issue in Fiscal Year 2031. Bond anticipation notes are assumed to bear interest at rates of 4.25% while the refunding bonds are assumed to be issued as 30-year level debt service obligations at an interest rate of 5.00%. The savings expected to be generated from the 2026 Bonds that will refund the Refunded Bonds, and any potential savings from the Purchased Refunded Bonds, are not incorporated into the projections.

The General Indenture permits the City, for purposes of complying with the annual rate covenant requirement, to include 50% of the balance in the Surplus Fund at the end of the preceding Fiscal Year as "Revenues." However, for purposes of the following projections, the City has excluded all amounts in the Surplus Fund. As of June 30, 2025, the unrestricted fund balance in the Surplus Fund (total balance in the operating fund less an operating reserve equal to two months of Current Expenses) was estimated to be approximately \$252,910,000.

	<b>Fiscal Year Ending June 30 (000's omitted)</b>					
	<b>2026<sup>1</sup></b>	<b>2027<sup>2</sup></b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
Revenue						
Charges for Services	\$484,395	\$520,701	\$565,429	\$613,526	\$665,122	\$720,437
Availability Fees	63,478	68,644	69,674	70,719	71,780	72,857
System Development Fees <sup>3</sup>	47,000	50,000	50,000	50,000	50,000	50,000
Other Operating Revenue	15,944	19,200	19,422	19,646	19,873	20,101
Investment Income <sup>4</sup>	3,016	6,011	5,784	5,836	6,334	7,270
Total Revenue	<u>613,832</u>	<u>664,557</u>	<u>710,309</u>	<u>759,728</u>	<u>813,109</u>	<u>870,665</u>
Operating Expenditures <sup>5</sup>	<u>271,325</u>	<u>290,569</u>	<u>309,098</u>	<u>324,553</u>	<u>340,780</u>	<u>357,819</u>
Net Income Available for Debt Service	<u>\$342,507</u>	<u>\$373,987</u>	<u>\$401,211</u>	<u>\$435,175</u>	<u>\$472,328</u>	<u>\$512,846</u>
Revenue Bond Debt Service <sup>6</sup>	169,767	171,955	199,502	191,219	221,778	225,611
Revenue Bond Debt Service Coverage (times) <sup>6</sup>	2.00x	2.17x	2.01x	2.28x	2.13x	2.27x
Total Debt Service <sup>7</sup>	\$182,029	\$184,053	\$211,820	\$204,328	\$232,943	\$237,702
Total System Debt Service Coverage (times) <sup>7</sup>	1.87x	2.03x	1.89x	2.13x	2.03x	2.16x

<sup>1</sup> Reflects budgeted figures with an adjustment made for an anticipated \$4.1 million of operational and contingency expenditures savings.

<sup>2</sup> Reflects preliminary budgeted figures.

<sup>3</sup> Relates to capital recovery charges collected at time of customer connection.

<sup>4</sup> Includes earnings on operating funds and capital funds which do not contain revenue bond proceeds. Excludes earnings on the Construction Fund and accounts thereof established under the Indentures.

<sup>5</sup> Excludes depreciation.

<sup>6</sup> Includes debt service on the Prior Bonds, interest on the 2024 BAN, debt service on the portion of the 2026 Bonds that will refund the outstanding balance of the 2024 BAN, interest on future bond anticipation notes and debt service on future Bonds. Does not include any estimated savings expected to be generated from the 2026 Bonds that will refund the Refunded Bonds and any potential savings from the Purchased Refunded Bonds.

<sup>7</sup> Includes debt service on the Prior Bonds, interest on the 2024 BAN, debt service on the portion of the 2026 Bonds that will refund the outstanding balance of the 2024 BAN, interest on future bond anticipation notes and debt service on future Bonds, debt service on General Obligation Indebtedness, and debt service on outstanding and future contractual obligations and revolving loans related to the System. Does not include any estimated savings expected to be generated from the 2026 Bonds that will refund the Refunded Bonds and any potential savings from the Purchased Refunded Bonds.

## **SECURITY AND SOURCES OF PAYMENT**

### **Special Obligations**

The 2026 Bonds will be special obligations of the City, solely secured by and payable from the Net Revenues on a parity with the Prior Bonds and all other Bonds Outstanding from time to time under the General Indenture, except to the extent that the 2026 Bonds are payable from proceeds of the 2026 Bonds, certain investment earnings and certain net insurance and other proceeds.

THE 2026 BONDS ARE NOT PAYABLE FROM THE CITY'S GENERAL FUNDS AND DO NOT CONSTITUTE A LEGAL OR EQUITABLE PLEDGE, CHARGE, LIEN OR ENCUMBRANCE ON ANY OF THE CITY'S PROPERTY OR ON ANY OF ITS INCOME, RECEIPTS OR REVENUES, EXCEPT THE NET REVENUES AND OTHER FUNDS PLEDGED THERETO UNDER THE GENERAL INDENTURE AND SERIES INDENTURE, NUMBER 27. NEITHER THE CITY'S CREDIT NOR ITS TAXING POWER ARE PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2026 BONDS, AND NO OWNER HAS THE RIGHT TO COMPEL THE EXERCISE OF THE CITY'S TAXING POWER OR THE FORFEITURE OF ANY OF ITS PROPERTY IN CONNECTION WITH ANY DEFAULT ON THE 2026 BONDS.

The concept of the Net Revenues, as more fully described below, is related to revenues derived from services provided by the "Water and Sewer System." The components of the Water and Sewer System currently are the City's water and sanitary sewer utilities. See **"THE WATER AND SEWER SYSTEM"** herein.

Upon the issuance of the 2026 Bonds, the refunding of the Refunded Bonds and the prepayment of the 2024 BAN, \$2,331,105,000\* will be Outstanding under the General Indenture, consisting of Prior Bonds in the aggregate principal amount of \$1,775,530,000\* and the 2026 Bonds in the aggregate principal amount of \$555,575,000\*. The 2026 Bonds will be secured by and payable from the Net Revenues on a parity with the Prior Bonds and any additional Bonds Outstanding from time to time under the General Indenture. See **"INTRODUCTION - Security"** herein.

### **Pledge of Net Revenues**

The Net Revenues are pledged to the payment of, and as security for, all Bonds Outstanding under the General Indenture, including the 2026 Bonds, the Prior Bonds, the Water and Sewer CP Notes and any additional Bonds that may be issued under the General Indenture.

"Net Revenues" means the excess of Revenues over Current Expenses.

"Revenues" means all fees (including any tap or impact fees), rentals or other charges or other income received by the City in connection with the ownership, management and operation of the Water and Sewer System, and all parts thereof, including amounts received from the investment or deposit of moneys in any Fund or Account (but not including amounts received from interest or other investment income earned in the Construction Fund and, during the construction period, the Reserve Fund), all as calculated in accordance with generally accepted accounting principles except as otherwise provided in the General Indenture, but does not include (1) net proceeds of insurance or condemnation awards or other extraordinary items, (2) any amounts collected by the City representing sales or use taxes which may be required by law or agreement to be paid to the State or a governmental unit thereof, or (3) refundable deposits made by customers of the Water and Sewer System.

"Current Expenses" means the current expenses of operation, maintenance and current repair of the Water and Sewer System, as calculated in accordance with generally accepted accounting principles except as otherwise provided in the General Indenture, but not including (1) any allowance for depreciation or replacements of capital assets of the Water and Sewer System, (2) moneys payable as Interest or interest on General Obligation Indebtedness, Subordinate Indebtedness or Other Indebtedness, (3) moneys deposited or transferred to the Reserve Fund and (4) any expense paid from a source other than Revenues. When generally accepted accounting principles provide that amounts be treated as Current Expenses but (1) the timing of the required payment of the expense or a portion thereof, while known, is more than one year in the future or (2) the actual timing of the required payment of the expense is not readily determinable (such as post-employment benefits calculated actuarially), the City may include as a Current Expense the amount required to be paid for in the current period rather than the entirety of amounts required to be expensed. For a complete definition of "Current Expenses," see **"- DEFINITIONS OF CERTAIN TERMS"** in **Appendix B**.

---

\* Preliminary, subject to change.

## **Rate Covenant**

Under the General Indenture, before the beginning of each Fiscal Year, the City is required to fix, establish or maintain or cause to be fixed, established and maintained such rates and charges for the provision of services of the Water and Sewer System, and to revise or cause to be revised the same, as necessary, as will produce (a) Revenues which, together with 50% of the balance in the Surplus Fund at the end of the preceding Fiscal Year, is at least equal in such Fiscal Year to the total of (1) the Current Expenses budgeted for such Fiscal Year, as amended from time to time, plus (2) 120% of the Principal and Interest Requirements to become due during that Fiscal Year, which includes debt service on the 2026 Bonds, the Prior Bonds and any other Bonds hereafter issued by the City pursuant to the General Indenture, plus (3) 100% of the principal and interest due on the City's outstanding General Obligation Indebtedness, Other Indebtedness and Subordinate Indebtedness, plus (4) 100% of the amount required to reimburse the provider of a Qualified Reserve Fund Substitute and (b) Revenues at least equal in such Fiscal Year to the total of (1) the Current Expenses budgeted for such Fiscal Year, as amended from time to time, plus (2) 110% of the Principal and Interest Requirements on the Bonds to become due during that Fiscal Year, which includes debt service on the 2026 Bonds, the Prior Bonds and any other Bonds Outstanding under the General Indenture, plus (3) 100% of the Principal and Interest Requirements on Subordinate Indebtedness to become due in such Fiscal Year plus (4) 100% of the Principal and Interest Requirements on General Obligation Indebtedness to become due in such Fiscal Year plus (5) 100% of the Principal and Interest Requirements on Other Indebtedness to become due in such Fiscal Year plus (6) 100% of the amount required to reimburse the provider of a Qualified Reserve Fund Substitute for any amounts owing thereunder. The City has covenanted in the General Indenture that all users, including political subdivisions and public bodies (State or federal) who receive services from the Water and Sewer System will pay therefor at the established rates, fees and charges, but the City may adopt specific policies with respect to use by persons of low income and the rates, fees and charges need not be uniform.

## **Funds and Accounts Held Under General Indenture**

The General Indenture establishes several separate funds and accounts for the custody and application of Bond proceeds, Revenues and other funds.

Proceeds of the 2026 Bonds will be transferred by the Trustee to (1) refund the Refunded 2015 Bonds, (2) refund the Refunded 2018 Bonds, (3) prepay the 2024 BAN, (4) pay the purchase price for the Purchased Refunded Bonds tendered to the City pursuant to the Tender Offer and (5) deposit into the 2025 Costs of Issuance Account of the Construction Fund to pay costs of issuance of the 2026 Bonds.

The City will cause all Revenues to be deposited in the Water and Sewer Operating Fund as such Revenues are received by the City. Under the General Indenture, the City is required periodically to transfer amounts from the Water and Sewer Operating Fund to other funds and accounts, including funds and accounts to be used for payment of Current Expenses and debt service on the Prior Bonds, the 2026 Bonds, the Water and Sewer CP Notes, and for payment of other contractual obligations related to the Water and Sewer System. See "**FUNDS AND ACCOUNTS**" in **Appendix B**.

All of the money and securities held in these funds and accounts, except for the Water and Sewer Revenue Bond Fund, the Water and Sewer Operating Fund, the Extension and Replacement Fund, the Surplus Fund and the Reserve Fund are pledged to the Trustee for the benefit of the Owners to secure payment of the Prior Bonds, the 2026 Bonds, the Water and Sewer CP Notes and any other Bonds Outstanding from time to time under the General Indenture.

## **Reserve Fund**

The General Indenture provides for the creation of the Reserve Fund and further provides that the respective series indenture for each series of Bonds issued under the General Indenture will determine whether the Reserve Fund is to be used for such series and will establish the provisions regarding the use of the Reserve Fund with respect to such series. There are no accounts of the Reserve Fund existing under the General Indenture.

Series Indenture, Number 27 does not provide for the establishment of an account of the Reserve Fund as additional security for the 2026 Bonds. Consequently, the 2026 Bonds are not entitled to the benefits of a Reserve Fund.

## **Additional Bonds**

Under the conditions described in the General Indenture and without the approval or consent of the Owners, the City can incur additional parity indebtedness, which may be in the form of Bonds or bond anticipation notes, secured by a lien on Net Revenues and other funds ranking on a parity with the lien securing the Prior Bonds and the 2026 Bonds. See "**COVENANTS OF THE CITY – Issuance of Additional Bonds**" in **Appendix B**.

## **THE WATER AND SEWER SYSTEM**

Charlotte Water, formerly the Charlotte-Mecklenburg Utilities Department, was formed in 1972 as an administrative department of the City to operate the water and wastewater treatment, water distribution, and wastewater collection systems for the City and Mecklenburg County (the "County"). In the 1980's, Charlotte Water was further expanded to provide the same services for the remaining six incorporated towns in the County. As created and so expanded, this water and sewer system constitutes the "Water and Sewer System." The agreements with the County and with the other six incorporated towns in the County prevent the County and the other towns from providing water or sanitary sewer services. On July 1, 2025, the City had 328,048 water accounts and 295,747 sanitary sewer accounts.

## **Personnel**

**Marcus D. Jones** is the City Manager for the City. The City Manager maintains fiscal stewardship over the City's \$3.65 billion budget in addition to operations of the City's 20 departments. These responsibilities include community safety; economic development; trash collection; water, sewer and storm water; construction and maintenance of streets; public transit (bus and light rail) as well as the Airport. Mr. Jones' previous 29 years of public service experience includes 11 years with the City of Norfolk – serving as budget director, Assistant City Manager and City Manager, the Deputy Chief Administrative Officer for Richmond, Virginia, and the Deputy Secretary of finance for two governors in the Commonwealth of Virginia.

Mr. Jones is actively engaged with the City community and holds board positions with Charlotte Regional Business Alliance (including its Executive Committee and Board of Trustees), Charlotte Center City Partners, Charlotte Sports Foundation, LISC Charlotte and Leading on Opportunity Task Force. He earned his bachelor's degree in public administration from James Madison University and a master's degree in public administration from Virginia Commonwealth University.

**Matthew Hastedt** is the Chief Financial Officer for the City. In this role, he is responsible for maintaining the City's general ledger; billing and collection of utility payments; accounts payable and receivable; debt management; revenue receipts; and managing the City's investment portfolio and internal

controls. Prior to becoming Chief Financial Officer in September 2025, Mr. Hastedt served in several fiscal roles for the City of Charlotte, including City Treasurer and Deputy Chief Financial Officer for over three years, Debt Manager for more than three years, Assistant Debt Manager, and Economic Research Analyst for over five years. Mr. Hastedt holds a bachelor's degree in economics from Roanoke College and a master's degree in public administration from James Madison University.

Mr. Hastedt is currently serving as a member of the Government Finance Officers Association's Committee on Treasury and Investment Management. Mr. Hastedt also serves as ex-officio Board Member on the Board of Trustees of the Charlotte Firefighters Retirement System.

**Angela Charles** has served as Chief Executive Officer of Charlotte Water, overseeing Charlotte Water and the City's Storm Water Services ("One Water"), since October 1, 2020. Ms. Charles is the first African American and first woman to lead One Water. Ms. Charles was first appointed as the Director of Charlotte Water in January 2018 before transitioning in July 2019 to the dual role of Assistant City Manager and General Services Interim Director where she guided and championed efforts to create and sustain safe, healthy and inclusive communities for all citizens. Ms. Charles oversees regional water treatment and distribution, wastewater treatment and collection, storm water services, planning and engineering and enterprise-wide operations and management activities with nearly 1,300 employees. Prior to being appointed Director in January 2018, Ms. Charles worked as Charlotte Water's Chief of Operations, managing the pipeline rehabilitation programs along with the wastewater collection and water distribution systems. Ms. Charles has been employed with the City of Charlotte since 1988 and has worked in the water industry for over thirty-five years. Ms. Charles earned a bachelor's degree in industrial engineering from North Carolina State University in 1987 and a master's degree in public administration from The University of North Carolina at Charlotte in 1995. Ms. Charles is also a North Carolina Grade A Certified Water Distribution Operator. Ms. Charles is a member of the American Water Works Association ("AWWA") and the Water Environment Federation. She was the 2017 chair of the North Carolina American Water Works Association and North Carolina Water Environment Association. Ms. Charles has received many water industry awards, including the prestigious George Warren Fuller Award and the Arthur Sidney Bedell Award. Also, Ms. Charles serves as a member of the UNC-Charlotte MPA Practitioner Advisory Board where she provides input into the strategic direction of the program. In 2022, Ms. Charles was selected as a Water Environment Federation Fellow.

**Shawn M. Coffman** has served as Deputy Director since 2016 and is responsible for overseeing a portfolio that includes information technology, strategy and performance, business diversity, safety management, and security and emergency preparedness and laboratory services. Prior to that, he managed the department's technology operations management section with primary responsibilities for Work and Asset Management, Laboratory Information Management, regulatory reporting, and Water Information Management. Mr. Coffman joined Charlotte Water in 1999. Mr. Coffman has a bachelor's degree in biology and a bachelor's degree in psychology from St. Andrews Presbyterian College, a master's degree in ecology from the University of South Carolina and a municipal administration graduate certificate from the University of North Carolina-Chapel Hill. He is a member of the American Water Works Association and Association of Metropolitan Water Agencies and has served in multiple interagency roles. He currently serves on the Executive Board of NCWaterWARN, the state's mutual aid network for water utilities.

**David W. Czerr, P.E.** is Deputy Director and is responsible for overseeing planning and engineering. He was appointed as the Interim Director of Charlotte Water in July 2019 and served in that role through September 2020. Mr. Czerr then returned to his role as Deputy Director over planning and engineering. He has previously managed the department's planning section with a responsibility for long range master planning and development of the five-year Capital Improvement Plan. Mr. Czerr has been employed with the City of Charlotte since 2003 and has worked in the water industry for over twenty-six years. Mr. Czerr has a bachelor's degree in civil engineering from North Carolina State University and is a

licensed professional engineer. He is a member of the American Water Works Association and the Water Environment Federation and has served in roles for the North Carolina Water and Wastewater Agency Response Network, the North Carolina League of Municipalities Regulatory Advisory Committee, and as a Charlotte Water representative on the Catawba-Wateree Water Management Group.

**Joseph Lockler** is Deputy Director and is responsible for the oversight of plant operations and maintenance which includes environmental management, system protection, water treatment, and maintenance for the department. Prior to that, he managed the department's environmental management division with primary responsibilities of support and oversight of all wastewater treatment plants, biosolids and residuals program, engineering and water quality teams, research and development and the ISO 14001 program. Mr. Lockler has been employed with the City of Charlotte since 2002. Mr. Lockler has a bachelor's degree in biology from the University of North Carolina at Chapel Hill and a Grade IV Biological Wastewater license from the State of North Carolina. He represents Charlotte Water externally as a board member of the North Carolina Water Quality Association and as a representative on the Yadkin Pee Dee Water Management Group.

**Melissa Westfall** is Deputy Director and Chief Financial Officer and is responsible for the oversight of all financial, accounting, budget, acquisition, records management, and ERP systems and control for the department. Prior to her current position, Ms. Westfall served as Charlotte Water's Business Manager and Assistant Business Manager. Prior to joining Charlotte Water, Ms. Westfall worked for the Charlotte Area Transit System for three years where she led the development of the capital budget and managed the transit grants program. Prior to joining the City of Charlotte, Ms. Westfall served in key financial, budgetary, and human resource roles with the Pasco County Board of County Commissioners in Florida. Ms. Westfall has been employed with the City of Charlotte since 2012 and in public service for over twenty years. Ms. Westfall holds a bachelor's degree in business administration and a master's degree in public administration from Nova Southeastern University. She is a member of the Government Finance Officers Association, the American Water Works Association and the Water Environment Federation.

**Carl Wilson** is Deputy Director and is responsible for the oversight of customer service and field operations for the department. Prior to this, he served as the Chief Engineer for capital projects and operations support, ultimately responsible for leading staff to implement and manage Charlotte Water's capital improvement program. Mr. Wilson has been employed with the City of Charlotte since 1993 and has worked in the water industry for over twenty-nine years. Mr. Wilson earned a bachelor's degree in business administration from the University of South Carolina, a master's degree in engineering from the University of North Carolina at Charlotte and is a licensed professional engineer. He is a member of the American Water Works Association and Water Environment Federation, where he previously served on the Board of Directors, and is currently on the Board of Directors for North Carolina 811. Carl Wilson has announced his intent to retire as the Deputy Director as of June 30, 2026. Charlotte Water will commence a search for a new Deputy Director.

## **Water System**

### ***Water Supply***

The City's water supply comes from the Catawba River which begins in the mountains of the State and flows approximately 225 miles as it passes through 11 impoundments operated by Duke Energy Company ("Duke Energy"). Two of the three impoundments that border the County, Lake Norman and Mountain Island Lake, are the source of the City's water supply. These two lakes have a combined surface area greater than 35,000 acres and contain approximately 375 billion gallons of water.

Duke Energy operates these lakes under a license issued by the Federal Energy Regulatory Commission ("FERC"). A prior FERC license expired in 2008. In 2003, Duke Energy convened more than 160 stakeholders representing approximately 80 organizations to develop a Comprehensive Relicensing Agreement ("CRA") that was submitted to FERC in 2006 along with Duke Energy's license renewal application. The FERC completed an environmental impact statement and issued a new 40-year license to Duke Energy for the continued operation of the Catawba system.

The CRA and the license application include strategies for maintaining the Catawba River as a source of drinking water for the region while balancing the needs for power generation, recreation and wildlife habitat. The CRA contains provisions to help protect the water supply including a detailed drought response plan referred to as the Low Inflow Protocol ("LIP") and guidelines for the creation of a regional association, the Catawba-Wateree Water Management Group ("CWWMG"), made up of public water users and Duke Energy. The City is a charter member of the CWWMG, which was officially formed in December 2007, as a 501(c)(3) non-profit corporation. The Water and Sewer System is an integral part of CWWMG and is leading the development and implementation of the CWWMG's 5-year Strategic Plan to help preserve, extend and enhance the capabilities of the Catawba River to provide water resources for human needs (water supply, power production, industry, agriculture and commerce).

The LIP has been effective in reducing the water withdrawals from the Catawba River by Duke Energy, public water systems and industrial users. By making these reductions, lake levels have been maintained above critical elevations needed to sustain all water users.

A study completed by CWWMG and its consultants in 2014 analyzed water use throughout the basin and developed 50-year projections of water supply needs. The Water Supply Study showed that the safe-yields of Mountain Island Lake and Lake Norman are not expected to be exceeded for at least 40 to 50 years (approximately 2054 to 2064).

The CWWMG has completed a Basin-Wide Water Supply Master Plan that recommended steps water users can take to assure that the safe-yield of the Catawba River system is not exceeded well into the next century. The Master Plan work included updates to regional water demand projections along with evaluation of the potential impacts of lost storage due to sedimentation, climate change, water use efficiency and other factors. Extensive hydrologic modeling is a key part of the project. The Master Plan project has been funded through dues paid by CWWMG member organizations along with grants from the Duke Energy Foundation, the State and South Carolina.

The watershed for the City's water supply is protected through land use and development restrictions. Watershed zoning limits density and impervious area, provides treatment requirements for storm water run-off and establishes buffers along streams and lakes.

### ***Infrastructure***

Raw water is supplied to the Franklin and Vest Plants by the Catawba River Pump Station on Mountain Island Lake. The pumps at this facility deliver water through three separate pipelines (54", 60" and 120" diameters) approximately five miles to the Franklin Plant site. The 120" diameter pipeline was completed and placed in service in September 2001. At the Franklin Plant site, the water is stored in two reservoirs awaiting treatment and providing several days of raw water supply on site. Two older reservoirs were reconstructed to expand them from separate 100 million-gallon reservoirs into a singular 250-million-gallon reservoir. The other reservoir, constructed in 1989, also has a capacity of 250 million gallons. The reservoirs are constructed to allow gravity flow of water from the site to the Vest Water Plant about three miles away. Under extreme conditions, pumps near the reservoirs can be operated to supplement the gravity flow. The Catawba River Pump Station takes maximum advantage of energy management practices to

minimize electrical costs, which are the most significant item in its operating budget. The Catawba River Pump Station's capacity is typically 450-million gallons per day ("MGD"); however, one cell is currently not operational, and the capacity is currently 404 MGD. The water system master plan (as described below) provides for the replacement of the non-operational cell.

The Franklin Water Plant is the largest in the State. The plant was originally constructed in 1959 and has been expanded incrementally to its current treatment capacity of 181 MGD of treatment and nominal pumping capacity of 256 MGD. The treatment processes include flash mixing, flocculation, settling, dual media filtration, disinfection, pH adjustment, and fluoridation. Operation is facilitated by computerized monitoring of processes and pumping operations. Investments in equipment and technology have kept the plant in a high state of readiness to provide safe, potable water to the City's customers.

Vest Water Plant, constructed in 1924, is a well-maintained structure with state-of-the-art technology in the areas of plant control and monitoring equipment, chemical feed equipment, and electrical equipment. The plant was most recently modernized in 2022 and has a filtration capacity rated at 24 MGD and a nominal pumping capacity of 56 MGD. The Vest plant was designated in 1990 as an AWWA Historic Landmark as well as a local historic site.

The Lee S. Dukes Water Treatment Plant began operation in February 1998. This facility is designed to facilitate easy and economical expansion from its design capacity of 25 MGD to an ultimate capacity of at least 108 MGD. The nominal pumping capacity is 72 MGD. The plant is designed to allow operators maximum flexibility in process operation, anticipating that future technologies and regulations will give rise to different treatment strategies than are currently employed. For example, valves and controls are in place to allow the plant to be operated in a conventional or direct filtration mode. The plant will require a minimum amount of physical maintenance and is constructed to minimize staffing and operational costs. The site for this new facility was selected, in part, because it allows raw water to flow by gravity from Lake Norman to the plant. Low lake levels are restricted by Duke Energy's FERC license. At the lowest allowable levels, full raw water capacity to the plant is ensured by operation of the raw water main as a siphon.

Once treated, water is pumped from each of the plants into approximately 4,664 miles of water mains ranging in size from 2" to 72" diameter. Four booster pumping stations are used to transfer water to the two higher pressure zones in the distribution system. System storage includes 87 MG clearwell capacity at the treatment plant sites where generators and diesel driven pumps can keep the system pumping even in the event of power failures. There are also 10 elevated storage tanks with a total capacity of 12.275 MG and two ground level repumped storage facilities with a total capacity of 10 MG strategically located in the system. A systematic tank maintenance/rehabilitation program assures that the storage tanks are well maintained and will achieve the maximum useful life expectancy. Water levels in each tank are transmitted by microwave or telephone lines to the treatment plants to facilitate system operation.

The water system has a total treatment capacity of 230 MGD. Its average water processing in Fiscal Year 2025 was 124.55 MGD. A maximum day water demand of 169.2 MGD was reached in August 2007.

The City completed a water system master plan in 2018 which recommended improvements to the water transmission, treatment and storage system including expansion of the City's water treatment facilities to meet the City's projected needs for the next ten years. Since the completion of the master plan, Charlotte Water has monitored growth, resulting in the adjustment of several capital-oriented projects including the need to expand the water treatment plant capacity. Recent completions of several large diameter water mains within the system have been successful in meeting the current capacity needs of the water system and could accommodate any short-term growth.

## Sanitary Sewer System

Sanitary sewer treatment is provided by six treatment plants owned and operated by the City and one treatment plant owned by the Water and Sewer Authority of Cabarrus County through a contract with the City. Each of the major treatment plants has a National Pollution Discharge Elimination System ("NPDES") permit that ensures maximum protection of the receiving stream through stringent effluent quality requirements. All major treatment plants are staffed continuously, have sophisticated instrumentation for process monitoring and are well maintained. All treatment plants have received national recognition for excellent compliance for multiple years. The plants have a total design treatment capacity of 124.2 MGD with an average wastewater treatment rate in Fiscal Year 2025 of 87.6 MGD. Approximately 120,000 wet tons of biosolids are produced from the treatment process. Four of the plants and the biosolids program hold ISO 14001 2015 standard Corporate certification.

McAlpine Creek Wastewater Management Facility ("McAlpine Creek WWMF") is the largest plant in the City's system. The current permitted capacity of the plant is 64 MGD. The plant uses primary treatment, activated sludge processes, secondary clarification, effluent filtration, biological and chemical phosphorous removal and disinfection to achieve water quality requirements. McAlpine Creek WWMF has met 100% compliance of all permit requirement for 19 years with some of the most stringent requirements in the State. McAlpine Creek WWMF treats the solids generated in its process through anaerobic digestion, centrifuge thickening and dewatering to produce biosolids cake for land application to farmland. McAlpine Creek WWMF also receives and treats solids generated from the Sugar Creek Water Resource Recovery Facility ("Sugar Creek WRRF"). McAlpine Creek WWMF has significant flow equalization facilities to manage wet weather flows and flow diversions from the Sugar Creek WRRF and the Irwin Creek Water Resource Recovery Facility ("Irwin Creek WRRF"). McAlpine Creek WWMF has completed numerous improvements to rehabilitate and upgrade its existing infrastructure. A major reliability improvement project to the aeration basins and secondary clarifiers was completed in 2024 that will enhance the biological nutrient removal processes at the plant. McAlpine Creek WWMF has put in to service a Combined Heat and Power ("CHP") facility that converts methane gas from the solids digestion process to electrical power meeting approximately 16% of the power requirements. The power is put back out on the Duke Energy electrical grid and then returned for use at the plant. This is the first CHP in a State public utility.

Sugar Creek WRRF and Irwin Creek WRRF are in the City and are in the same drainage basin as McAlpine Creek WWMF. Both plants can send flows to McAlpine Creek WWMF during high flow conditions or as needed. The Sugar Creek WRRF has a permitted capacity of 20 MGD and Irwin Creek WRRF 15 MGD. Both plants are advanced activated sludge treatment plants with primary clarification, activated sludge aeration, secondary clarification, tertiary treatment and ultraviolet disinfection. These plants were constructed in the 1920s using similar designs and have been upgraded several times. The Irwin Creek WRRF completed a reliability project in the fall of 2020 to replace aging equipment with modern iterations, rehabilitate the existing structures and provide for enhanced biological phosphorous removal capabilities. The Sugar Creek WRRF has completed reliability construction to replace aging equipment with modern iterations and rehabilitate the existing structures that house Charlotte Water's equipment. The plant can biologically remove nitrogen and chemically remove phosphorous. McAlpine Creek WWMF, Sugar Creek WRRF and Irwin Creek WRRF are regulated for phosphorus under a combined NPDES permitting requirement. Flow equalization facilities are in place at the Irwin Creek WRRF and the Sugar Creek WRRF. The equalization basins have an approximate capacity of 30 MG at Irwin Creek WRRF and 40 MG at Sugar Creek WRRF and are used to manage wet weather flows.

Mallard Creek Water Resource Recovery Facility ("Mallard Creek WRRF") is located in the northeastern portion of the County, in the university area. Mallard Creek WRRF is permitted at 13.1 MGD and provides reclaimed water to a local golf course and to UNC Charlotte. The treatment plant has similar

treatment technology as the Irwin Creek WRRF and Sugar Creek WRRF, including primary clarification, activated sludge aeration, secondary clarification, tertiary treatment and ultraviolet disinfection. Mallard Creek WRRF has improved and optimized its operation through ammonia-based instrumentation and process monitoring. The City is implementing improvements to the sewer collection and treatment systems that serve the Mallard Creek area, including an expansion of the Mallard Creek WRRF. The Mallard Creek Basin service area is experiencing significant development around the new Blue Line Extension, UNC Charlotte, and the University Research Park. Improvements are in progress to replace more than 40,000 linear feet of pipe within the Mallard Basin and implement a phased expansion of the Mallard Creek WRRF from the current treatment capacity of 13.1 MGD to 16 MGD, to accommodate sustained growth in the service area. The plant capacity expansion will be completed by the end of 2027. Mallard Creek WRRF was recognized for their process control improvements nationally.

The McDowell Creek Water Resource Recovery Facility ("McDowell Creek WRRF") has a design capacity of 12 MGD and is in the northwest area of the County. McDowell Creek WRRF is an advanced biological nutrient removal plant removing both phosphorus and nitrogen from the wastewater in addition to other pollutants as required by its NPDES permit. The McDowell Creek WRRF uses primary clarification, a 5-stage Bardenpho biological treatment system, secondary clarification, effluent filtration and ultraviolet disinfection. As described above for the other treatment plants, McDowell Creek WRRF has flow equalization to manage wet weather flow conditions.

The Ashe Plantation Wastewater Treatment Plant ("Ashe Plantation WWTP") is a package treatment plant in the southeast portion of the County. Ashe Plantation treats wastewater from a residential community only. Ashe Plantation WWTP is permitted to treat 100,000 gallons per day and uses aerated activated sludge, secondary clarification, tertiary treatment, and ultraviolet disinfection for its treatment processes. The City is planning to decommission the treatment plant and replace with a pump station and force main to pump the wastewater to the McAlpine Creek WWTF. The project is in design and should be completed in approximately two years.

Anaerobic digestion is used to treat the solids that are produced at four of the five major treatment plants. Solids are thickened and dewatered either through centrifuges or belt filter presses to produce a biosolids class B cake that is land applied and beneficially used on farmland as a natural fertilizer and soil amendment. Storage facilities are located at the treatment plants to store biosolids when land application is not possible on farmland due to weather or other conditions. When onsite storage is full and solids cannot be land applied, the biosolids are disposed of in seven different landfills in both North Carolina and South Carolina. The City contracts with a biosolids management company, Synagro, Inc., to manage the overall biosolids program including permitting farm fields, providing technical expertise in agronomics and soil science and completing the land application or disposal of biosolids. The management contract is structured as a five-year service contract with one five-year renewable term. The City is currently in the first five-year contract period. The City's program includes approximately 17,000 acres of permitted farmland in North Carolina and South Carolina. Approximately 3,400 acres are land applied per year. This contract provides a guaranteed price for beneficial re-use of residuals.

In preparation for the future and to mitigate risk, a biosolids masterplan was completed. The goal of the masterplan was to determine how the City's biosolids program could be structured and diversified in the future. The recommendations in the masterplan provide for the implementation of technology that will produce Class A biosolids cake and allow for additional options for beneficial use of solids in addition to land application.

As part of the biosolids masterplan, the City performed a market analysis that will result in the implementation of a regional biosolids program, centralizing treatment of solids from the Stowe Regional Water Resource Reclamation Facility ("SRWRRF"), Irwin Creek WRRF, Sugar Creek WRRF and

McAlpine Creek WWMF. Centralized treatment of biosolids at the McAlpine Creek WWMF will provide for operational efficiencies and enhance opportunities for resource recovery, while benefiting from economies of scale. A series of projects will include biosolids treatment technologies at the McAlpine Creek WWMF and conveyance facilities from the other plants to McAlpine Creek WWMF. The projects are set to begin in the current five-year CIP with completion in 2030.

Charlotte Water has started construction for the Stowe Regional Water Resource Recovery Facility ("Stowe WRRF") Project. The Stowe WRRF will be a state-of-the-art regional wastewater treatment facility that will treat wastewater from the Long Creek Basin in northwest Mecklenburg County as well as from the cities of Mount Holly and Belmont in Gaston County. The City has executed Interlocal Agreements with both cities for wastewater treatment capacity in the Stowe WRRF. Approximately 270 acres of land have been purchased for this project and the City has received approval from the State regarding an Environmental Impact Statement. The Preliminary Engineering Report for the Stowe WRRF project was completed in 2018. In 2019 the Facility's NPDES permit was issued by the North Carolina Department of Environmental Quality and design-build teams were selected to design and construct the City of Mount Holly conveyance facilities and the Stowe WRRF. The design-build teams have completed detailed design and are currently in construction for both projects. Selection of a design engineer for the City of Belmont conveyance facilities occurred in the fall of 2022 and the project is anticipated to bid in the summer of 2027. All three of the construction projects are anticipated to be completed by summer of 2030 and the Stowe WRRF is expected to be operational in mid-2027.

Prior to treatment, wastewater flows through the sanitary sewer collection system consisting of approximately 4,638 miles of pipe ranging from 8" through 78" diameter and 76 sanitary sewer lift stations. A computerized maintenance management program is used to optimize operation of this system. Resources also available to the maintenance crews include TV inspection units and hydraulic cleaning equipment as well as the usual complement of heavy trucks, backhoes, excavators and other heavy equipment. Infiltration/Inflow ("I/I") is the focus of an ongoing program with a three-prong approach: first, problem areas are identified for rehabilitation or replacement to control I/I; second, computer modeling is used to locate and correct hydraulic restrictions in the major sewer trunk system; and third, flow equalization facilities at the treatment plants regulate the I/I. Continuous measurement and monitoring of flows at strategic locations in the trunk system, along with rainfall data, are used to prioritize work and gauge effectiveness.

## **Regionalization**

The City and the County are geographically located along a ridgeline separating the Catawba River basin and the Rocky River basin. This location tends to make regional provision of utility services an effective strategy. The City has established cooperative working relationships with the cities, counties and utility agencies within and surrounding Charlotte-Mecklenburg.

Agreements are in place with the Water and Sewer Authority of Cabarrus County that provide for that agency to treat up to nine million gallons per day of wastewater from northeast Mecklenburg. Separate agreements provide for the City to treat wastewater from Union County, City of Mount Holly, City of Belmont and Lancaster County, South Carolina. The agreements provide for future expansions, industrial pretreatment programs and other operational and management issues. The City also sells treated potable water to York County, South Carolina; the Town of Harrisburg, North Carolina; and the Lancaster County Water and Sewer District, South Carolina. In addition, the City sells treated potable water to the City of Concord and Union County, North Carolina on an as-needed basis.

## **Economic Impact Assessment**

Charlotte Water hired Raftelis Financial Consultant, Inc. ("Raftelis") to produce an updated economic impact assessment dated November 2025 (the "Economic Impact Report") to quantify the significant benefits and economic impacts that Charlotte Water contributes to the regional economy. While Charlotte Water provides services to households and businesses in Mecklenburg County, economic activity does not follow county boundaries. The Economic Impact Report covers the impact of Charlotte Water in the six-county region made up of Mecklenburg, Cabarrus, Gaston, Iredell, Lincoln, and Union counties in North Carolina over a ten-year period from Fiscal Year 2015 through Fiscal Year 2024 (the "Study Period"). Certain information from the Economic Impact Assessment is available at <https://www.charlottenc.gov/water/About-Us>.

Charlotte Water's activities support an average of approximately 7,800 jobs over the next five years. Over 10 jobs are generated per \$1 million of water/wastewater utility spending. In addition, over the Study Period, total economic output linked to Charlotte Water spending amounted to approximately \$12.9 billion. For every \$1 million spent, \$22 million in economic growth occurs. In Fiscal Year 2024, Charlotte Water spent just over \$825 million on capital and operating activities, creating over 8,125 jobs.

Charlotte Water's spending results in different types of jobs and draws upon different services and inputs for implementation. The top five economic sectors impacted by Charlotte Water's expenditures (in terms of employment generated) include: construction of other new nonresidential structures; water sewage and other systems; architectural, engineering, and related services; warehousing and storage; employment and payroll of local government.

The significant economic growth that has occurred in the Charlotte region over the past decade could not have been achieved without Charlotte Water's provision of clean and reliable water services. Between 2012 and 2021, total economic output in Mecklenburg County grew by 58% or \$50.5 billion. This economic activity generated an additional \$4.76 billion in indirect and induced economic activity in the surrounding five counties. Over the Study Period, Charlotte Water's total expenditures amounted to \$3.14 billion (total capital and operating). Every \$1 million dollars spent by Charlotte Water contributed to approximately \$22 million in growth in economic output across the six-county region. As the region continues to grow at a rate much faster than the national average, Charlotte Water will continue to play a key role in attracting businesses to Mecklenburg County.

## **Water and Sewer Line Extensions**

Water and sewer mains are extended in accordance with City Council approved policy. Current policy provides for several extension methods. The most prevalent is for the developers of new subdivisions to construct and donate mains to the City. In this case, the developer contracts with the City, agreeing to design and construct the mains according to Water and Sewer System standards in exchange for the Water and Sewer System accepting the completed line for operation and maintenance. The developer pays system development charges for each connection. For residential customers, the policy provides for extension of water or sewer mains for distances up to 1,000 feet on receipt of connection and system development charges from the residential customer. Businesses are not eligible for extensions under this program. Extensions to serve commercial property are available through a cost-sharing program in which the customer pays 50% of the extension cost and the Water and Sewer System pays the other 50%. Connection and system development charges are in addition to the business customer's 50% share.

## **Environmental Compliance**

In calendar year 2024, all six wastewater plants earned Peak Performance Awards from the National Association of Clean Water Agencies ("NACWA") for outstanding permit compliance.

Charlotte Water has focused on reducing wastewater collection system overflows by increasing resources allocated to sewer line replacement, rehabilitation, operation and maintenance.

The Environmental Protection Agency revised 40 CFR Part 141 Subpart I, known as the "Lead and Copper Rule", on January 15, 2021, to further limit potential lead exposure from public water systems. Major components of the updated rule require public utilities to conduct a system-wide service line material inventory, develop a lead service line replacement plan, develop a sample monitoring plan for compliance, provide public education and outreach assistance, and provide ongoing corrosion control measures. Compliance with the revised rule started on October 16, 2024. On October 8, 2024, EPA issued the final Lead and Copper Rule Improvements ("LCRI"), which further strengthened the LCRR by, among other things, requiring water systems to replace all lead and galvanized requiring replacement service lines under their control within ten years, lowering the lead action level, and establishing more rigorous tap sampling protocols, with a general compliance date of November 1, 2027. Charlotte Water has completed and submitted the service line inventory as was required by the rule.

Starting in Fiscal Year 2023, Charlotte Water implemented a Lead and Copper Program, branded as "Lead Free CLT," addressing the requirements enacted as part of the LCRR and LCRI. Charlotte Water's program establishes a public service line inventory identifying whether lead materials are present in a property's service line (public side and/or customer side). Once identified, the Lead and Copper Program will mitigate public health risks associated with old service lines that may contain lead or galvanized requiring replacement, ensure Charlotte Water meets the new requirements, and have adequate resources for service line replacements.

In 2013, Charlotte Water began voluntarily sampling for per- and polyfluoroalkyl substances ("PFAS") at raw water supply intakes and treated water for drinking. Charlotte Water currently monitors for 70 PFAS compounds. In April of 2024, the EPA finalized national primary drinking water regulations, setting final maximum contaminant levels ("MCL") for multiple PFAS compounds. From the time Charlotte Water began PFAS monitoring of both raw and treated drinking water, Charlotte Water has not had a detection exceeding either a proposed or final EPA MCL for identified PFAS compounds. In preparation of potential future regulatory changes, including MCLs for new PFAS compounds, Charlotte Water is examining alternative PFAS treatment technologies for drinking water facilities including both capital improvements as well as enhanced operations and maintenance costs, should new treatment systems be needed.

## **Capital Improvements Program**

Each Fiscal Year, to respond to the growth of the City, the County and surrounding areas, the City implements a capital improvements program ("CIP"). A new CIP is approved prior to the start of each Fiscal Year and covers a five-year period. Each CIP describes specific projects to expand, improve, maintain and rehabilitate the consolidated Water and Sewer System, including their estimated costs and proposed funding sources.

The current CIP, covering Fiscal Year 2026 through Fiscal Year 2030, includes \$2,286,599,472 of water and sanitary sewer projects.

### Planned Capital Improvement Projects<sup>1</sup>

Sewer	\$1,360,573,898
Water	839,855,855
Other	86,169,719
Total Sewer and Water	<u>\$2,286,599,472</u>

<sup>1</sup> Prepared from City Council Fiscal Year 2026 proposed budget and Water and Sewer System planning documents.

The water and sanitary sewer projects are expected to include: (1) approximately \$911.6 million for capacity growth improvements, (2) approximately \$746.8 million for rehabilitation and replacement projects, (3) approximately \$351 million for regulatory required projects, (4) approximately \$191 million for commitment to public projects, and (5) approximately \$86.2 million for utility support projects.

The City anticipates that \$2,286,599,472 of total approved or identified water and sanitary sewer projects will be funded over the five-year period ending June 30, 2030. Current financial projections indicate that (1) \$1,250,000,000 of these projects will be funded through Bonds issued under the General Indenture, (2) \$9,000,000 of these projects will be funded by the City of Belmont, representing their portion of joint capital expenditures, and (3) \$1,028,000,000 of these projects will be funded from revenues generated by the Water and Sewer System. In addition to the projects identified in the CIP, the City also intends to finance \$23,000,000 of equipment purchases using installment financing over a five-year period. See "**FINANCIAL SCHEDULES – PROJECTED FINANCIAL INFORMATION – *Statement of Assumptions – paragraph (f).***"

After the issuance of the 2026 Bonds, the refunding of the Refunded Bonds and the prepayment of the 2024 BAN, \$2,331,105,000\* will be Outstanding under the General Indenture, consisting of Prior Bonds in the aggregate principal amount of \$1,775,530,000\* and the 2026 Bonds in the aggregate principal amount of \$555,575,000\*. See "**INTRODUCTION – Security.**" The 2026 Bonds will be secured by and payable from the Net Revenues on a parity with the Prior Bonds and any additional Bonds Outstanding from time to time under the General Indenture.

### Work and Asset Management System

The City continues broad use of its implemented work and asset management system ("WAM") throughout the Water and Sewer System. Utilizing extensive asset inventories and work order information, the WAM tracks the Water and Sewer System's linear and plant infrastructure and the condition of the infrastructure and provides decision support for scheduling maintenance and repairs to the infrastructure. Recent improvement cycles of the WAM have included integration with other systems, as well as upgraded field mapping and inventory control. Iterative improvements of capacity for predictive management of maintenance, repair and overhauls will continue to result in risk reduction and optimization of operational expenses.

### Water and Sanitary Sewer Rates

The City Council adopts the rate methodology that determines the annual water and sanitary sewer rates. No State or other authority regulates the City's water and sanitary sewer rates, with the exception of system development fees as outlined below.

Monthly service charges consist of minimum fixed charges, an availability fee and tiered consumption charges. In addition, charges are imposed for various specific services including charges on

\* Preliminary, subject to change.

discharged sewage that contains suspended solids or has a biological oxygen demand greater than normal domestic sewage. Rates and charges are reviewed and approved annually by the City Council on consideration of the next Fiscal Year's operating budget, existing debt service and future debt service for obligations supported by revenues. Water and Sewer System rates do not differentiate between City and County residents.

In 1994, the City implemented an inclining block rate structure designed to promote water conservation. In April 2008, the City Council approved a change in the water rate methodology that adjusts the inclining block rate structure to more aggressively promote water conservation. This modified rate structure is intended to allocate the cost of providing infrastructure for peak and excess demand to the users creating the demand. In February 2011, the City again modified the water and sewer rate methodology by adding an availability fee which was initially implemented in Fiscal Year 2012. The availability fee applies to both water and sewer. While the initial target was the recovery of 20% of Charlotte Water's annual debt service costs, the target now reflects a long-term goal to recover 40% of annual debt service costs through the availability fee. Charlotte Water will recommend adjusting the recovery percentage each year as needed and appropriate until achieving the 40% recovery goal. Revenue from the availability fee helps pay for projects as well as reduce impact of consumption variability due to weather. The fee varies proportionally based on the size of each customer's meter. See "**PROJECTED FINANCIAL INFORMATION – *Statement of Assumptions (b)***."

### ***System Development Fees***

On July 20, 2017, House Bill 436, Session Law 2017-138, also known as the "Public Water and Sewer System Development Fee Act" (the "System Development Fee Act"), became law in North Carolina. In addition, on June 22, 2018, House Bill 826, Session Law 2018-34, also known as "An Act to Revise System Development Fees" became law in North Carolina.

In 2021, House Bill 344, Session Law 2021-76 clarified the process in which a local government unit may impose and collect system development fees and to provide that a water or wastewater public utility is solely responsible for income taxes due on taxable contributions in aid of construction.

In 2023, Senate Bill 673, Session Law 2023-55 allowed alternative peak daily sewage flow rates for design rate modeling, to permit wastewater treatment system expansions beyond existing allocation in certain circumstances, and to make clarifications to the system development fee statutes. Session Law 2017-138, Session Law 2018-34, Session Law 2021-76, and Session Law 2023-55 (collectively, the "System Development Fee Acts").

The System Development Fee Acts provide uniform authority to local governmental units, including the City, to implement system development fees for public water and sewer systems. The City meets the requirements of the System Development Fee Acts.

System development fees are subject to the pledge of Net Revenues of the Water and Sewer System under the General Indenture. See "**SECURITY AND SOURCES OF PAYMENT – PLEDGE OF NET REVENUES**" herein.

Commencing with the Fiscal Year ending June 30, 2027, the City's combined water and sanitary sewer rates will be based on 6 Ccf Usage.

The following table outlines the monthly water and sanitary sewer rates effective July 1, 2025.

<b>Water</b>	<b>Residential Multi-Family, Swimming Pool Classes <sup>1</sup></b>	<b>Irrigation <sup>4</sup></b>	<b>All Other Classes <sup>3</sup></b>
Fixed Charge (per account/mo.)	\$6.62	\$6.62	\$6.62
Availability Fee (per account/mo.) <sup>5</sup>	1.44	1.44	1.44
Variable Rate (per Ccf)			
Tier 1	1.98	5.91	3.43
Tier 2	2.56	5.91	3.43
Tier 3	5.91	5.91	3.43
Tier 4	11.20	11.20	3.43

<b>Sanitary Sewer</b>	<b>Residential Class <sup>2</sup></b>	<b>Multi-Family Class</b>	<b>All Other Classes</b>
Fixed Charge (per account/mo.)	\$6.62	\$6.62	\$6.62
Availability Fee <sup>5</sup>	10.32	10.32	10.32
Variable Rate (per Ccf)	6.46	6.46	6.46

Source: Charlotte Water.

<sup>1</sup> Tier Summary: Tier 1 Residential, et al. 0 to 4 Ccf/Mo. Tier 2 5 to 8 Ccf/Mo. Tier 3 9 to 16 Ccf/Mo. Tier 4 >16 Ccf/Mo.

<sup>2</sup> Residential class is not charged for sanitary sewer over 16 Ccf.

<sup>3</sup> All other classes at uniform rate.

<sup>4</sup> Irrigation 1 to 16 Ccf – Tier 3 rates, greater than 16 Ccf – Tier 4 rates.

<sup>5</sup> Amount shown is for 5/8<sup>th</sup> inch meter; charge will vary depending on meter size.

As of July 1, 2025, the City had an average rate increase of 4.75% for the last five years.

The following is a summary comparison of the City's combined water and sanitary sewer rates with those of other municipalities in the Southeastern United States as of July 1, 2025:

**Summary of Combined Water and Sanitary Sewer Rates (7 Ccf Usage) <sup>1</sup>**

<b>2026 Survey</b>	
<b>City</b>	<b>Total</b>
Chapel Hill, NC	\$152.04
Richmond, VA	140.02
Atlanta, GA	128.87
Charleston, SC	120.70
Cary, NC	98.14
<b>Charlotte, NC</b>	<b>85.82</b>
Raleigh, NC	83.67
Rock Hill, SC	71.67
Jacksonville, FL	65.09

Source: Charlotte Water.

<sup>1</sup> Commencing with the Fiscal Year ending June 30, 2027, the City will be comparable to other municipalities based on 6 Ccf Usage.

The following is a summary comparison of the City's combined water and sanitary sewer rates as a percentage of median household income compared to other large urban municipalities in the United States:

**Annual Residential Water and Sewer Bill (7Ccf /Month) as  
Percentage of Median Household Income<sup>1,2</sup>**

<u>Municipality</u>	<u>Percentage of Median Household Income</u>	<u>Municipality</u>	<u>Percentage of Median Household Income</u>
San Antonio, TX	0.7%	Virginia Beach, VA	1.6%
Dallas, TX	0.9	Philadelphia, PA	1.7
Phoenix, AZ	1.0	Atlanta, GA	1.7
Boston, MA	1.1	Washington, DC	1.8
Nashville, TN	1.1	Seattle, WA	1.8
Miami, FL	1.2	Houston, TX	1.9
<b>Charlotte, NC</b>	1.2	Detroit, MI	2.1
Minneapolis, MN	1.2	New Orleans, LA	2.4
Austin, TX	1.3	Kansas City, MO	2.9
Columbus, OH	1.4	Pittsburgh, PA	3.5
Oklahoma City, OK	1.6		

Source: Median Household Income Projections based on calendar year Census.gov data.

<sup>1</sup> Comparative data is based on the City's rates for Fiscal Year ending June 30, 2026.

<sup>2</sup> Commencing with the Fiscal Year ending June 30, 2027, the City will be comparable to other municipalities based on 6 Ccf Usage.

**Number of Accounts**

The following table provides information on the number of active water and sanitary sewer accounts at the end of each of the last five Fiscal Years:

<u>At June 30</u>	<u>Number of Active Accounts<sup>1</sup></u>			<u>Percent Increase</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
2021	304,029	276,498	580,527	2.25%
2022	310,541	281,983	592,524	2.07
2023	318,067	287,499	605,566	2.20
2024	323,527	292,052	615,579	1.66
2025	328,048	295,747	623,795	1.33

Source: Charlotte Water.

<sup>1</sup> Source: FY 2025 EMMA filing, Document 1, page 5.

**Major Users**

The following table presents information on the ten largest users of the water and sewer system during the Fiscal Year ended June 30, 2025. There have been no substantial new users added to the water and sewer system since June 30, 2025.

<b>Number</b>	<b>Customer</b>	<b>Annual Revenues</b>
1	City of Charlotte	\$2,216,530
2	Atrium Health	1,274,363
3	Novant/Presbyterian Health	905,030
4	University of North Carolina - Charlotte	862,761
5	Chesapeake Treatment Company, LLC	770,244
6	Frito Lay, Inc.	648,660
7	Independent Beverage Corporation	634,338
8	Charlotte Mecklenburg School System	584,896
9	Lance, Inc.	369,433
10	Mecklenburg County	359,537
	Total	\$8,625,792

Source: Charlotte Water.

No single user contributes more than 0.43% of Revenues. The largest ten users comprise approximately 4.42% of usage. Use is measured in hundreds of cubic feet ("Ccf").

### **Billing and Collection Procedures**

The Water and Sewer System's service area is geographically divided into 17 billing cycle areas and then into a multiplicity of routes within each area to allow the Water and Sewer System to read water meters monthly. The Water and Sewer System uses a radio transmitted meter reading system. A division of the City's Finance Department is responsible for providing revenue collection services for the Water and Sewer System. The division processed an estimated 3,443,178 payments in the Fiscal Year ended June 30, 2025. Approximately 79,511 of the Water and Sewer System's customers utilize automatic bank draft for bill payment. The division had a collection rate of approximate 99% for the Fiscal Year ended June 30, 2025.

The City bills customers monthly using a single invoice, which includes charges for water, sewer and storm water. Amounts collected as storm water fees do not constitute Revenues under the General Indenture. As permitted by State law, the City has adopted an ordinance specifying that payments by customers are to be allocated first to delinquent fees, then to the storm water fee component of the customer's invoice and then to the current charge for water and/or sewer service.

The CharMeck 311 call center provides the first point of contact for all citizen requests. CharMeck 311 receives over 33,000 calls from Water and Sewer System customers each month. By calling CharMeck 311, a customer can request service, report leaks and pressure issues and pay their bill. There is also a specialized team that handles more complex Water and Sewer System issues that customers may have. CharMeck 311 is a resource for the Water and Sewer System's customers and the frontline organization for the Customer Service Division within the Water and Sewer System.

The Customer Service Division is responsible for meter reading, responding to customer service requests including establishing service and service disconnection, and handling escalated issues from customers. Within the division are specific programs for temporary hydrant connections, permitted tanker trucks, annual backflow testing and a Smart Irrigation program. This division is proactive in evaluating meter reads for abnormalities and sending technicians to verify the reads for accuracy, making repairs to the equipment if needed. Customers with concerns about high bills are eligible to receive inspections of their equipment, as well.

## Budget Procedures

Operating and capital budgets for the Water and Sewer System are formulated in the same manner as other City departments. The Charlotte Water Director prepares an initial budget request. The City Manager reviews and may revise the submitted budget request and incorporates the request into the overall budget submitted to the City Council for its consideration.

## Future Rate Increases

In February 2011, the City Council adopted a rate and service charge methodology which provides for pricing based on actual cost recovery, maintenance of adequate working capital and debt service reserves. To further these policies, in July 2015, the City Council adopted changes to its methodology, including: (1) the elimination of a rate subsidy for residential customers, (2) the calculation of system development fees based on modified system replacement costs, rather than a predetermined value, (3) changes in the way customers are billed for water from fire hydrants and for construction and special projects and (4) the addition of fees to recover the cost of inspecting water and sewer facilities in connection with new development.

The average monthly residential water and sewer bills for the Fiscal Year beginning July 1, 2025, are estimated to be \$23.66 (water) and \$62.16 (sewer), respectively, based on 7 Ccf per month usage and \$21.10 (water) and \$55.70 (sewer), based on 6 Ccf per month usage. In order to accommodate projected expansion, it is anticipated that the total monthly residential water and sewer bill will have average increases of approximately 5.74%, 5.75%, 5.75%, 5.75%, and 5.75% for the Fiscal Years ending June 30, 2027, through 2031, respectively for a 6 Ccf customer.

## THE CITY OF CHARLOTTE

### General Description and Demographic Characteristics

The City, a municipal corporation of the State located in Mecklenburg County (the "County"), is the 14<sup>th</sup> most populated city in the United States. The City was incorporated in 1768, became the County seat in 1774, and has grown from an initial 360 acres to a present area covering 314 square miles of the 524 square-mile County. In 2025, the United States Census Bureau ranked the City as having the 6<sup>th</sup> largest numeric population increase between July 1, 2023 and July 1, 2024 among U.S. cities with at least 50,000 residents.

The City's Planning, Design and Development Department has estimated the City's population to be 1,069,485 in Fiscal Year 2025.

The United States Census Bureau has recorded the population of the City as follows:

<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>
395,934	540,828	731,424	874,579

The City is the core of the Charlotte-Concord Combined Statistical Area (the "CSA"), a region of over 3.5 million people as of 2025, which includes the Charlotte-Concord-Gastonia, NC-SC metropolitan statistical area, the Albemarle, NC micropolitan statistical area, and the Shelby, NC micropolitan statistical area. The combination of population growth and location reinforces the City's role as a regional center in the Southeast.

On May 7, 2026, Mayor Vi Lyles announced her resignation noting that she would not finish her fifth term as Charlotte mayor and will step down on June 30, 2026.

### Business and Economic Profile

The City has a diversified economy comprised of a broad range of industries, including finance, healthcare, energy, higher education, and international business. The City and County are important locations for regional headquarters of major national and international companies. A number of national corporations have selected the City and County for establishment of sales offices, division headquarters, research and development facilities and other administrative units. The Charlotte region is home to approximately 475 corporate headquarters, including seven of the nation's "Fortune 500" companies. According to the North Carolina Department of Commerce Labor & Economic Analysis Division, the City's unemployment rate (not seasonally adjusted) was 3.9% in 2025, compared to 3.8% for the State and 4.3% for the United States for the same period. In 2025, the City gained approximately 37,600 jobs, ranking second nationally for total job growth behind only New York City.

The following table lists the ten largest employers in the City as of June 30, 2025:

<b>Company</b>	<b>Number of Employees</b>	<b>Percentage of Total City Employment</b>
Advocate Health (formerly Atrium Health)	39,000	6.12%
Wells Fargo	30,291	4.76
Bank of America	19,590	3.07
Charlotte-Mecklenburg Schools	18,495	2.90
American Airlines/US Airways Group, Incorporated	14,923	2.34
Novant Health/Presbyterian Regional Healthcare Corporation	14,762	2.32
Lowe's Companies, Incorporated	11,000	1.73
City of Charlotte	8,956	1.41
Harris Teeter, Incorporated	8,239	1.29
Duke Energy Corporation	7,900	1.24
<b>Total</b>	<b>173,156</b>	<b>27.18%</b>

Source: City of Charlotte Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2025.

Retail taxable sales for the County for the Fiscal Years 2020 through 2025 and a portion of Fiscal Year 2026 are shown in the following table:

<b>Fiscal Year Ended June 30</b>	<b>Total Taxable Sales</b>	<b>Increase (Decrease) Over the Previous Year</b>
2021	\$26,097,009,350	9.9%
2022	31,011,893,464	18.8
2023	34,108,420,190	10.0
2024	35,006,490,918	2.6
2025	36,027,444,827	2.9
2026 <sup>1</sup>	22,019,605,046	2.8

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

Note: Separate data for the City is not available.

<sup>1</sup> The most recent data is for the seven-month period ended January 31, 2026. For the comparable seven-month period ended January 31, 2025, taxable retail sales were \$21,342,090,053.

### ***Business Investments***

The Charlotte Regional Business Alliance continues to pursue new investments in various types of industries including finance, healthcare and energy. The following chart indicates new and expanded business growth in the City for calendar years 2021 through 2025:

<b>Calendar Year</b>	<b>Number of Projects</b>	<b>Jobs Announced</b>	<b>Capital Investment Announced (Millions)</b>
2021	13	2,062	\$57.9
2022	13	1,138	312.6
2023	13	1,205	67.0
2024	12	844	186.8
2025 <sup>1</sup>	7	1,057	149.1

Source: Based on information provided by the Charlotte Regional Business Alliance.

<sup>1</sup> The most recent data available is through December 2025.

On July 8, 2025, Governor Josh Stein announced that Citigroup will expand its operations in Charlotte, Mecklenburg County, creating 510 new jobs with an average annual salary of approximately \$131,800, well above the County average. Citigroup will invest \$16.1 million in a new facility supporting roles in banking, finance, compliance, and wealth management. The project is supported by a Job Development Investment Grant (JDIG) valued at up to \$8.94 million over 10 years, with the State of North Carolina projecting a 255% return on its investment. Additionally, the expansion will generate a \$2.98 million contribution to North Carolina's Industrial Development Fund – Utility Account, supporting infrastructure in rural areas. This announcement reinforces the City's status as a major financial services hub and signals continued regional economic growth.

### **Development Activity**

Construction activity in the City and County is illustrated by the following table showing the number and value of building permits issued by the County Building Inspection Department as reported by the County:

<b>Calendar Year</b>	<b>Number of Building Permits<sup>1</sup></b>	<b>Value (Millions) Residential</b>	<b>Value (Millions) Nonresidential</b>	<b>Total (Millions)</b>
2021	10,314	2,259	3,976	6,235
2022	10,271	1,972	5,596	7,568
2023	11,283	1,674	5,268	6,942
2024	11,131	1,779	5,083	6,862
2025 <sup>2</sup>	9,636	1,485	3,419	4,904

Source: Mecklenburg County Land Use and Environmental Services Agency.

<sup>1</sup> Includes Townhomes, Condos, Multi-family, Commercial, Industrial and Other types, and excludes single family residential permits.

<sup>2</sup> Permitting and inspection data for 2025 reflects interim reporting following the County's transition to a new operating system. As a result, 2025 figures may not be directly comparable to prior years, which were reported under the previous system.

## Labor Force and Unemployment

As of the third quarter of 2025 (the most recent data available), the North Carolina Department of Commerce Labor & Economic Analysis Division estimated the employment by industry in the County to be approximately as follows:

Service-Providing	45.00%	Construction	2.71%
Trade, Transportation and Utilities	10.16	Manufacturing	2.21
Professional and Business Services	10.07	Information	1.33
Education and Health Services	8.46	Public Administration	1.32
Financial Activities	6.84	Other Services	1.32
Leisure and Hospitality	5.49	Natural Resources and Mining	0.07
Goods-Producing	5.00		

The North Carolina Department of Commerce Labor & Economic Analysis Division has estimated the percentage of unemployment (not seasonally adjusted) in the City to be as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
January	6.2%	4.0%	3.7%	3.9%	4.0%	4.3%
February	6.1	3.8	3.6	4.1	3.9	4.1
March	5.6	3.7	3.6	3.8	3.7	
April	5.4	3.5	3.1	3.4	3.5	
May	5.4	3.5	3.4	3.5	3.7	
June	5.7	3.9	3.5	3.9	4.1	
July	5.3	3.6	3.5	4.2	3.9	
August	5.0	3.9	3.5	4.1	4.1	
September	4.4	3.3	3.1	3.4	3.8	
October	4.4	3.8	3.3	3.4	N/A	
November	3.9	3.7	3.3	3.6	4.2	
December	3.4	3.2	3.3	3.4	3.6	

The North Carolina Department of Commerce Labor & Economic Analysis Division has estimated the percentage of unemployment (not seasonally adjusted) in the City, the State and the United States to be as follows:

<u>As of</u>	<u>City</u>	<u>State</u>	<u>United States</u>
June 2021	5.8%	5.5%	6.1%
June 2022	3.8	3.9	3.8
June 2023	3.7	3.6	3.8
June 2024	3.9	3.9	4.3
June 2025	4.1	4.0	4.4

## Pension Plans

The City participates in the North Carolina Local Governmental Employees' Retirement System, the Charlotte Firefighters' Retirement System, the Law Enforcement Officers' Separation Allowance, and a Supplemental Retirement Income Plan for Law Enforcement Officers.

The North Carolina Local Governmental Employees' Retirement System ("LGERS") is administered through a board of trustees by the State for public employees of counties, cities, boards,

commissions and other similar governmental entities. While the State Treasurer is the custodian of system funds, pension costs are borne by the participating employer governmental entities. The State makes no contributions to the system.

The system provides, on a uniform system-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's year of credible service. Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age service factor if the individual is not eligible for unreduced benefits.

Members qualify for a vested deferred benefit at age 50 with at least 20 years of creditable service; at age 60 (55 for firefighters) after at least five years of creditable service to the unit of local government. Unreduced benefits are available: at age 65, with at least five years of service; at age 60, with at least 25 years of creditable service; or after 30 years of creditable service, regardless of age.

Contractually required contribution rates for the City, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year were as follows:

<b>Fiscal Year Ended June 30</b>	<b>Law Enforcement Officers</b>	<b>General Employees</b>
2023	14.10%	12.85%
2024	15.04	13.60
2025	16.08	14.35

Contributions to the pension plan from the City were \$85,498,000 for the Fiscal Year ended June 30, 2025. For information concerning the City's participation in the North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan of North Carolina see the Notes to the City's Annual Comprehensive Financial Report ("ACFR") included as **Appendix A** hereto.

Financial statements and required supplementary information for the North Carolina Local Governmental Employees' Retirement System are included in the ACFR for the State. Please refer to the State's ACFR for additional information.

### ***Charlotte Firefighters' Retirement System***

The Charlotte Firefighters' Retirement System, a single-employer defined benefit plan, provides retirement, disability and death benefits to civil service employees of the City Fire Department.

A member's average final salary is calculated as the monthly average received by the member during any two consecutive years of membership which produces the highest average and is contained within the last five years of membership. Members are eligible to retire with full retirement at age 60 with five years of creditable service, at age 50 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits with 25 years of creditable service.

Contributions are established by State law and may be amended only by the North Carolina General Assembly. For more information see "*Schedule of Changes in the System's Net Pension Liability Last Nine*

*Fiscal Years*" in REQUIRED SUPPLEMENTARY INFORMATION, COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES of the City's ACFR for Fiscal Year 2025 included as **Appendix A** hereto.

### ***Law Enforcement Officers' Separation Allowance***

The Law Enforcement Officers' Separation Allowance ("LEO Separation") is a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The LEO Separation is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service.

All full-time law enforcement officers of the City are covered by the LEO Separation. On December 31, 2023, the LEO Separation's membership consisted of 537 retirees receiving benefits and 1,679 active plan members. The City has chosen to fund the LEO Separation on a pay-as-you-go basis. For more information see "**PENSION PLANS AND OTHER BENEFITS – *Law Enforcement Officers' Special Separation Allowance***" in Note 5 of the City's ACFR for Fiscal Year 2025 included herein as **Appendix A**.

### ***Supplemental Retirement Income Plan for Law Enforcement Officers***

The City contributes to the Supplemental Retirement Income Plan ("Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. For more information see "**PENSION PLANS AND OTHER BENEFITS – *Supplemental Retirement Income Plan for Law Enforcement Officers***" in Note 5 of the City's ACFR included herein as **Appendix A**.

See Note 5 "**PENSION PLANS AND OTHER BENEFITS**" – (a) "**Local Governmental Employees Retirement System (LGERS)**," (b) "**Charlotte Firefighters' Retirement System**," (c) "**Law Enforcement Officers' Special Separation Allowance**," (d) "**Supplemental Retirement Income Plan for Law Enforcement Officers**" and (e) "**Death Benefit Plan**" in the Notes to the City's ACFR included as **Appendix A** hereto for a more complete description of such benefits and the City's obligations thereunder.

### **Health and Life Benefits**

The City provides health and life benefits to employees and retirees. See Note 6 "**OTHER INFORMATION**" in the City's ACFR included herein as **Appendix A** hereto for a more complete description of such benefits and the City's obligations thereunder.

### **Other Post-Employment Benefits**

Prior to July 1, 2009, the City provided retiree medical benefits as part of the total compensation offered to attract and retain the services of qualified employees. These benefits qualified as Other Post-Employment Benefits ("OPEB") under Governmental Accounting Standards Board (GASB) Statement No. 45 relating to the Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans.

In accordance with the requirements of Statement No. 75, the City engages an actuarial firm to prepare a report which assists in reporting the cost of other postemployment benefits in its financial report. As of July 1, 2025, the City-wide total OPEB liability was approximately \$353.1 million. The plan fiduciary

net position was approximately \$180.4 million, resulting in a net OPEB liability of approximately \$172.7 million.

The City has taken actions to continue to manage its OPEB liability. In December 2007, the City established an irrevocable trust qualifying under Section 115 of the Internal Revenue Code (the "Employee Benefit Trust") to meet the requirements of GASB 45 and segregate assets for this benefit. The North Carolina General Assembly enacted legislation in July 2007 that provides the City with expanded investment options, including investment in equities and other long-term investments which will allow improved asset/liability matching. In addition, the City has eliminated retiree medical benefits for employees hired after July 1, 2009. See Note 5 "**PENSION PLANS AND OTHER BENEFITS**" – (f) "**Other Postemployment Benefits**" in the Notes to the City's ACFR included herein as **Appendix A** for a more complete description of such benefits and the City's obligations thereunder.

### **Contingent Liabilities**

The City is a large and complex organization. At all times, there are litigation matters that are threatened and on-going, audits, compliance reviews and investigations that arise in the normal course of the City's activities. Such litigation, audits, compliance reviews and investigations may relate to any activity at the City. The following is a discussion of such on-going matters that the City has determined may be material.

The City is a party defendant to a number of civil injustice lawsuits and legal actions. In one of these, seven plaintiffs filed a class action in state court, Curlee, et al v. City of Charlotte (21-CVS-12505), alleging that they suffered severe injuries due to the use of riot control agents such as tear gas and smoke bombs by the Charlotte-Mecklenburg Police Department (CMPD) in response to protests in uptown Charlotte after the death of George Floyd. Plaintiffs filed an amended complaint (March 31, 2023), and a second amended complaint (June 2023) that increased the number of plaintiffs to its current 66. The parties unsuccessfully mediated the case on December 3, 2024. The parties anticipated moving forward with identifying one or more test case plaintiffs and asking the court to set a trial date with additional discovery deadlines in 2025. However, on December 23, 2024, the plaintiffs filed a motion seeking partial summary judgment, which was heard by the court on March 7, 2025. The court denied the plaintiffs' motion on April 4, 2025. The court determined that there will be five "test case" plaintiffs, with plaintiffs submitting three names and the City submitting two. Summary judgment briefs are due on March 23, 2026.

In another case, Durham v. City of Charlotte, (No. 3:21-CV-638 (W.D.N.C)), a plaintiff alleged a class action claiming that the City violated her and other alleged class members' rights under the federal Drivers Privacy Protection Act ("DPPA") by disclosing their driver's license information as part of state crash report forms released to the public—most frequently to personal injury attorneys upon request. CMPD released these reports in reliance on a North Carolina Attorney's General Opinion finding that the reports constituted public records under North Carolina law. Plaintiff alleges that the release of the reports resulted in personal injury attorneys sending unwanted solicitations. Plaintiff seeks damages (\$2,500 per violation under the DPPA statute) for all alleged class members and equitable relief. The CMPD no longer makes unredacted copies of DMV-349s publicly available. On March 5, 2024, Plaintiffs moved for class certification and both parties moved for summary judgment. On September 24, 2024, the federal trial court granted summary judgment against the City, determining that the City violated the DPPA. The Court also certified a proposed class of plaintiffs. On October 8, 2024, the City filed a petition asking for an appeal of the Court's class certification order and the plaintiff followed with a motion to dismiss that appeal. On March 27, 2025, the 4th Circuit Court of Appeals granted plaintiff's motion to dismiss the City's appeal. The City also intends to appeal the summary judgment order ruling. For Fiscal Year 2024, the City accrued \$7.3 million related to the summary judgment. Plaintiffs' counsel did not identify as many potential class

members as originally anticipated which has lowered the estimated liability from \$50 million to \$13.6 million.

In *Walker v. City of Charlotte*, No. 3:23-cv-83 (W.D.N.C), an elderly widow whose home was damaged by sewage backflow from a clogged sewer main, alleges she was unduly influenced to sign a release of claims and accept a \$45,000 settlement with the City. Plaintiff further alleges negligence, private nuisance, inverse condemnation, and unconstitutional taking. Initially, the City had offered to settle for \$15,000. In August 2022, Council increased the maximum payout for damages from a sewer backup to \$45,000. The City increased the settlement offer accordingly, and upon the advice of the same attorney who filed this suit, Plaintiff accepted \$45,000 to settle her claim. Plaintiff then filed suit in federal court seeking to invalidate the release she signed based on her allegation that she signed the release because of undue influence exerted upon her by the City. On April 1, 2025, the U.S. District Court granted the City's motion for summary judgment and dismissed the case with prejudice. The Plaintiff filed a notice of appeal to the Fourth Circuit Court of Appeals. In the opinion of the City's attorney and management, the ultimate outcome of these legal matters is not expected to have a material adverse impact on the Water and Sewer System's financial position.

In *Elizabeth Eddy et al. v. City Charlotte* (25CV067399-590), an individual property owner and developers have filed a class action seeking injunctive and monetary relief. Plaintiffs allege that the City exceeded its legislative authority in the expansion of its tree maintenance/removal ordinance over the years and that the fines and fees collected under the ordinance are unconstitutional "impact fees". The City has not completed its evaluation but, should the plaintiffs prevail, the estimated damages are expected to be in the millions.

The City is subject to a range of federal and state environmental laws and regulations, including those governing the management and remediation of hazardous substances. The City has three historic environmental sites. Currently, the City is under an Administrative Order of Consent (AO) with the North Carolina Department of Environmental Quality ("DEQ") for the City's Fire Training Academy. Under the AO, the City must annually provide financial assurance that the City is capable of covering up to 30 years post-closure sampling at this site. Approximately every five years, the DEQ reviews and updates the AO. The DEQ recently conducted a review and, on August 20, 2025, the DEQ added an action item for monitoring and remediating per- and polyfluoroalkyl substances ("PFAS") at the site.

PFAS is an area of emerging regulatory concern. PFAS is a group of synthetic chemicals that have been widely used in industrial and consumer products, including firefighting foams. Federal and state regulatory agencies have recently increased efforts to regulate PFAS under various environmental statutes, including the federal Safe Drinking Water Act and the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"). These efforts include the establishment of maximum contaminant levels in drinking water, potential designation of certain PFAS compounds as hazardous substances, and requirements for investigation and remediation of contaminated sites. As expected, the updated AO includes monitoring for PFAS given the historical use of PFAS containing firefighting foam. If PFAS contamination is discovered, the City could be subject to investigation, enforcement actions, and cleanup obligations. In addition, evolving PFAS regulations may require capital improvements to municipal drinking water or wastewater systems, potentially resulting in increased operational or compliance costs. On the other hand, there are significant political and legislative efforts under way to limit or shield passive recipients of PFAS from liability.

At this time, how the nation will address the proliferation of PFAS is at best unclear; and therefore, the City cannot predict the extent to which PFAS-related liabilities, if any, may impact its financial condition.

The other two historic environmental sites are former landfills. The former York Road landfill (Renaissance Park) is monitored under the DEQ's Solid Waste Section. Another prior landfill, Statesville Road, is monitored by the DEQ's "Pre-Regulatory Landfill Unit." For the Fiscal Year ending June 30, 2025, the annual combined cleanup costs totaled approximately \$165,000 for the two landfill sites and \$135,000 for the Fire Training Academy. Costs for the Fire Training Academy were lower than expected for Fiscal Year ending June 30, 2025 due to finishing delineation. However, costs are expected to increase over the next few years when remediation begins.

Additionally, the City may receive a Notice of Violation ("NOV") or Notice of Regulatory Requirement ("NORR"), from time to time, from the DEQ for current/historical operations at a property. These are typically due to current or historical operations of petroleum underground tanks. The City addresses and seeks to close out these issues in a timely manner. In the opinion of City management, costs incurred for addressing environmental issues are not expected to have a material adverse impact on the City's financial position after giving effect to the provision for clean-up costs.

The City has received a number of federal and state grants for specific purposes that are subject to review by the grantor agencies. Such reviews could lead to requests for reimbursement to the grantor agencies for expenditures disallowed under terms of the grants. The City management believes that such disallowances, if any, would not have a material adverse impact on the City's financial position.

The City is subject to regular financial and compliance audits conducted by both internal and external auditors, including audits performed by the State Auditor. The City intends to fully cooperate with all such audits and to provide auditors with access to records and information as required.

## **Cybersecurity**

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations and faces multiple cybersecurity threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the City may be the target of cybersecurity incidents that could result in adverse consequences to the City and its Systems Technology, requiring a response action to mitigate the consequences.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals, either state or non-state actors, attempting to gain access to the City's System Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City invests in multiple forms of cybersecurity and operational safeguards. The City currently maintains cyber liability insurance.

While the City's cybersecurity and operational safeguards are periodically tested, no assurances can be given by the City that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could cause material disruption to the City's finances or operations. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the City to material litigation and other legal risks, which could cause the City to incur material costs related to such legal claims or proceedings.

## **Environmental, Social, and Governance**

### ***Charlotte Water***

Charlotte Water protects and improves the environment throughout the service area by leading and supporting the preservation and protection of the regional water environment; developing and delivering impactful environmental sustainability projects; integrating workforce and operational behaviors to enhance positive environmental impacts; and working with community groups, individual residents, regulatory agencies, neighboring landowners, and advocacy entities to identify and mitigate any areas of concern for those stakeholders.

In support of the City's Strategic Energy Action Plan ("SEAP"), Charlotte Water has embraced and incorporated various sustainable initiatives into its daily operations. Recent initiatives include aligning its electric vehicle ("EV") purchases of light vehicles with manufacturers' make/model rollout and the current EV infrastructure study; the continued implementation of the biosolids masterplan and nutrient harvesting at McAlpine Creek WWMF; and the enhancement of the residuals and biosolids program – the largest program in the southeastern United States and continued research and development for operational efficiencies and environmental preservation. Additional research and development pilots continue for nutrient removal, hydrocyclone pilot and mobile organic biofilm for process densification and intensification as well as pH and alkalinity adjustment chemicals for process optimization.

### ***Strategic Energy Action Plan***

In 2016, Charlotte City Council adopted a Sustainable Facility Policy, which directs City departments to design, construct, and operate City buildings in alignment with the City's goals of (1) reducing energy consumption, (2) enabling more on-site renewable energy generation in the form of solar energy, (3) preparing for the transition to electric vehicles and (4) providing a mechanism to track progress toward the certain municipal buildings goals. In December 2018, Charlotte City Council adopted the Strategic Energy Action Plan ("SEAP"). The purpose of the SEAP was to provide a framework for the City to reach low carbon goals by 2050. On May 27, 2025 Charlotte City Council updated the SEAP (now known as "SEAP+").

SEAP+ functions as the climate action plan and sets greenhouse gas emission reduction goals for the City. Specifically, the City strives to become a net-zero community by 2050 with a milestone of a 72% reduction by 2035. The City's goals now also highlight a goal of having 600 MW of distributed renewable energy installed in the City by 2035. SEAP+ updates the City's goals to source 100% of electricity use in municipal buildings from zero carbon sources by 2030 and reaching net-zero emissions in these buildings by 2050. Additionally, the City will reach net-zero emissions in light-duty fleet by 2035 and in the City's entire fleet by 2050. SEAP+ was updated using feedback from City staff, local experts, and the City's residents at large. The approach to reaching these goals is influenced by technological advancements, operational compatibility, risk management, and the availability of appropriate resources and funding. The City is focused on furthering SEAP+ implementation by aligning the plan with other major initiatives.

In response to the original SEAP, the City created the Office of Sustainability & Resilience, charging it with implementing the City's energy and sustainability initiatives. These initiatives include working closely with the Planning, Design and Development Department to ensure that the SEAP+ is incorporated into the 2040 Comprehensive Plan and the Unified Development Ordinance; zero emission fleet transition and electric vehicle charging infrastructure; energy efficient facilities; accessible and safe transit, bike lanes, and sidewalks; and increased use of renewable energy and renewable energy production. In 2021, in recognition of the City's sustainability efforts communitywide, the City has received a Leadership in Energy and Environmental Design ("LEED") for Cities Gold certification.

A total of 25 City buildings have received green building certifications as of 2025. Green building certification includes buildings that are certified by a third party to have been built and/or operated more sustainably. For purposes of green building certifications, sustainability may take into consideration building materials, renewable energy, and energy efficiency to lower carbon emissions. Some of these buildings have received LEED , Energy Star, and Green Globes certifications.

Since the adoption of SEAP and SEAP+, the City continues to implement projects aimed at reaching SEAP+'s goals. As of the end of 2024, the City had 205 EVs which account for 4.6% of total City fleet.

The City has also published two new sustainable fleet policies, revised the sustainable facilities policy, and continued its focus on community engagement to promote sustainable and resilient technology and workforce opportunities.

The City Council has adopted a priority of Well-Managed Government, Great Neighborhoods, Safe Communities, Transportation and Planning, and Workforce and Business Development.

### ***Climate Resiliency***

Numerous scientific studies on global climate demonstrate that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common and extreme weather events will become more frequent because of increasing global temperatures attributable to atmospheric pollution. In the coming years, such extreme events and conditions are expected to increasingly disrupt and damage critical infrastructure and property as well as regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages, supply chain delays, and service disruptions.

The City's geographical location in the Piedmont of North Carolina and only a few hours from North Carolina's coast increases its vulnerability to flooding, including storm water flooding, and periods of extreme heat. In addition to flooding and extreme heat, the City faces other threats due to climate change, including droughts and damaging wind that could become more severe and frequent. The City cannot accurately predict the timing, extent or severity of climate change and its impact on the City's operations and finances.

Mecklenburg County Storm Water Services ("*County Storm Water Services*") has a program entitled the Floodplain Buyout (Acquisition) Program. County Storm Water Services has determined that buying and removing buildings in the floodplain is one of the most cost-effective ways to reduce long-term flood damage and create other community benefits. County Storm Water Services takes floodplain acquisitions and creates community recreational and open space areas. Over time, the local building stock shifts from older buildings in vulnerable areas, to newer code-compliant buildings in more sustainable locations within Mecklenburg County. Since 1999, County Storm Water Services has contributed towards purchasing 520 flood-prone houses, apartment buildings and businesses that were in floodplains throughout Charlotte-Mecklenburg on 447 parcels. Over 800 families and businesses have moved to less vulnerable locations outside of local floodplains. Approximately 201 acres of public open space has been "undeveloped" to allow the floodplain to function during heavy rain and provide a long-term community asset. County Storm Water Services also estimates these buyouts have avoided over \$59 million in losses and will ultimately avoid over \$300 million in future losses. While the program is a County operated program, the City is located within the County and therefore benefits from the program.

Charlotte Water's service area is subject to periodic drought conditions that may affect available resources and customer consumption patterns. Charlotte Water has maintained strong financial reserves,

diversified supply and demand strategies, and established operational measures that support its ability to effectively manage and mitigate the impacts of drought conditions.

### ***Affordable Housing***

Charlotte continues to consider the provision of affordable housing options for its residents a top priority. The City completed a review and update to its Housing Trust Fund Program, expanding it to include additional funding sources and new ways to leverage City funding. The Housing Trust Fund and other housing development funds together is now referred to as "Housing Development Funds." This approach leverages public, private, and non-profit dollars to increase the supply and accessibility of housing in the community. Since its inception, over 13,500 units and shelter beds have been created and preserved through the Housing Trust Fund Program. The Housing Trust Fund Program has provided \$304.3 million in gap financing for affordable housing since the fund was established in 2001.

The newly approved Unified Development Ordinance provides several incentives to increase affordable housing supply options, such as enhanced development in Transit-Oriented Development zoning districts in exchange for an increased supply of low to moderate-income housing. These incentives allow developers who want to build at greater density to have options that also increase the supply of low to moderate-income housing units, including paying a fee-in-lieu ("FIL") to the City. Funds from these fees are programmed to support additional affordable housing investment.

### ***Corridors of Opportunity***

The Corridors of Opportunity initiative is a City of Charlotte program established to support economic mobility, equitable growth, and community revitalization in historically underinvested commercial and residential corridors throughout the city. The program focuses on six designated corridors — Albemarle/Central, Beatties Ford/Rozzelles Ferry, Freedom/Wilkinson, West Sugar Creek, North Graham/North Tryon, and West Boulevard — where coordinated public, private, and philanthropic investments are intended to improve infrastructure, strengthen neighborhood commercial districts, and promote inclusive economic opportunity for residents and businesses.

Since its launch in 2020, Corridors of Opportunity has supported a broad portfolio of projects and partnerships. To date, the initiative has enabled the implementation of more than 75 projects with over 20 partners, leveraging more than \$259 million in total investment from City, corporate, and federal sources. Key activities and milestones include infrastructure improvements such as pedestrian safety and connectivity enhancements, bicycle and multi modal facilities, and streetscape projects; planning and community engagement processes that created corridor "playbooks" to guide long term visioning and implementation; and the establishment of Opportunity Hubs intended to serve as centralized resources for workforce development, small business support, and connection to capital and services in each corridor. Charlotte Water is a major contributor of the City's effort in advancement of Corridors of Opportunity. Through Fiscal Year 2025, Charlotte Water has invested in multiple projects totaling approximately \$307,480,000.

The program has also provided funding for small business development and placemaking initiatives, including competitive grant programs such as business opportunity hub grants totaling approximately \$4.45 million to support local entrepreneurs and entrepreneurs' services in the corridors.

Overall, Corridors of Opportunity illustrates a sustained effort by the City to align community identified priorities with targeted public investment, infrastructure improvements, and cross sector partnerships to support long term economic and neighborhood outcomes within historically underserved areas of Charlotte.

## Financial Information

The financial statements of the City have been audited by certified public accountants for the Fiscal Year ended June 30, 2025, including a stand-alone Charlotte Water enterprise financial statement. Copies of these financial statements containing the unqualified report of the independent certified public accountants are available on the City's website at <https://www.charlottenc.gov/City-Government/Departments/Finance/Publications> or from the City's Finance Department, Charlotte-Mecklenburg Government Center, 600 East Fourth Street, Charlotte, North Carolina 28202, (704) 336-2538.

The Government Finance Officers Association ("GFOA") has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the Fiscal Years ended June 30, 1985 through 2024. To receive this award, the highest form of recognition in governmental financial reporting, a governmental unit must publish a financial report that complies with both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. The City anticipates that it will continue to meet the requirements under the Certificate of Achievement Program and has submitted its Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2025 to the GFOA for review.

The GFOA also presented a Distinguished Budget Presentation Award to the City for its annual budget for Fiscal Year ended June, 2025, which was the eleventh consecutive year in which the City received this award. To receive this award, a governmental unit must publish a budget document that meets program criteria, as an operations guide, as a financial plan, and as a communications device. A Distinguished Budget Presentation Award is valid for a period of one year. The City anticipates that it will continue to meet the requirements under the Distinguished Budget Presentation Award Program and has submitted its current budget to GFOA for review.

In addition, the City received an Award for Outstanding Achievement in Popular Annual Financial Reporting for the Fiscal Year 2024 PAFR, the fourth consecutive year.

## GENERAL INDENTURE SUMMARY

A summary of certain provisions of the General Indenture, including a list of definitions of certain terms, is included as **Appendix B**. The summary does not purport to be complete and is limited in all respects by reference to the complete document. See the Introduction for information on the availability of copies of the General Indenture and Series Indenture, Number 27.

## LEGAL MATTERS

### Litigation

No litigation is now pending or, to the best of the City's knowledge, threatened, against or affecting the City which seeks to restrain or enjoin the authorization, execution or delivery of the 2026 Bonds, the General Indenture or Series Indenture, Number 27, or which contests the validity or the authority or proceedings for the adoption, authorization, execution or delivery of the 2026 Bonds, or the City's creation, organization or corporate existence, or the title of any of the present officers thereof to their respective offices or the authority or proceedings for the City's authorization, execution and delivery of the General Indenture, Series Indenture, Number 27 or the 2026 Bonds, or the City's authority to carry out its obligations thereunder, or except as discussed above under "**THE CITY – Contingent Liabilities**" which would have a material adverse impact on the City's condition, financial or otherwise.

## **Opinions of Counsel**

All legal matters related to the authorization, execution, sale and delivery of the 2026 Bonds are subject to Bond Counsel's approval. The proposed form of Bond Counsel's opinion is included as **Appendix D**.

Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriters by their counsel.

## **TAX TREATMENT**

### **General**

On the date of issuance of the 2026 Bonds, Bond Counsel will render an opinion that, under existing law, (1) assuming compliance by the City with certain requirements of the Code, interest on the 2026 Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations, and (2) interest on the 2026 Bonds is exempt from State of North Carolina income taxation.

The Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the 2026 Bonds, from gross income for federal income tax purposes, including, but not limited to, the requirement that the City rebate certain excess earnings on proceeds and amounts treated as proceeds of the 2026 Bonds to the United States Treasury, restrictions on the investment of such proceeds and other amounts, and restrictions on the ownership and use of the facilities financed or refinanced with proceeds of the 2026 Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied by the City subsequent to issuance of the 2026 Bonds to maintain the excludability of the interest on the 2026 Bonds from gross income for federal income tax purposes. Bond Counsel's opinion is given in reliance on certifications by representatives of the City as to certain facts material to the opinion and the requirements of the Code.

The City has covenanted to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2026 Bonds in order that the interest on the 2026 Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel assumes compliance by the City with such covenants, and Bond Counsel has not been retained to monitor compliance by the City with such covenants subsequent to the date of issuance of the 2026 Bonds. Failure to comply with certain of such requirements may cause the interest on the 2026 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2026 Bonds. No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of, or the receipt, accrual or amount of interest with respect to the 2026 Bonds.

If the interest on the 2026 Bonds subsequently becomes included in gross income for federal income tax purposes due to a failure by the City to comply with any requirements described above, the City is not required to redeem the 2026 Bonds or to pay any additional interest or penalty.

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. Bond Counsel cannot predict whether the Internal Revenue Service will commence an audit of the 2026 Bonds. Prospective purchasers and owners of the 2026 Bonds are advised that, if the Internal

Revenue Service does audit the 2026 Bonds, under current Internal Revenue Service procedures, at least during the early stages of an audit, the Internal Revenue Service will treat the City as the taxpayer, and the owners of the 2026 Bonds may have limited rights, if any, to participate in such audit. The commencement of an audit could adversely affect the market value and liquidity of the 2026 Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers and owners of the 2026 Bonds should be aware that ownership of the 2026 Bonds and the accrual or receipt of interest on the 2026 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property or casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain Subchapter S Corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2026 Bonds. Bond Counsel does not express any opinion as to any such collateral tax consequences. Prospective purchasers and owners of the 2026 Bonds should consult their own tax advisors as to collateral tax consequences.

Proposed legislation is considered from time to time by the United States Congress that, if enacted, would affect the tax consequences of owning the 2026 Bonds. No assurance can be given that any future legislation, or clarifications or amendments to the Code, if enacted into law, will not contain provisions which could cause the interest on the 2026 Bonds to be subject directly or indirectly to federal, state or local income taxation, adversely affect the market price or marketability of the 2026 Bonds or otherwise prevent the owners of the 2026 Bonds from realizing the full current benefit of the status of the interest on the 2026 Bonds.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that Bond Counsel deems relevant to such opinion. Bond Counsel's opinion expresses the professional judgment of the attorneys rendering the opinion regarding the legal issues expressly addressed therein. By rendering its opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of the City, nor does the rendering of such opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

An owner of a 2026 Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid on the 2026 Bond if such owner fails to provide to any person required to collect information in accordance with Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" described in Section 6049 of the Code properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

### **Original Issue Premium**

As indicated on the inside cover page, the 2026 Bonds maturing on July 1, 20\_\_ (the "Premium Bonds"), are being sold at initial offering prices which are in excess of the principal amount payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses and

brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a Premium Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond is reduced from the owner's cost basis of such Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity). Owners of Premium Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the "adjusted basis" of such Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Premium Bond.

### **Original Issue Discount**

As indicated on the inside cover page, the 2026 Bonds maturing on July 1, 20\_\_ (the "OID Bonds"), are being sold at initial offering prices which are less than the principal amount payable at maturity. Under the Code, the difference between (a) the initial offering prices to the public (excluding bond houses and brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of each maturity of the OID Bonds is sold and (b) the principal amount payable at maturity of such OID Bonds, constitutes original issue discount treated as interest which will be excluded from the gross income of the owners of such OID Bonds for federal income tax purposes.

In the case of an owner of an OID Bond, the amount of original issue discount on such OID Bond is treated as having accrued daily over the term of such OID Bond on the basis of a constant yield compounded at the end of each accrual period and is added to the owner's cost basis of such OID Bond in determining, for federal income tax purposes, the gain or loss upon the sale, redemption or other disposition of such OID Bond (including its sale, redemption or payment at maturity). Amounts received upon the sale, redemption or other disposition of an OID Bond which are attributable to accrued original issue discount on such OID Bonds will be treated as interest exempt from gross income, rather than as a taxable gain, for federal income tax purposes, and will not be a specific item of tax preference for purposes of the federal individual alternative minimum tax. However, it should be noted that the original issue discount that accrues to an owner of an OID Bond may result in other collateral federal income tax consequences for certain taxpayers in the year of the accrual.

Original issue discount is treated as compounding semiannually (which yield is based on the initial public offering price of such OID Bond) at a rate determined by reference to the yield to maturity of each individual OID Bond. The amount treated as original issue discount on an OID Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such OID Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such OID Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of interest payable on such OID Bond during the particular accrual period. The tax basis is determined by adding to the initial public offering price on such OID Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior accrual periods. If an OID Bond is sold between semiannual compounding dates, original issue discount which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of the OID Bonds who subsequently purchase any OID Bonds after the initial offering or at a price different from the initial offering price during the initial offering of the Bonds. Owners of OID Bonds should consult their own tax advisors with respect to the precise determination for federal and state tax

purposes of the amount of original issue discount accrued upon the sale, redemption or other disposition of an OID Bond as of any date and with respect to other federal, state and local tax consequences of owning and disposing of an OID Bond. It is possible that under the applicable provisions governing the determination of state or local taxes, accrued original issue discount on an OID Bond may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment attributable to such original issue discount until a later year.

### CONTINUING DISCLOSURE OBLIGATION

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 ("Rule 15c2-12"), the City has undertaken in Series Indenture, Number 27 to provide to the MSRB:

(a) (i) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2026, the audited financial statements of the City for the preceding Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or if such audited financial statements are not then available, unaudited financial statements of the City for such Fiscal Year to be replaced subsequently by audited financial statements of the City to be delivered within 15 days after such audited financial statements become available for distribution, and (ii) if available and prepared by the City, the audited financial statements of the Water and Sewer System to be delivered within 15 days after such audited financial statements become available for distribution;

(b) by not later than seven months from the end of each Fiscal Year of the City, beginning with the Fiscal Year ending June 30, 2026, the financial and statistical data as of the date not earlier than the end of the preceding Fiscal Year for the type of information included under "**THE WATER AND SEWER SYSTEM – WATER AND SANITARY SEWER RATES,**" "**– NUMBER OF ACCOUNTS**" and "**– MAJOR USERS**" in this Official Statement (excluding any information on overlapping units and the information in the tables titled "**Summary of Combined Water and Sanitary Sewer Rates (7 CcF Usage)**" and "**Annual Residential Water and Sewer Bill (7 CcF/Month) as Percentage of Median Household Income**");

(c) in a timely manner not in excess of 10 Business Days after the occurrence of the event, notice of any of the following events with respect to the 2026 Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (v) substitution of any credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2026 Bonds or other material events affecting the tax status of the 2026 Bonds;
- (vii) modification of the rights of the beneficial owners of the 2026 Bonds, if material;

(viii) call of any of the 2026 Bonds, other than mandatory sinking fund redemption, if material, and tender offers;

(ix) defeasance of any of the 2026 Bonds;

(x) release, substitution or sale of any property securing repayment of the 2026 Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the City;

(xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material;

(xiv) the appointment of a successor or additional trustee, or the change in the name of a trustee, if material;

(xv) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect the beneficial owners of the 2026 Bonds, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the City, any of which reflect financial difficulties; and

(d) in a timely manner, notice of a failure of the City to provide required annual financial information described in (a) or (b) above on or before the date specified.

For purposes of the undertaking described in this section, "financial obligation" means a (a) debt obligation, (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) guarantee of (a) or (b). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

At present, Section 159-34 of the General Statutes of North Carolina, as amended, requires that the City's financial statements be prepared in accordance with generally accepted accounting principles and that they be audited in accordance with generally accepted auditing standards.

The City has acknowledged in Series Indenture, Number 27 that its undertaking pursuant to Rule 15c2-12 is intended to be for the benefit of the Owners and the beneficial owners of the 2026 Bonds. THE RIGHT TO ENFORCE THE PROVISIONS OF THE CITY'S RULE 15C2-12 UNDERTAKINGS IS LIMITED TO A RIGHT TO OBTAIN SPECIFIC PERFORMANCE OF THE CITY'S OBLIGATIONS AND A FAILURE BY THE CITY TO COMPLY WITH ITS RULE 15C2-12 UNDERTAKINGS WILL NOT BE AN EVENT OF DEFAULT UNDER THE GENERAL INDENTURE OR SERIES INDENTURE, NUMBER 27 AND WILL NOT RESULT IN ACCELERATION OF THE 2026 BONDS. ALL ACTIONS WILL BE INSTITUTED, HAD AND MAINTAINED IN THE MANNER PROVIDED IN SERIES INDENTURE, NUMBER 27 FOR THE BENEFIT OF ALL OWNERS AND BENEFICIAL OWNERS OF THE 2026 BONDS.

The City may modify from time to time, consistent with Rule 15c2-12, the information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City, but: (1) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the City; (2) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12 as well as any changes in circumstances; and (3) any such modification does not materially impair the interest of the registered owners or the beneficial owners, as determined by the Trustee or nationally recognized bond counsel or by the approving vote of the Owners of a majority in principal amount of the 2026 Bonds. Any annual financial information containing modified operating data or financial information will explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided. The City's Rule 15c2-12 undertakings will terminate on payment, or provision having been made for payment in a manner consistent with the Rule 15c2-12, in full of the principal of and interest on the 2026 Bonds.

All documents provided to the MSRB as described above will be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. The City may discharge its undertaking described above by transmitting those documents or notices in a manner subsequently authorized or required by the SEC in lieu of the manner described above.

Except as described below, during the previous five years, the City has not knowingly failed to comply in all material respects with its previous continuing disclosure obligations undertaken pursuant to Rule 15c2-12. The City's annual disclosure for fiscal year 2024 for its water and sewer revenue bonds did not include information on a table regarding the City's annual residential water and sewer bill as a percentage of median household income as compared to other cities in the United States.

## RATINGS

As shown on the cover, the 2026 Bonds have been rated "Aaa" by Moody's Investors Service ("Moody's"), and "AAA" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). Further explanation of the significance of such ratings may be obtained from Moody's and S&P. The ratings are not a recommendation to buy, sell or hold the 2026 Bonds and should be evaluated independently. There is no assurance that such ratings will not be withdrawn or revised downward by Moody's or S&P. Any such action may have an adverse effect on the market price of the 2026 Bonds. Neither the City nor the Underwriters have undertaken any responsibility after the execution and delivery of the 2026 Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

## FINANCIAL STATEMENTS

The City's separate audited financial statements of the Water and Sewer System for the Fiscal Year ended June 30, 2025, which have been audited by an independent firm of certified public accountants, are included as **Appendix A** to this Official Statement.

## UNDERWRITING

The Underwriters are offering the 2026 Bonds pursuant to a bond purchase agreement (the "Bond Purchase Agreement"). The Underwriters have agreed to purchase the 2026 Bonds at a price equal to \$\_\_\_\_\_, equal to the par amount of the 2026 Bonds [plus/less] a [net] original issue [premium/discount] of \$\_\_\_\_\_, less an Underwriters' discount of \$\_\_\_\_\_. The Underwriters' Bond Purchase Agreement is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Underwriters may offer and sell the 2026 Bonds to certain dealers

(including dealers depositing the 2026 Bonds into investment trusts) and others at prices different from the initial public offering prices shown on the inside cover page. The Underwriters may change the public offering prices from time to time at their discretion.

BofA Securities, Inc., an underwriter of the 2026 Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the 2026 Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2026 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co. Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreement, each of CS&Co. and LPL may purchase 2026 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2026 Bonds that such firm sells.

PNC Capital Markets LLC and PNC Bank, National Association are both wholly-owned subsidiaries of the PNC Financial Services Group, Inc. PNC Capital Markets LLC is not a bank, and is a distinct legal entity from PNC Bank, National Association. PNC Bank, National Association has other banking and financial relationships with the City. PNC Capital Markets LLC may offer to sell to its affiliate, PNC Wealth Management LLC ("PNCWM"), securities in PNCCM's inventory for resale to PNCWM's customers, including securities such as the 2026 Bonds. PNCCM may share with PNCWM a portion of the fee or commission paid to PNCCM if any 2026 Bonds are sold to a customer of PNCWM.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), an underwriter of the 2026 Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the 2026 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2026 Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the 2026 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the City and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of

investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

#### **RELATED PARTIES**

A portion of the proceeds of the 2026 Bonds will be used to prepay in full the 2024 BAN, currently held by Bank of America, N.A. BofA Securities, Inc., underwriter for the 2026 Bonds, and Bank of America, N.A., holder of the 2024 BAN, are both subsidiaries of Bank of America Corporation.

Parker Poe Adams & Bernstein LLP is serving as bond counsel for the City and, from time to time it and McGuireWoods LLP, counsel to the Underwriters, have represented the Underwriters as counsel in other financing transactions. Neither the City nor the Underwriters have conditioned the future employment of either of these firms in connection with any proposed financing issues for the City or for the Underwriters on the successful issuance of the 2026 Bonds.

#### **MUNICIPAL ADVISOR**

DEC Associates, Inc., Charlotte, North Carolina, is serving as municipal advisor to the City in connection with the issuance of the 2026 Bonds.

#### **APPROVAL**

The LGC and the City have each duly authorized the delivery of this Official Statement.

Members of the LGC staff have participated in the preparation of this Official Statement and other documents related to the issuance of the 2026 Bonds, but the LGC and its staff assume no responsibility for the accuracy or completeness of any representation or statement in this Official Statement, other than those in **Appendix C**.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX A**

**CITY OF CHARLOTTE, NORTH CAROLINA AUDITED FINANCIAL STATEMENTS OF THE  
WATER AND SEWER SYSTEM FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

[THIS PAGE INTENTIONALLY LEFT BLANK]

# *Annual Comprehensive Financial Report*

OF THE CHARLOTTE WATER ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

CHARLOTTE  
**WATER**

 **CITY of CHARLOTTE**

*An Enterprise Fund of the City of Charlotte*  
**Charlotte, North Carolina**

# Charlotte Water

## NORTH CAROLINA

### ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal year ended June 30, 2025  
As of June 30, 2025:

#### **MAYOR**

Vi Alexander Lyles

#### **MAYOR PRO TEM**

Danté Anderson

#### **CITY COUNCIL**

Dimple Ajmera	Tiawana Brown
LaWana Mayfield	Reneé Johnson
James Mitchell, Jr.	Marjorie Molina
Victoria Watlington	Edwin B. Peacock, III
Malcolm Graham	Edmund H. Driggs

#### **CITY MANAGER**

Marcus D. Jones

#### **CITY FINANCE DEPARTMENT**

Teresa T. Smith  
Chief Financial Officer

Betty J. Mattos  
Chief Accountant

#### **CHARLOTTE WATER**

Angela D. Charles  
Charlotte Water Chief Executive Officer

Melissa Westfall  
Charlotte Water Chief Financial Officer

Prepared by the  
**Charlotte Water Business Office**

An enterprise fund of the City of Charlotte,  
Charlotte, NC

The City of Charlotte is committed to making our services and programs accessible to all. Upon request, auxiliary aids, written materials in alternate formats, language access, and other reasonable accommodations or modifications will be provided. To make a request, please email CLTWater Communications at [CLTWaterInfo@charlottenc.gov](mailto:CLTWaterInfo@charlottenc.gov).



# TABLE OF CONTENTS

- INTRODUCTORY SECTION ..... 5**
  - Message from the Charlotte Water Chief Executive Officer and the City of Charlotte Chief Financial Officer ..... 6
  - Fiscal Year 2025 Highlights ..... 8
  - Profile of the Reporting Entity ..... 10
  - Organizational Chart..... 11
  - Charlotte Water Operations ..... 14
  - Financial Policies..... 16
  - Rating Agency Actions..... 16
  - Major Initiatives ..... 17
  - The Region’s Economy ..... 18
  - Accolades..... 20
  - Acknowledgements..... 21
- FINANCIAL SECTION ..... 22**
  - Report of Independent Auditor..... 23
  - MANAGEMENT’S DISCUSSION & ANALYSIS ..... 25**
    - Management’s Discussion & Analysis..... 26
    - Financial Highlights ..... 26
    - Overview of Financial Statements..... 27
  - BASIC FINANCIAL STATEMENTS..... 34**
    - Statement of Net Position ..... 35
    - Statement of Revenues, Expenses, and Changes in Net Position..... 39
    - Statement of Cash Flows..... 41
    - Notes to the Financial Statements ..... 43
  - REQUIRED SUPPLEMENTARY INFORMATION ..... 80**
    - Local Governmental Employee’s Retirement System**
      - Proportionate Share of Net Pension Liability (Asset) for the City of Charlotte..... 81
      - City of Charlotte’s Contributions ..... 85
    - Employee Benefit Trust Plan (EBTP)**
      - Schedule of Changes in the Net OPEB Liability ..... 88
      - Schedule of Changes of Total Liability as a Percentage of Covered Payroll..... 91
      - Schedule of City Contributions and Investment Returns..... 94



# TABLE OF CONTENTS

- STATISTICAL SECTION..... 97**
- FINANCIAL TRENDS.....99**
  - Schedule 1: Net Position ..... 99
  - Schedule 2: Changes in Net Position ..... 102
  - Schedule 3: Reconciliation of Cash Balances, Non-GAAP ..... 105
  - Schedule 4: Operating Expenses Per Capita ..... 108
  - Schedule 5: Capital Assets ..... 111
- REVENUE CAPACITY.....114**
  - Schedule 6: Annual Water Consumption Billed by Customer Type ..... 114
  - Schedule 7: Operating Revenues and Rate Increases ..... 117
  - Schedule 8: Ten Largest Water and Sewer Customers-Current and Nine Years Ago ..... 120
  - Schedule 9: Retail Water and Sewer Rates ..... 122
  - Schedule 10: Residential Water and Sewer Bill Comparisons as a Percentage of Median Household Income..... 124
  - Schedule 11: Residential Water and Sewer Bill Comparisons to Local and Regional Utilities ..... 125
- DEBT CAPACITY .....126**
  - Schedule 12: Revenue Bond Coverage ..... 126
  - Schedule 13: Outstanding Debt ..... 128
- DEMOGRAPHIC AND ECONOMIC INFORMATION.....131**
  - Schedule 14: Population (MSA) ..... 131
  - Schedule 15: Total Personal Income (MSA) ..... 132
  - Schedule 16: Per Capita Personal Income (MSA) ..... 133
  - Schedule 17: Unemployment Rate (MSA) ..... 134
  - Schedule 18: Ten Largest Charlotte-Area Non-Governmental Employers ..... 135
- OPERATING INFORMATION .....138**
  - Schedule 19: Employee Count by Function/Program ..... 138
  - Schedule 20: Number of Service Accounts ..... 139
  - Schedule 21: Average Daily Water Delivered (Pumped) ..... 140
  - Schedule 22: Average Daily Sewer Treated ..... 141
  - Schedule 23: Summary of Major Permits ..... 142
  - Schedule 24: Capital Assets by Function/Program ..... 147



An aerial photograph of a water treatment facility. A large river flows from the top left towards the center. To the right of the river, there are several large, dark rectangular basins, likely for sedimentation or filtration. Further down, there are several circular tanks, possibly for aeration or biological treatment. The facility is surrounded by lush green trees and vegetation. In the background, a city skyline is visible under a blue sky with scattered white clouds.

# *Introductory Section*

The Introductory Section contains unaudited information from the Charlotte Water Enterprise Fund.



# *Message from the Charlotte Water Chief Executive Officer and the City of Charlotte Chief Financial Officer*

February 26, 2026

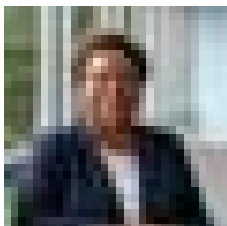
Honorable Mayor, City Council, and to our Customers:

We are honored to present Charlotte Water's (an enterprise fund of the City of Charlotte, North Carolina) Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025. The basic financial statements in this report are prepared and presented in conformity with Generally Accepted Accounting Principles (GAAP) of the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

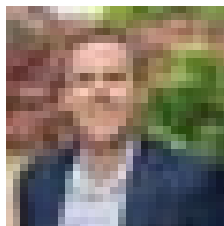
This report consists of management's representations concerning the finances of Charlotte Water (CLTWater). Consequently, management assumes full responsibility for the preparation and fair presentation of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal controls framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of the basic financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City and CLTWater's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

To the best of our knowledge, we believe this report to be accurate in all material respects and reported in a manner designed to present the financial position and results of the City of Charlotte, CLTWater Enterprise Fund.

Management's Discussion & Analysis (MD&A) immediately follows the report of the independent auditor. It provides a narrative introduction, overview, and analysis of the Financial Statements and Notes. This transmittal letter is designed to complement the MD&A and should be read in conjunction with the MD&A page 25. The Statistical Section provides additional relevant unaudited information.



***Angela Charles***  
*Chief Executive Officer*  
Charlotte Water



***Matthew Hastedt***  
*Chief Financial Officer*  
City of Charlotte

\$616.52 Million

in operating revenues

48.87 Miles

of water pipes  
installed or donated to the utility

87 Million+

gallons of wastewater are treated daily,  
underscoring the utility's commitment to  
regulatory and environmental excellence

39.1 Miles

of wastewater pipes  
installed or donated to the utility

## 5 Wastewater Treatment Plants

maintained the National Association of Clean Water Agencies Platinum Peak Performance Awards, achieving 100% permit compliance over five consecutive years

\$51.4 Billion

economic impact from water-dependent  
industries in the six-county region

\$2.2 Billion

committed to public projects  
and overall utility support

0 Violations & 0  
Consent Decrees

of drinking water quality standards occurred

1 Wastewater  
Treatment Plant

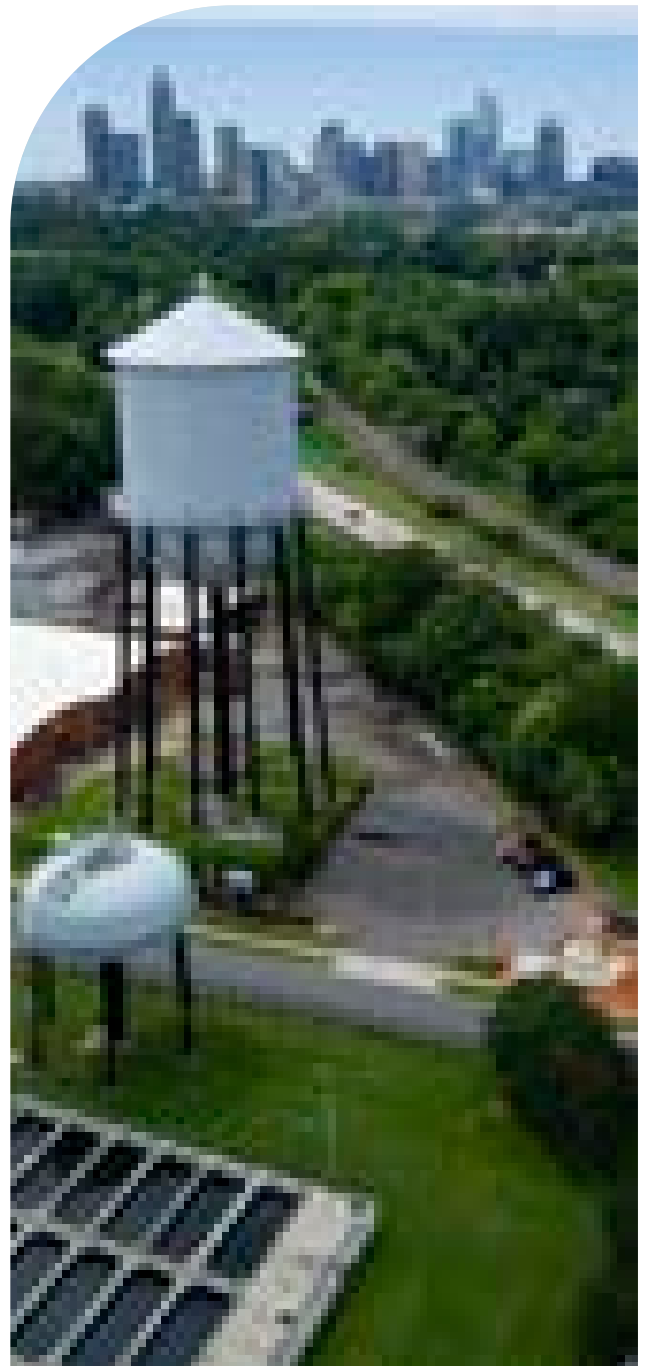
maintained the National Association of Clean  
Water Agencies Gold Peak Performance Award

## *Fiscal Year 2025 Highlights*

The City of Charlotte ranks among the top 10 fastest growing major cities in the United States and is currently the 14th largest city in the nation. As one of the region's most influential economic drivers, Charlotte Water (CLTWater) supports growth and economic development through strategic infrastructure investments and reliable water and wastewater services. The utility creates the foundation that attracts new businesses, expansion efforts, and sustains economic vitality across the region. Continued growth within the service area was evident by the 48.87 miles of water and 39.1 miles of wastewater pipes installed by or donated to the utility this fiscal year.

CLTWater strives to equitably manage our financial resources, successfully harmonizing goals of affordability and system growth while maintaining Aaa/AAA bond ratings from Moody's Investors Service and S&P Global Ratings. CLTWater's rate structure is focused on balancing competing needs including the escalating cost of rehabilitation and replacement of aging infrastructure; mitigating environmental impacts; supporting economic growth; managing increased operating and capital costs; and addressing increased regulatory burdens while maintaining equitable distribution of these costs amongst customers. Fees are evaluated each year and are set to recover the full cost of service delivery while ensuring affordability is at the forefront of investment decisions.

The critical investment in infrastructure directly supports the greater public good through the provisions of safe and sufficient drinking water, fire protection, protecting the environment, and ensuring capacity for growth. The focus on equitable service delivery informs and impacts prioritization and execution of infrastructure projects. Protecting the environment is a core tenet of the department's mission as well as a key strategic focus. CLTWater is an industry leader in the preservation and protection of the environment and is actively engaged in the development and execution of impactful environmental sustainability initiatives. The five-year capital improvement investment is planned for \$2.2 billion of work related to rehabilitation, replacement, regulatory, capacity for growth, commitment to public projects and overall utility support.





CLTWater's regionalization and environmental enhancement approaches continue with the construction of the Stowe Regional Water Resource Recovery Facility that will treat wastewater from a fast-growing region of nearly 3 million people by partnering with the Cities of Belmont and Mount Holly. This state-of-the-art wastewater treatment facility in the northwest service area will result in the decommissioning of two aging wastewater treatment facilities. CLTWater will treat these municipal discharges with an initial treatment capacity of 15 million gallons per day, effectively meeting these communities' current and future wastewater needs.

Regulatory and environmental excellence are paramount to the utility. With over 87 million gallons of wastewater treated daily, five wastewater treatment plants maintained the National Association of Clean Water Agencies Platinum Peak Performance Awards representing 100% compliance with permits over a five-year consecutive period while one received the Gold Award representing no permit violations for the entire calendar year. From a water treatment and distribution perspective, zero drinking water quality violations occurred.

Fostering community engagement and driving innovation are central to CLTWater's mission. Recognizing the vital role of water in daily life, the utility actively connects with the community to promote awareness, education, and environmental stewardship. The utility participated in 38 public events highlighting the essential nature of water, environmental sustainability, and regional growth.

CLTWater is committed to supporting the City's goal of building a strong talent pipeline, advancing workforce equity, and ensuring operational excellence. The workforce development program enhances career readiness, mentorship, and life-skills training, while introducing new opportunities to expand career pathways and build future-ready talent. Placement outcomes in FY 2025 remain exceptional with participants transitioning into full-time roles within CLTWater with a placement rate of 100%, building a pipeline for hard-to-fill positions.

Alongside a select group of high performing utilities, CLTWater was honored with the 2025 Utility of the Future Today award by five industry association partners including the Water Environment Federation, Water Research Foundation, National Association of Clean Water Agencies, Water ReUse Association, and U.S. Water Alliance. The Utility of the Future Today Recognition Program seeks to reach deeply into the water sector to form and motivate a community of like-minded water utilities engaged in advancing resource efficiency and recovery, developing proactive relationships with stakeholders, and establishing resilient, sustainable, and livable communities.



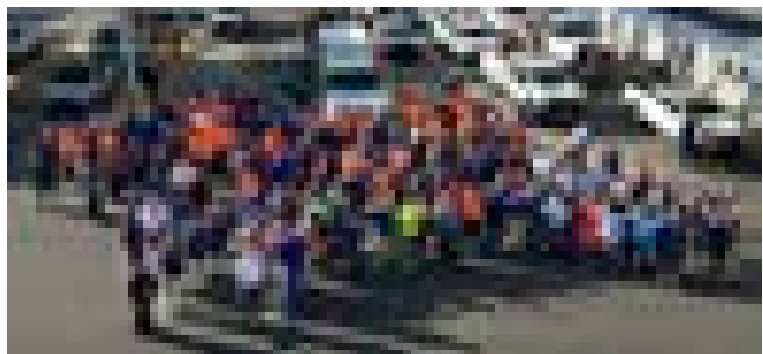
## *Profile of the Reporting Entity*

Charlotte Water (CLTWater) is the largest regional public water and wastewater utility in the Carolinas, serving over 1.2 million customers. CLTWater has excelled in its water and wastewater service delivery mission for over a century. With a steadfast commitment to public health and environmental stewardship, the utility ensures safe and reliable drinking water and wastewater management across its extensive service area. CLTWater contributes both directly and indirectly to the region's economy through strategic infrastructure investments, job creation, and service reliability that supports residential, commercial, and industrial growth. The utility is a self-supporting enterprise fund within the City of Charlotte's structure.

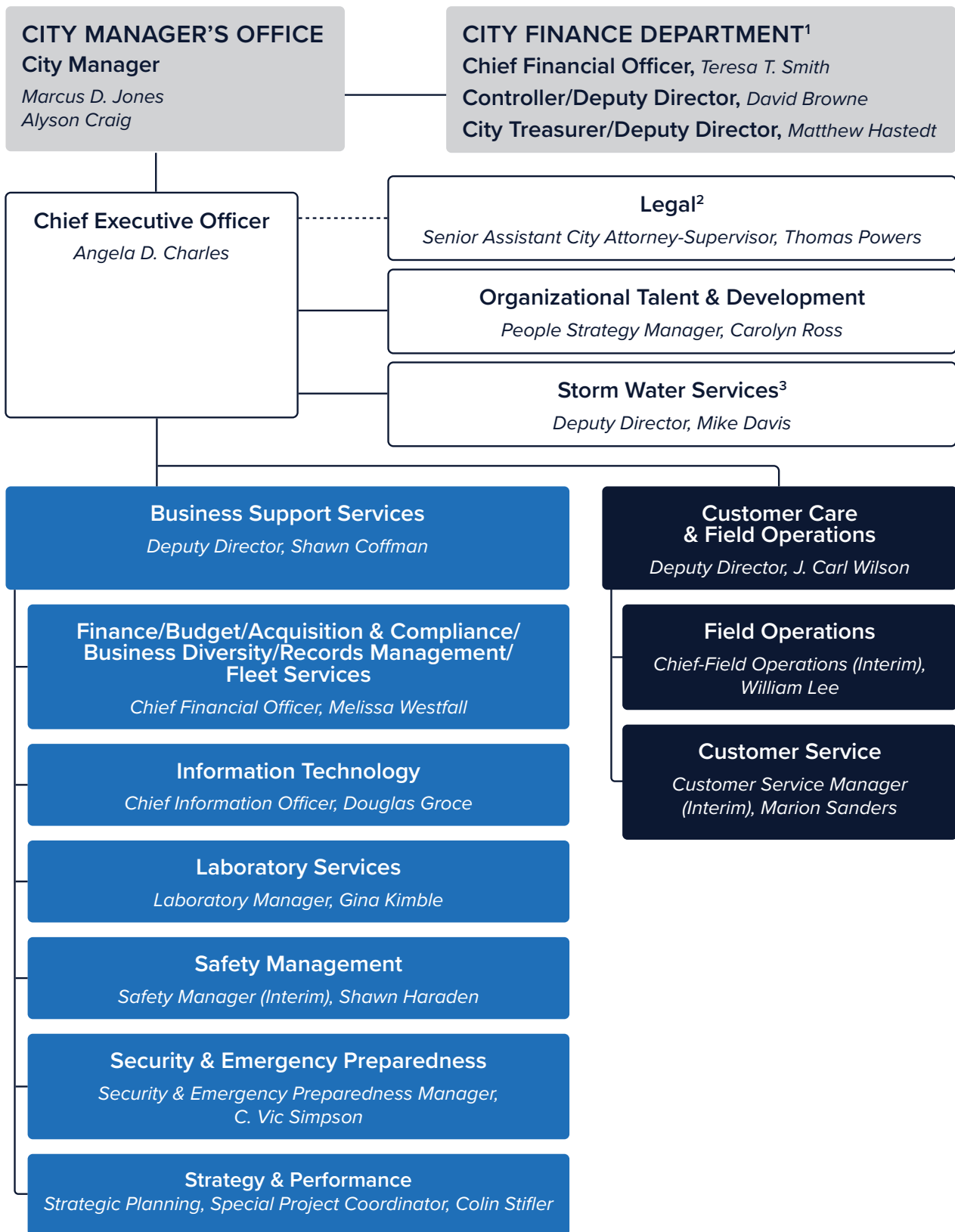
The City of Charlotte serves as the central hub of CLTWater's service area. According to the U.S. Bureau of Economic Analysis in 2024, Mecklenburg County had a population exceeding 1.2 million. Since 1929, the City of Charlotte has operated under a Council-Manager form of government. Local legislative and policy-making authority resides with a governing body composed of a Mayor and 11 City Council members all elected every two years on a partisan basis. The Mayor and four Council members are elected at-large by a city electorate. The remaining seven Council members are elected by voters within their district. Together, the Mayor and Council are responsible for appointing the City Manager, City Attorney, City Clerk, and members of various boards and commissions. The Council adopts the annual budget, sets the property tax rate and approves the financing of all city operations and capital investments. The City Manager, as the chief executive, implements Council policies and ordinances and oversees the day-to-day administration of the City.

The mission of the City of Charlotte is to ensure the delivery of a full range of quality public services and to promote the safety, health, and quality of life of its residents.

Within the organizational framework of the City, the CLTWater Chief Executive Officer leads the CLTWater Department's executive leadership team, guiding operational management and long-term strategic planning. The executive leadership structure includes four deputy directors, each responsible for a core functional area: engineering, business services, customer-facing services, and plant operations and maintenance. Additionally, the CLTWater Chief Financial Officer oversees financial planning, budgeting, and procurement activities ensuring fiscal accountability. The People Strategy Manager reports directly to the CLTWater CEO, and the Chief Legal Counsel maintains a primary reporting relationship to the City Attorney, with a secondary reporting relationship to the CLTWater CEO on department specific legal matters. The deputy director responsible for overseeing Storm Water operations reports directly to the CLTWater CEO. The organizational chart, shown on the next page, reflects leadership as of June 30, 2025.

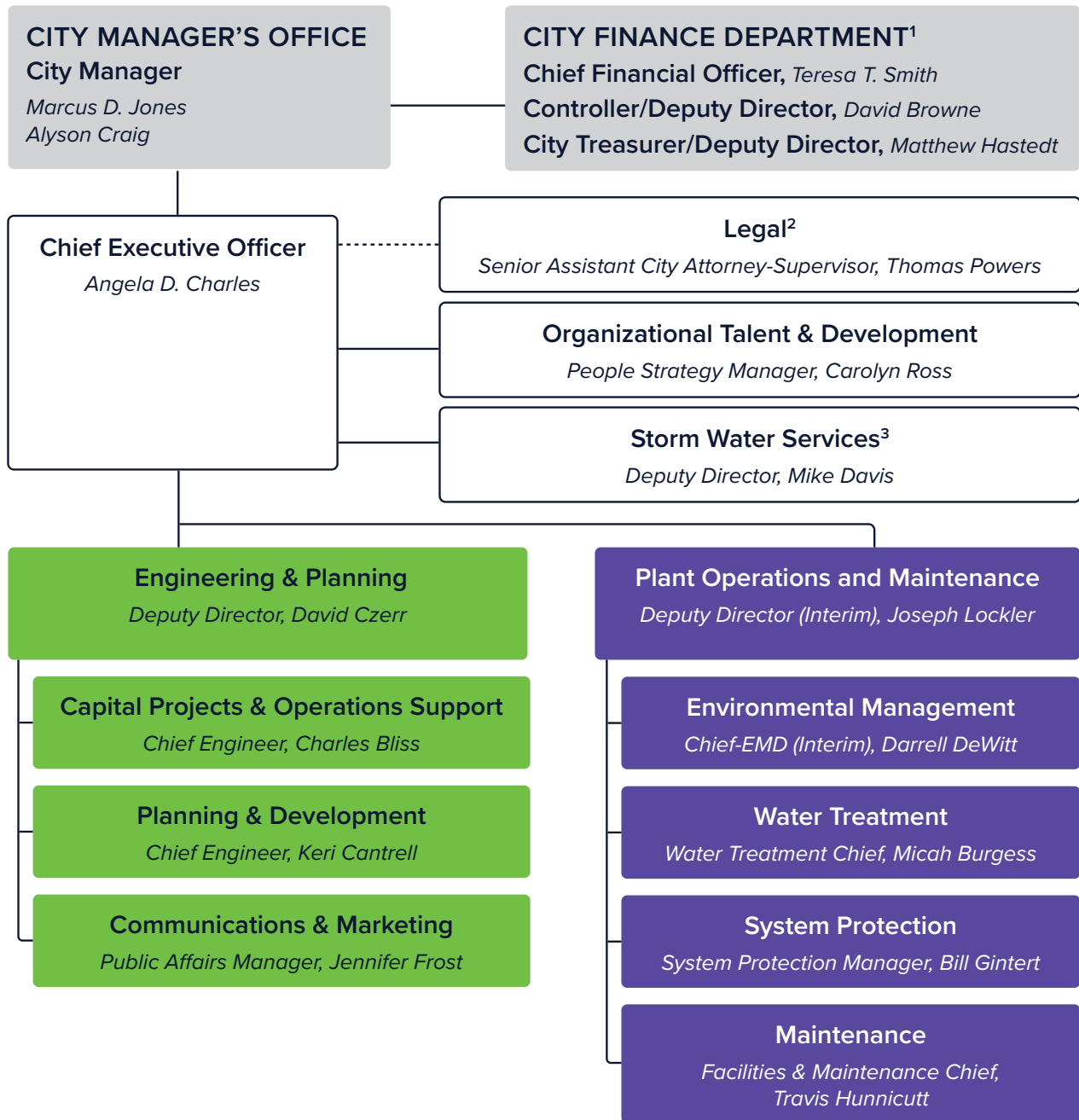


## INTRODUCTORY SECTION



# INTRODUCTORY SECTION

Continued

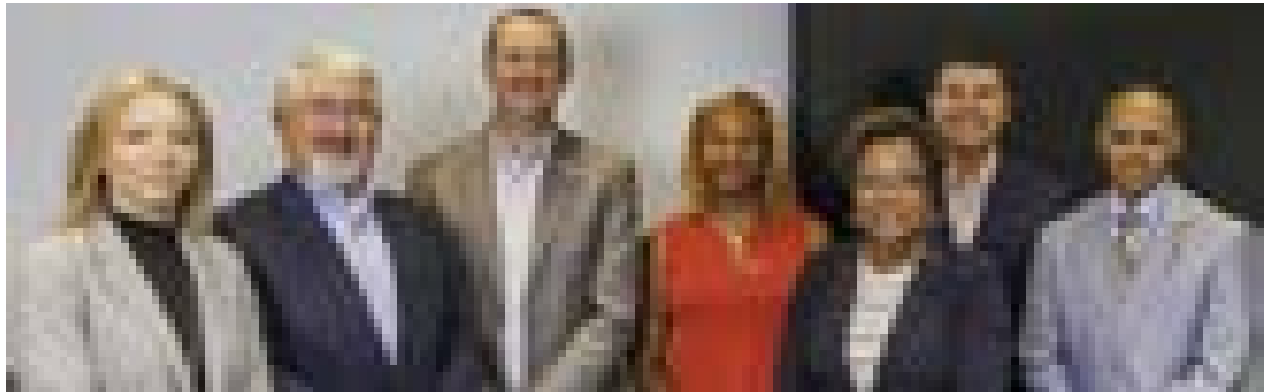


**NOTES:**

<sup>1</sup>Reflects personnel as of June 30, 2025; Teresa T. Smith retired October 1, 2025. Matthew Hastedt has been named the City of Charlotte Chief Financial Officer.

<sup>2</sup>Legal team reports to the City Attorney, with a secondary reporting relationship to the Charlotte Water Chief Executive Officer.

<sup>3</sup>Storm Water Services is a division of Charlotte Water under the direction of the Charlotte Water Chief Executive Officer as an independent fund; financial information can be found in the City of Charlotte Annual Comprehensive Financial Reports.



*Left to right: CFO Melissa Westfall • Deputy Director Shawn Coffman • Deputy Director David Czerr • People Strategy Manager Carolyn Ross • CEO Angela D. Charles • Deputy Director (Interim) Joseph Lockler • Deputy Director Carl Wilson*

Charlotte Water financial operations are accounted for in a separate enterprise fund according to GAAP for governmental entities. Charlotte Water is self-supporting and does not use local tax money to fund its operating costs. Funds come from water-generated revenues, including system development fees, connection fees, as well as service charges.

Charlotte Water management utilizes six core Strategic Principles to manage and run the largest regional public water and wastewater utility in the Carolinas including: High-Performing Workforce, Exceptional Customer Service, Community Engagement, Reliable Infrastructure, Financial Stability, and Environmental Stewardship.

**STRATEGIC PRINCIPLES**



**High-Performing Workforce**

Build and retain a skilled and motivated team.



**Exceptional Customer Service**

Provide clear, timely and consistent service to everyone we work with.



**Community Engagement**

Listen to, connect with, and inform the people and communities we serve.



**Reliable Infrastructure**

Maintain and improve our infrastructure to meet current and future needs.



**Financial Stability**

Manage money wisely so we can grow, reinvest, and stay affordable.



**Environmental Stewardship**

Protect and improve the environment for the good of all living things.



## *Charlotte Water Operations*

In Fiscal Year 2025, Charlotte Water (CLTWater) saw significant growth in new connections/accounts. Including residential, commercial, industrial, and bulk water accounts, CLTWater now serves over 337,000 water accounts and over 300,000 wastewater accounts. The newest data from the Charlotte Regional Business Alliance reflects more than 157 people per day moving to the Charlotte area. Through its capacity planning efforts and strategic prioritization of capital investment, CLTWater is preparing for this growth as well as continued regionalization of water service delivery.

Maintaining reliable infrastructure for existing and future customers is a core function of the utility. CLTWater maintains more than 4,664 miles of water distribution mains and more than 4,638 miles of wastewater mains. Other distribution and collection assets managed include more than 93,000 system valves, 119,000 manholes, and almost 19,000 public fire hydrants. Through the combined efforts of internal forces and contractors, CLTWater repaired over 4,700 leaks in the multi-jurisdictional distribution system. In the collection system, more than 750 miles of wastewater mains were cleaned, and more than 1,000 manholes were rehabilitated or replaced.

From a water treatment plant operations perspective, CLTWater pumped an average of 124.55 million gallons of finished water per day (over 45 billion gallons per year) with zero notices of drinking water quality violations. Water reclamation facilities treated an average of 87.6 million gallons per day (31.8 billion gallons per year). Fiscal Year 2025 also saw the restoration of the reclaimed water system at the Mallard Creek Water Resource Recovery Facility. A cross-functional team supported the restart of the system, which offers a sustainable alternative for irrigation and institutional cooling needs while conserving potable water.

CLTWater protects its collection system and the environment by regulating more than 50 significant industrial users and inspecting more than 5,200 food service establishments annually. In Fiscal Year 2025, CLTWater's nationally accredited environmental laboratory collected and analyzed more than 183,000 samples from all process phases.

CLTWater also dedicates significant resources to emergency management, physical security, and cybersecurity. This investment supports resilient operations within CLTWater and provides for mutual aid to other water/sewer providers in the Carolinas and beyond. In September 2024, historic rainfall and flooding impacts from Hurricane Helene inflicted catastrophic damage across western North Carolina. After ensuring continuity of local service delivery, CLTWater deployed dozens of water professionals to support recovery efforts in hard hit areas including Asheville, North Carolina.

Balancing operational excellence with affordability is critical to fulfilling the utility's mission and vision. CLTWater rates and affordability compare favorably to other large urban utilities.



## *Charlotte Water Infrastructure and Facilities*

In 1899, the City of Charlotte bought The Charlotte Water Works Company for \$226,400. At that time, the system had 76 hydrants and a pumping capacity of one million gallons per day. In 1972, consolidation agreements across seven jurisdictions created the foundation for the regional utility that became Charlotte Water (CLTWater). Further agreements undergird service delivery to parts of five counties in North Carolina and two counties in South Carolina. Through economies of scale and the benefits of innovative investment, regionalization has resulted in lower total cost of service for partner jurisdictions, support for regional economic development, and improved environmental outcomes for the region.

Today, in addition to the infrastructure referenced in the above Operations section, CLTWater owns and operates 18 staffed facilities including three water treatment plants, six wastewater treatment plants, four field operations facilities, and facilities to support administrative, engineering, customer service, and laboratory services functions. Other significant infrastructure includes 13 elevated water towers, 17 finished water storage and booster pump stations, two water intakes, two raw water reservoirs, and more than 300 distribution system sampling stations.

Across its three water treatment plants, CLTWater has potable treatment capacity of 242 million gallons per day. Permitted wastewater treatment is currently 123.1 million gallons per day with an additional 15 million gallons per day of treatment capacity coming online in 2027 through the Stowe Regional Water Resource Recovery Facility.

CLTWater supports the City of Charlotte's Strategic Energy Action Plan goals through multiple infrastructure investments. The McAlpine Creek Water Resource Recovery Facility (WRRF) currently operates a combined heat and power system that provides power for the plant and supplies much of the heating necessary to sustain plant treatment operations. McAlpine Creek WRRF also is the central site for the utility's biosolids management operations that supplied approximately 73,000 wet tons of biosolids for regional land application. Future investment at McAlpine Creek WRRF will result in renewable natural gas being available to the grid, Class "A" biosolids for broader application, and phosphorus pellets generated through nutrient harvesting. Other CLTWater facilities have solar generation capacity and support fleet electrification with installed charging infrastructure.

Complementing these operational initiatives, CLTWater advances sustainable water reuse through its highly treated reclaimed water program, known as QC Water, which supports both utility operations and public understanding of the water reuse process. Demonstration initiatives such as Renew Brew and reclaimed-water-based Crown Bucha, provide tangible examples of how advanced treatment technologies can support a circular economy while maintaining public health and safety.

At the intersection of federal regulatory requirements and infrastructure management, CLTWater leveraged a combination of field collected data, historical records, and predictive modeling to develop an inventory of private water service line materials. CLTWater is setting a high bar in the industry through its unique communication approach and its data-driven decision support model. CLTWater has made significant steps towards compliance with the EPA's Lead and Copper Rule Revisions (LCRR).



## Financial Policies

As a department of the City of Charlotte, Charlotte Water (CLTWater) upholds a legacy of adherence to sound fiscal policies and responsible financial practices. These policies guide the management of financial resources, implemented at the departmental level with internal controls and oversight of business operations. CLTWater also complies with statutory requirements governing operations, administration, and rate setting. A structurally balanced budget is adopted by City Council to achieve long-term financial stability. CLTWater consults the seven-member CLTWater Advisory Committee for expert guidance and recommendations on capital improvement programs for water and sewer facilities and changes to such programs; proposed changes in the method for determining water and sewer charges; and proposed changes in policy for extending water and sewer services.

### MANAGEMENT’S FINANCIAL TARGETS & ACTUAL RESULTS

	FY 2025 Targets	FY 2025 Actual Results
Debt Service Coverage-Bond Ordinance (Including surplus fund)	≥2.00x	2.80x
Liquidity – Days Cash on Hand <sup>1</sup>	≥250 Days	593 Days
PAYGO as a percentage of total CIP	≥40%	35.4%

NOTE: <sup>1</sup> Reconciliation of cash balance, Non-GAAP

## Rating Agency Actions

In FY 2025, Charlotte Water maintained an Aaa rating with a Stable outlook from Moody’s Investors Service and the equivalent AAA rating with a Stable outlook from S&P Global Ratings.

In connection with the issuance of the 2025 water and sewer system refunding revenue bonds, both Moody’s and S&P Global Ratings affirmed these ratings.

**Aaa (Stable)**

Moody’s  
Investors  
Service

**AAA (Stable)**

S&P Global  
Ratings



## Major Initiatives

WATER AND SEWER PROJECTS	PROJECT DESCRIPTION	STATUS
Little Sugar Creek Sanitary Sewer Improvements	Parallel sewer installation; collaborative effort between Charlotte Water, Storm Water, and Atrium Pearl Medical School Campus	Construction Complete <b>December 2024</b>
Clarke Creek Pump Station and Force Main	Construct new pump station with 2.5 million gallons per day capacity, 22,000 feet of 16" force main and 7,000 feet of 18" gravity sewer, and rehabilitation of components at McDowell WWTP to increase resiliency and redundancy	Construction Complete <b>December 2024</b>
Sunset Elevated Storage Tank	Construct 2-million-gallon capacity storage tank to ensure adequate storage, consistent water pressure, fire flows, and water quality for the community	Construction Complete <b>January 2026</b>
Mallard Creek Water Reclamation Facility Phase I Expansion	Expansion of the plant from 13.1 million gallons per day (MGD) to 16 MGD to serve the University/Northeast Mecklenburg area	Construction Underway <b>Estimated Completion: Fall 2026</b>
Stowe Regional Water Resource Recovery Facility	Construction of a new regional water resource recovery facility to serve the community	Construction Underway <b>Estimated Completion: Fall 2027</b>
Franklin Water Treatment Plant Water Quality Improvement	Construction of the water treatment plant phosphate, PAC, and fluoride systems, including improvements to clearwells and related appurtenances to update and increase efficiency	Construction Underway <b>Estimated Completion: June 2026</b>



## The Region's Economy

**As one of the fastest-growing economic centers in the United States, the City of Charlotte is the center of Charlotte Water's regional growth.**

**1,206,285 People**

**Estimated 2024 population**  
of Mecklenburg County

**7 Companies**

**in the Charlotte metro area are ranked in the Fortune 500**—with an additional 19 companies in the Fortune 1000, according to Fortune Magazine's 2025 rankings.

**State Ranked 1<sup>st</sup>**

**in the nation for business, according to CNBC's 2025 study**—home to major financial institutions including Bank of America, the country's second-largest banking center, and Truist Financial, the eighth-largest. Charlotte's strength as a financial headquarters is foundational to the region's economic success.

**Ranked 21<sup>st</sup>**

**among U.S. regions** for total Gross Domestic Product (GDP) output, accounting for nearly 32% of the Carolinas' total GDP.

**24,200 Jobs**

**(non-farm) added between 2023 and 2024**, growing the economy by 1.8%. The added jobs represent about 32.6% of the state's total job gain between the two years.

**157 people**

**moving to the region every day**—most in their prime working years—making it one of the fastest-growing areas in the country. A robust talent pipeline, strengthened by nationally renowned universities, colleges, and community colleges, ensures access to a skilled workforce ready to drive innovation and growth.

The Charlotte region is strategically located between major ports and inland cities, providing ideal transportation networks for distribution and logistics. Key transportation assets include Charlotte Douglas International Airport; four interstate highways (I-85, I-77, I-485, and I-40); an inland terminal; and two intermodal facilities. Charlotte is also the center of the country's largest consolidated rail system, Norfolk Southern Railway and CSX Transportation.

Charlotte is a major tourism destination with attractions such as the U.S. National Whitewater Center—the world's largest artificial whitewater river and a U.S. Olympic training site—the NASCAR Hall of Fame, and numerous art, culture, and science museums. Professional sports teams, including the Carolina Panthers (NFL), Charlotte Knights (MiLB), Charlotte Checkers (AHL), Charlotte Hornets (NBA), Charlotte Football Club (MLS), and Carolina Ascent FC (women's professional soccer), further draw visitors.

## *Economic Impact*

### **CHARLOTTE WATER IS A MAJOR ECONOMIC DRIVER FOR THE CHARLOTTE REGION.**

According to a November 2025 economic analysis by Raftelis Financial Consultants, Inc.:

**\$1M invested → \$22M growth**

For every \$1 million Charlotte Water invests,  
\$22 million in growth is created

**8,125 jobs**

created as a result of O&M and capital spending in FY 2024

**280,000 jobs**

created in water-dependent industries

**\$12.9 Billion**

generated by Charlotte Water spending (last 10 years)

**\$51.4 Billion**

contributed by water-dependent industries



## *Accolades*

### **2024 National Association of Clean Water - Platinum Peak Performance Award**

In recognition for 100 percent compliance with permits over a consecutive five-year period for Mallard Creek, McDowell Creek, McAlpine Creek, Ashe Plantation, and Irwin Creek wastewater treatment plants

### **2024 National Association of Clean Water - Gold Peak Performance Award**

In recognition of no permit violations for the entire calendar year for Sugar Creek Wastewater Treatment Plant

### **Water Environment Federation - Utility of the Future Today**

Honoree for partnering and engagement

### **American Water Works Association Partnership Program - 20-year Directors Award**

Recognized for Charlotte Water's distribution system acknowledging the sustained high performance and commitment to delivering safe, high-quality drinking water to its customers

### **Design-Build Institute of America (DBIA) Southeast - Design Build Award**

Recognized for second place for McAlpine wastewater management reliability and process improvements

### **GOVies - Outstanding Work-Team**

Recognized for the support and work Charlotte Water staff provided to western North Carolina due to Hurricane Helene relief efforts



## Acknowledgements

We hope you find this report informative and valuable. The management philosophy of Charlotte Water is rooted upon principles of prudent financial stewardship and an unwavering commitment to environmental excellence. We extend our deepest gratitude and appreciation to the dedicated team members that work diligently to provide support to water and sewer operations, as well as those who contributed to the development of this report.

Sincerely,

**Angela D. Charles**  
Charlotte Water Department  
Chief Executive Officer  
Charlotte Water



**Matthew Hastedt**  
Chief Financial Officer  
City of Charlotte





# *Financial Section*

- 23 Report of the Independent Auditor
- 25 Management's Discussion & Analysis
- 34 Basic Financial Statements
- 80 Required Supplementary Information

The Financial Section contains audited information about the Charlotte Water Enterprise Fund.



## Report of Independent Auditor

To the Honorable Mayor and Members of the City Council  
City of Charlotte, North Carolina

### Opinion

We have audited the accompanying financial statements of Charlotte Water, an enterprise fund of the City of Charlotte, North Carolina (the “City”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, as listed in the table of contents.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Charlotte Water as of June 30, 2025 and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter

As discussed in Note 1, the financial statements present only Charlotte Water and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2025, the changes in its financial position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Cherry Bekaert LLP*

Charlotte, North Carolina  
February 26, 2026



# *Management's Discussion & Analysis*



## *Management's Discussion & Analysis*

Management's Discussion & Analysis (MD&A) provides a narrative introduction, overview, and analysis of the financial activities of Charlotte Water, an enterprise fund of the City of Charlotte. The information contained herein pertains to the financial performance of Charlotte Water for the Fiscal Year (FY) ended June 30, 2025. This MD&A should be read in conjunction with the Financial Statements and Notes that follow.

## *Financial Highlights*

### **Fiscal Year 2025**

- Total net position of the Charlotte Water Enterprise Fund on June 30, 2025 was \$3,579.3 million; 11.2 percent or \$399.4 million of that total was unrestricted. The net position increased by \$221 million (6.6 percent) from the net position on June 30, 2024.
- Operating revenues were \$616.5 million in FY 2025, an increase of \$45 million (7.9 percent) compared to FY 2024, which was due to an average rate increase along with an increase in the customer base and billed charges.
- Total operating expenses increased by \$39.5 million to \$463.5 million in FY 2025. This was primarily due to increased personnel costs, commodities prices, utility service provider rate increases, increased utilization of contracted services for collections/distributions system repairs and increased depreciation expense.
- Non-operating net expenses increased by \$2.6 million to \$63.7 million. This was primarily due to a \$13.9 million increase in interest expense and other charges to issue offset by a \$7.8 million increase in investment earnings.
- Capital contributions increased by \$8.1 million to \$134.9 million in FY 2025. These contributions consisted of donated water and sewer system construction.
- During the year, the City implemented GASB Statement 101, Compensated Absences. The implementation of the standard establishes updated guidance for accounting and financial reporting of compensated absences, such as vacation, sick leave, and paid time off.



## Overview of Financial Statements

The Financial Section of this report consists of two parts: Management's Discussion & Analysis (this section) and the Basic Financial Statements. The Basic Financial Statement section includes Notes to the Financial Statements that provide explanations and detailed data on pages 43 through 78.

Charlotte Water (CLTWater) is an enterprise fund of the City that accounts for the operations of the public water and wastewater utility systems. All assets and liabilities associated with CLTWater's activities are included on the Statement of Net Position. CLTWater's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The following is a summary of CLTWater's Net Position as of June 30:

### NET POSITION (In thousands)

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Current and other assets	\$ 546,440	\$ 519,451
Capital assets, net	5,767,347	5,470,078
<b>TOTAL ASSETS</b>	<b>6,313,787</b>	<b>5,989,529</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>40,065</b>	<b>47,377</b>
<b>LIABILITIES</b>		
Current liabilities	226,873	246,494
Noncurrent liabilities	2,520,170	2,399,892
<b>TOTAL LIABILITIES</b>	<b>2,747,043</b>	<b>2,646,386</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>27,544</b>	<b>30,686</b>
<b>NET POSITION</b>		
Net investment of capital assets	3,152,062	2,958,568
Restricted	27,817	25,221
Unrestricted	399,386	376,045
<b>TOTAL NET POSITION</b>	<b>\$ 3,579,265</b>	<b>\$ 3,359,834</b>

The analysis below explains the Net Position.



## *Fiscal Year 2025 Compared to Fiscal Year 2024*

Total assets increased by \$324.3 million or 5.4 percent in FY 2025 compared to FY 2024. The increase was primarily due to capitalization of donated assets and capital projects, such as Stowe WRRF Improvements, Mallard Creek WRRF Expansion and Improvements, Clarke Creek Basin Pump Station and Force Main, and Major Water Main Replacement and Rehabilitation. Additionally, cash increased as a result of reimbursement of construction expenses from debt proceeds.

Total liabilities increased by \$100.7 million or 3.8 percent in FY 2025 compared to FY 2024. This increase was primarily attributable to revenue bond anticipation notes to be used for financing construction and maintenance projects for the water and sewer system.

Total net position increased by \$221 million in FY 2025 or 6.6 percent compared to FY 2024. As of June 30, 2025, \$3.2 billion was invested in capital assets, \$27.8 million was restricted for OPEB, while \$399.4 million was unrestricted and available for short-term operational needs.



*This page is intentionally left blank*



The following is a summary of Changes in Net Position as of June 30:

**CHANGES IN NET POSITION**  
**(In thousands)**

	<b>2025</b>	<b>2024</b>
Operating Revenues	\$ 616,523	\$ 571,493
Operating Expenses	463,502	424,011
<b>OPERATING INCOME</b>	<b>153,021</b>	<b>147,482</b>
Nonoperating revenues (expenses)		
Investment earnings	16,905	9,153
Interest expense and other charges	(85,245)	(71,305)
Miscellaneous	4,670	1,105
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(63,670)</b>	<b>(61,047)</b>
Income before contributions	89,351	86,435
Capital contributions	134,914	126,838
Transfers out	(3,296)	(3,425)
<b>CHANGES IN NET POSITION</b>	<b>220,969</b>	<b>209,848</b>
<b>TOTAL NET POSITION - BEGINNING, AS PREVIOUSLY REPORTED</b>	<b>3,359,834</b>	<b>3,149,986</b>
Change in Accounting Principle	(1,538)	-
<b>TOTAL NET POSITION - BEGINNING, RESTATED</b>	<b>3,358,296</b>	<b>3,149,986</b>
<b>TOTAL NET POSITION - ENDING</b>	<b>\$ 3,579,265</b>	<b>\$ 3,359,834</b>

Charlotte Water's (CLTWater) Changes in Net Position provides information concerning what contributed to the net changes reported in the Statement of Net Position. Several financial factors positively and negatively impacted the increase in Net Position highlighted below. CLTWater's operating revenues were \$616.52 million in FY 2025, an increase of \$45.0 million or 7.9 percent compared to FY 2024. This was due to an average rate increase of 5.75 percent for an average customer effective July 1, 2024, and an increase in our customer base and billed charges. Operating expenses increased by \$39.5 million or 9.3 percent, to \$463.50 million in FY 2025. This was primarily due to increased commodities prices, utility service provided rate increases, increased utilization of contracted services for collections/distributions system repairs.



The following table highlights CLTWater's operating expenses for fiscal years 2025 and 2024:

**OPERATING EXPENSES**

(In thousands)

	<b>2025</b>	<b>2024</b>
Administration	\$ 57,108	\$ 46,505
Operations and maintenance	195,794	181,609
Other	1,990	1,937
Amortization	1,759	1,301
Depreciation	206,851	192,659
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 463,502</b>	<b>\$ 424,011</b>

*Capital Assets*

Charlotte Water's net capital assets were \$5,767.3 million in FY 2025 and \$5,470.1 million in FY 2024. The following is a summary of capital assets at June 30, 2025 and 2024:

**CAPITAL ASSETS**

(In thousands)

	<b>2025</b>	<b>2024</b>
Land	\$ 72,946	\$ 69,440
Construction in progress	38,215	33,720
Buildings	112,592	105,651
Water and sewer system	8,207,502	7,747,175
Intangibles	77,958	63,935
Machinery and equipment	108,668	96,589
Right to use land	47	47
Right to use machinery and equipment	4,219	4,219
Right to use SBITAs	5,293	4,599
<b>TOTAL CAPITAL ASSETS</b>	<b>8,627,440</b>	<b>8,125,375</b>
Less accumulated depreciation	2,856,326	2,653,064
Less accumulated right to use lease asset amortization	1,062	583
Less accumulated right to use SBITA asset amortization	2,705	1,650
	<b>\$ 5,767,347</b>	<b>\$ 5,470,078</b>



## *Significant Capital Asset Additions During FY 2025*

- New Services Installation Water and Sewer - \$15.1 million
- Mallard Creek WRRF Expansion and Improvement - \$22 million
- Stowe Regional WRRF - \$150.5 million
- Franklin Water Treatment Plant - Water Quality Improvement - \$19.7 million
- Donated Water and Sewer Systems - \$132.3 million

## *Debt Administration*

### **CITY OF CHARLOTTE, NORTH CAROLINA CHARLOTTE WATER WATER AND SEWER REVENUE BONDS**

At June 30, 2025, Charlotte Water's (CLTWater) outstanding bonds and loans debt totaled \$2,294.4 million net of applicable premiums, which includes revenue bonds: \$1,879,420; installment purchases: \$14,621; revenue bond anticipation notes: \$301,506; State revolving loans: \$93,655; lease liabilities: \$3,260; and SBITA liabilities: \$1,958 as referenced in Schedule 13 on page 128.

CLTWater's credit ratings for its bonds were AAA by Standard & Poor's and Aaa by Moody's Investors Service. These ratings reflect CLTWater's strong fiscal policy and standards. CLTWater is required by bond covenants to maintain a revenue bond coverage ratio of 1.25 for principal and interest.

The revenue bond coverage excluding surplus fund ratio was 2.1 for FY 2025 compared to 2.1 for FY 2024. Additional information on CLTWater's long-term debt can be found in Note 5 in the Notes to the Financial Statements. For more information regarding the BANs, please refer to Note 5 in the Notes to the Financial Statements.



## *Economic Factors Affecting the Charlotte Water Enterprise Fund*

- The City of Charlotte and Mecklenburg County are geographically located along a ridgeline separating the Catawba River basin and the Rocky River basin. This location tends to make regional provision of utility services an effective strategy. The City has established cooperative working relationships with the cities, counties, and utility agencies within and surrounding Charlotte-Mecklenburg.
- Agreements are in place with the Water and Sewer Authority of Cabarrus County that provide for that agency to treat up to 6 million gallons of wastewater from northeast Mecklenburg County. Separate agreements provide for the City to treat wastewater from Union County and Lancaster County, South Carolina. The agreements provide for future expansions, industrial pretreatment programs, and other operational and management concerns. The City also sells treated potable water to York County, South Carolina; the Town of Harrisburg, North Carolina; and to the Lancaster County Water and Sewer District, South Carolina. In addition, the City sells treated potable water to the City of Concord, North Carolina, and Union County, North Carolina, on an as-needed basis.
- Charlotte Water's budget is \$275.4 million, a 10.5 percent increase over 2025, and includes an increase of \$15.4 million to update funding to more accurately reflect operational needs in contracted services, maintenance materials and supplies, chemicals for treatment, and energy utilities.

## *Requests for Financial Information*

This annual financial report is designated to provide a general overview of Charlotte Water's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the City of Charlotte's Finance Department, 600 East Fourth Street, Charlotte, NC 28202-2848.

For prior Charlotte Water financial reports or other City financial information, please visit the City of Charlotte's Finance Department Website at [charlottenc.gov/City-Government/Departments/Finance/Publications](http://charlottenc.gov/City-Government/Departments/Finance/Publications).

# *Basic Financial Statements*

- 35 Statement of Net Position
- 39 Statement of Revenues, Expenses, and Changes in Net Position
- 41 Statement of Cash Flows
- 43 Notes to the Financial Statements

The Financial Section contains audited information about the Charlotte Water Enterprise Fund.





**STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2025**  
Dollar Amount in Thousands

**ASSETS**

Current Assets:

Cash, cash equivalents and investments	\$	414,244
Receivables, net of allowance for uncollectables		(11,516)
Accounts		62,609
Lease receivable		295
Other		3,937
<b>TOTAL RECEIVABLES</b>		<b>66,841</b>

Due from other governmental agencies	25,510
Due from other funds	307
Prepaid items	46
Inventories	3,276
Restricted assets	
Cash and cash equivalents	70
Investments	5,981
<b>TOTAL CURRENT ASSETS</b>	<b>516,275</b>

Noncurrent Assets:

Lease receivable	\$	2,348
Net OPEB asset		27,817
Capital assets		
Land		72,946
Buildings		112,592
Improvements other than buildings		
Water and sewer systems intangibles		8,207,502
<b>TOTAL IMPROVEMENTS OTHER THAN BUILDINGS</b>		<b>8,207,502</b>
Intangibles		77,958
Machinery and equipment		108,668
Construction in progress		38,215
Right to use lease assets		4,266
Right to use SBITA assets		5,293
<b>TOTAL CAPITAL ASSETS</b>		<b>8,627,440</b>



**STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2025**  
Dollar Amount in Thousands

*Continued*

Less accumulated depreciation	2,856,326
Less accumulated right to use lease asset amortization	1,062
Less accumulated right to use SBITA amortization	2,705
<b>TOTAL CAPITAL ASSETS, NET</b>	<b>5,767,347</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>5,797,512</b>
<b>TOTAL ASSETS</b>	<b>6,313,787</b>

**DEFERRED OUTFLOWS OF RESOURCES:**

Pension deferrals	16,955
OPEB deferrals	752
Contributions to pension plan subsequent to measurement date	11,140
Loss on refundings	9,233
Bond refunding charges	1,985
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>40,065</b>

**LIABILITIES:**

Current liabilities:

Accounts payable	\$ 43,515
Deposits and retainage payable	26,052
Accrued interest payable	44,598
Unearned revenues	16,064
Current maturities of noncurrent liabilities	95,842
Current liabilities payable from restricted assets	
Accounts payable	802
<b>TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>	<b>802</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>226,873</b>

Noncurrent liabilities:

Revenue bonds payable - net of unamortized premium	2,056,011
Revenue bond anticipation notes payable	301,506
Installment purchases - net of unamortized premium	9,895
State revolving loan payable	88,264
Refundable water and sewer construction deposits	1,334

## BASIC FINANCIAL STATEMENTS



### STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2025 Dollar Amount in Thousands

*Continued*

Lease payable	2,842
SBITA payable	830
Compensated absences payable	5,005
Net pension liability	54,483
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,520,170</b>
<b>TOTAL LIABILITIES</b>	<b>2,747,043</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Leases	2,436
Pension deferrals	1,081
OPEB deferrals	3,551
Gain of refundings	20,476
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>27,544</b>
<b>NET POSITION:</b>	
Net investment in capital assets	3,152,062
Restricted for:	
Net OPEB asset	27,817
Unrestricted	399,386
<b>TOTAL NET POSITION</b>	<b>\$ 3,579,265</b>

The notes to the financial statements are an integral part of this statement.



*This page is intentionally left blank*



**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2025**

Dollar Amount in Thousands

**OPERATING REVENUES:**

Charges for services	\$ 473,223
Availability fees	60,398
System development fees	76,607
Miscellaneous	6,295
<b>TOTAL OPERATING REVENUES</b>	<b>616,523</b>

**OPERATING EXPENSES:**

Administration	57,108
Operations and maintenance	195,794
Other	1,990
Right to use lease amortization	479
Right to use SBITA amortization	1,280
Depreciation	206,851
<b>TOTAL OPERATING EXPENSES</b>	<b>463,502</b>
<b>OPERATING INCOME</b>	<b>153,021</b>

**NONOPERATING REVENUES (EXPENSES):**

Investment earnings	16,905
Interest expense and other charges	(85,245)
Miscellaneous	4,670
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(63,670)</b>

Income before contributions and transfers	89,351
---	--------

<b>CAPITAL CONTRIBUTIONS</b>	<b>134,914</b>
<b>TRANSFERS OUT</b>	<b>(3,296)</b>
Change in net position	<b>220,969</b>



**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2025**

Dollar Amount in Thousands

*Continued*

<b>TOTAL NET POSITION-BEGINNING, AS PREVIOUSLY REPORTED</b>	<b>3,359,834</b>
<b>CHANGE IN ACCOUNTING PRINCIPLE</b>	<u>(1,538)</u>
<b>TOTAL NET POSITION-BEGINNING, RESTATED</b>	<b>3,358,296</b>
<b>TOTAL NET POSITION-ENDING</b>	<u><b>\$ 3,579,265</b></u>

The notes to the financial statements are an integral part of this statement.

## BASIC FINANCIAL STATEMENTS



### STATEMENT OF CASH FLOWS For the Year Ended June 30, 2025 Dollar Amount in Thousands

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 614,439
Payments to suppliers	(154,992)
Payments to other City funds	(44,318)
Payments to employees	(76,983)
Other receipts (payments)	22,750
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>360,896</b>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>	
Transfers	(3,296)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(3,296)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from capital debt	207,970
Acquisition and construction of capital assets	(403,759)
Lease expenses	(432)
SBITA expenses	(1,380)
Principal paid on capital debt	(82,287)
Interest and other charges paid on capital debt	(84,284)
Capital contributions	9,850
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(354,322)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of investments	(446)
Proceeds from sale and maturities of investments	10,635
Interest received	15,769
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>25,958</b>
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>29,236</b>
<b>CASH, CASH EQUIVALENTS AND INVESTMENTS - BEGINNING OF YEAR</b>	<b>385,078</b>
<b>CASH, CASH EQUIVALENTS AND INVESTMENTS - END OF YEAR</b>	<b>\$ 414,314</b>

The notes to the financial statements are an integral part of this statement.



**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2025**  
**Dollar Amount in Thousands**

*Continued*

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH**

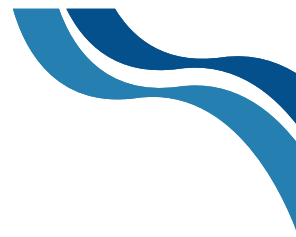
**PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$ 153,021
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	206,851
Amortization	1,759
Other receipts	22,750
Changes in assets and liabilities-	
(Increase) in receivables	(1,940)
(Increase) decrease in due from other governmental agencies	(2,236)
(Increase) decrease in inventories	(244)
(Increase) decrease in prepaid items	(46)
Decrease in deferred outflows of resources for pensions	4,688
(Increase) in net OPEB asset	(2,596)
Decrease in deferred outflows of resources for OPEB	1,387
(Decrease) in accounts payable	(22,468)
(Decrease) in deposits and retainage payable	(144)
Increase in net pension liability	276
(Decrease) in deferred inflows of resources for pensions	(184)
(Decrease) in deferred inflows of resources for OPEB	(1,099)
Increase in compensated absences payable	1,121
<b>TOTAL ADJUSTMENTS</b>	<b>207,875</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 360,896</b>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Donated assets	\$ 131,675
Acquisition of capital assets through SBITAs	(694)
<b>NET NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>	<b>\$ 130,981</b>

The notes to the financial statements are an integral part of this statement.



# Notes to the Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. REPORTING ENTITY

The accompanying financial statements present only the activities of Charlotte Water, an enterprise fund of the City of Charlotte, North Carolina, and accordingly, do not purport to and do not present the financial position of the City of Charlotte, North Carolina.

### B. BASIS OF PRESENTATION

Charlotte Water (CLTWater) is an enterprise fund of the city that accounts for the operations of the public water and wastewater utility systems. All assets and liabilities associated with CLTWater's activities are included on the Statement of Net Position. CLTWater's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

### C. CASH AND CASH EQUIVALENTS/INVESTMENTS

The City maintains a cash management pool (pool) that is used by Charlotte Water (CLTWater) and other funds of the City. The pool facilitates disbursement and investment and maximizes investment income. Earnings on the pooled funds are apportioned and credited to the funds monthly based on the average daily balance of each fund. Since CLTWater may deposit additional amounts at any time and may withdraw funds at any time without prior notice or penalty, the pool is used essentially as a demand deposit account. Therefore, for the Statement of Net Position and Statement of Cash Flows, CLTWater's portion of pooled cash is considered cash and cash equivalents. The restricted cash includes cash equivalents/investments held by trustees as required by revenue bond covenants. All restricted money market funds are considered cash and cash equivalents. The remaining amount of restricted assets is considered investments.

#### Deposits

As of June 30, 2025, the carrying amount of bank deposits was \$21,472 included in the City's pooled cash account. All deposits of the City are made in board-designated official depositories and are secured as required by state statutes. The City may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit. According to the City's policy regarding custodial credit risk for deposits, all of the City's deposits are either insured or collateralized by using the Pooling Method. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for noninterest bearing deposits and the actual current balance for interest-bearing deposits.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Dollar Amount in Thousands

*Continued*

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

### Investments

State statute 159-30 authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; repurchase agreements having third-party safekeeping; and the North Carolina Capital Management Trust (NCCMT). The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value.

Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than six months.

The North Carolina Cooperative Liquid Assets Securities System (NC CLASS) and North Carolina Investment Pool (NCIP) are investment pools created by an interlocal agreement and an indenture of trust pursuant to N.C.G.S.

### Section 159-30(C)(10)

Funds of the participants are invested in high-quality, short-term fixed income instruments and are rated 'AAA' by S&P Global Ratings. These investments are measured at amortized cost (net asset value), which approximates fair value. Because the pools have a weighted average maturity of no more than 60 days, they are presented as investments with a maturity of less than six months. The City is not authorized to enter into reverse repurchase agreements. The investments of Charlotte Water at June 30, 2025, stated at fair value, were \$398,823. Of this amount, \$5,981 were restricted.



NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Dollar Amount in Thousands

Continued

2025 INVESTMENT MATURITIES (IN YEARS)

INVESTMENT TYPE	FAIR VALUE	LESS THAN 1	1-3	MORE THAN 3
U.S. Treasuries	\$ 93,498	\$ 69,760	\$ 23,738	\$ -
U.S. Agencies	271,245	184,420	72,808	14,018
Commercial Paper	3,222	3,222	-	-
Mutual Funds	-	N/A	N/A	N/A
NCMMT Government Portfolio	27,931	N/A	N/A	N/A
NCIP	1,463	N/A	N/A	N/A
NC Class	1,464	N/A	N/A	N/A
<b>TOTAL</b>	<b>\$ 398,823</b>	<b>\$ 257,402</b>	<b>\$ 96,546</b>	<b>\$ 14,018</b>

The investments and maturities were as follows:

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

The following is a summary of the fair value hierarchy of the fair value of investments as of June 30, 2025:

<b>INVESTMENTS BY FAIR VALUE</b>	<b>JUNE 30, 2025</b>	<b>MEASUREMENTS USING QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)</b>	<b>MEASUREMENTS USING QUOTED PRICES IN ACTIVE MARKETS FOR SIMILAR ASSETS (LEVEL 2)</b>
Debt Securities			
U.S. Treasuries	\$ 93,498	\$ 93,498	\$ -
U.S. Agencies	271,245	-	271,245
Commercial Paper	3,222	-	3,222
Mutual Funds	-	-	-
<b>TOTAL INVESTMENTS BY FAIR VALUE LEVEL</b>	<b>\$ 367,965</b>	<b>\$ 93,498</b>	<b>\$ 298,205</b>

<b>CATEGORY</b>	<b>INVESTMENTS MEASURED AS NAV</b>	<b>UNFUNDED COMMITMENT</b>	<b>REDEMPTION FREQUENCY</b>	<b>REDEMPTION NOTICE PERIOD</b>
NCCMT Government Portfolio	\$ 27,931	\$ -	Daily	N/A
NCIP	1,463	-	Daily	N/A
NC Class	1,464	-	Daily	N/A
	<b>30,858</b>	-		
	<b>\$ 398,823</b>	<b>\$ -</b>		

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities benchmark quoted prices. Investments in NC Class, NCIP, and the NCCMT Government Portfolio are reported at amortized cost (NAV), which approximates fair value.

**Interest Rate Risk**

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy structures the investment portfolio so security maturities match cash flow requirements for ongoing operations, avoiding the need to sell securities on the open market prior to maturity. Also, the City's investment policy requires the investment of operating funds primarily in shorter-term securities (0-5 years), money market mutual funds, or similar investment pools.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Dollar Amount in Thousands

*Continued*

### Concentration of Credit Risk

The City's investment policy limits the amount of commercial paper or bankers' acceptances to a maximum of 25 percent of the portfolio. For commercial paper, a maximum of \$20 million may be invested in any one issuer. For bankers' acceptances, the maximum investment is limited to 10 percent of the portfolio for any one issuer.

### Credit Risk

The City's investment policy seeks to minimize credit risk by pre-qualifying and conducting ongoing due diligence of the financial institutions, broker/dealers, and intermediaries with which the City will do business and diversifying the investment portfolio so the impact of potential losses from any one type of security or from any one individual issuer will be minimized. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2025, Charlotte Water's (CLTWater) investments in commercial paper carried at least S&P A1, Moody's P1 or Fitch F1 ratings. CLTWater's investments in the NCCMT Government Portfolio carried a credit rating of AAA by S&P as of June 30, 2025. CLTWater's investments in U.S. Agencies (Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank) are rated AA+ by S&P and Aaa by Moody's.

### Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2025, the City had no investments subject to custodial credit risk. The City's investment policy limits custodial credit risk by providing purchased securities be delivered to a third-party safekeeping bank designated by the City.

### D. ACCOUNTS RECEIVABLE

Accounts receivables are shown net of an allowance for uncollectibles. This amount is estimated by identifying receivables unlikely to be paid but not yet eligible for final write-off.

### E. LEASE RECEIVABLES

The City's lease receivables are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreements, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is recognized on a straight-line basis over the term of the lease.



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

**F. INVENTORY**

Inventories are valued at cost (first-in, first-out), which approximates market. Inventories consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

**G. CAPITAL ASSETS**

Donated capital assets are recorded at acquisition value. All other purchased or constructed assets are reported at cost or estimated historical cost. General infrastructure assets are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized. Capital assets are assets with an initial, individual cost of \$5 or more, except intangible assets and subscription-based information technology arrangements which have a minimum cost of \$100. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	20-50 years
Water and Sewer Systems	5-40 years
Intangibles	5-20 years
Machinery and Equipment	3-40 years

The right to use lease assets are initially measured at an amount equal to the present value of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease. The right to use Subscription-Based Information Technology Arrangement (SBITA) assets are initially measured at an amount equal to the initial investment of the SBITA liability plus any SBITA payments made at the start of the SBITA term, if applicable, plus capitalizable initial implementation costs at the start of the SBITA term, less any incentives received from the SBITA vendor at the start of the SBITA term. The right to use SBITA assets are amortized on a straight-line basis over the SBITA term.

**H. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. The Deferred Outflows of Resources financial statement element represents a consumption of net asset that applies to a future period and so will not be recognized as an expense until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. The Deferred Inflows of Resources financial statement element represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Dollar Amount in Thousands

*Continued*

### I. NONCURRENT LIABILITIES

Bond premiums are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of applicable premiums. Bond issuance costs are expensed in the reporting period in which they are incurred.

### J. COMPENSATED ABSENCES

For the year ended June 30, 2025, the financial statements include the adoption of GASB Statement 101, compensated absences. Employees earn vacation leave at the rate of 10 to 20 days per year and can accrue a maximum 20 to 40 days, depending on length of service. Effective January 1, 2016, vacation in excess of the maximum accumulation is transferred into the employee's well-being leave balance. Unused vacation days are payable upon termination, resignation, retirement or death. A liability is accrued for earned leave that carries over and is more likely than not to be used or paid out. The City used the last-in, first-out (LIFO) flow assumption method to calculate the liability for compensated absences.

Employees accumulate well-being leave at the rate of one day per month and can accrue an unlimited number of days. Well-being leave can be taken for the physical or mental health care of the employee or family member.

Well-being leave is lost upon termination or resignation, unless the employee retires and immediately begins drawing a retirement benefit. Employees may be paid 20 percent of outstanding well-being leave, with a maximum of 43.5 days, upon retirement or death. Compensated absences payable includes accumulated unpaid vacation leave and well-being leave. Charlotte Water's beginning net position has been restated in fiscal year 2025 due to the implementation of GASB 101.

### K. NET POSITION

Net position is classified as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. Restricted net position represents constraints on resources that are externally imposed by creditors, grantors, contributors, bond covenants, or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the preceding categories.

**NOTES TO THE FINANCIAL STATEMENTS****June 30, 2025****Dollar Amount in Thousands***Continued***L. REVENUES****Rates and charges**

The City Council adopts the rate methodology that determines the annual water and sewer rates. No State or other authority regulates the City's water and sanitary sewer rates. Monthly service charges consist of minimum fixed charges, an availability fee and tiered consumption charges. In addition, charges are imposed for various specific services including charges on discharged sewage that contains suspended solids or has a biological oxygen demand greater than normal domestic sewage. Rates and charges are reviewed and approved annually by the City Council in consideration of the next fiscal year's operating budget, existing debt service and future debt service for obligations supported by revenues. Water and Sewer System rates do not differentiate between City and County residents. In 1994, the City implemented an inclining block rate structure designed to promote water conservation. In April of 2008, the City Council approved a change in the water rate methodology that adjusts the inclining block rate structure to more aggressively promote water conservation. This modified rate structure is intended to allocate the cost of providing infrastructure for peak and excess demand to the users creating the demand. In February 2011, the City again modified the water and sewer rate methodology by adding an availability fee which was initially implemented in fiscal year 2012. The availability fee applies to both water and sewer. While the initial target was the recovery of 20% of Charlotte Water's annual debt service costs, the target now reflects a long-term goal to recover 40% of annual debt service costs through this fee. Charlotte Water will recommend adjusting the recovery percentage each year as needed and appropriate until achieving the 40% recovery goal. Revenue from the availability fee helps pay for projects as well as reduce impact of consumption variability due to weather. The fee varies proportionally based on the size of each customer's meter.

**System Development Fees**

On July 20, 2017, House Bill 436, Session Law 2017-138, also known as the "Public Water and Sewer System Development Fee Act" became law in North Carolina. In addition, on June 22, 2018, House Bill 826, Session Law 2018-34, also known as "An Act to Revise System Development Fees", collectively with the System Development Fee Act, became law in North Carolina. The System Development Fee acts provide uniform authority to local government units, including the City, to implement system development fees for public water and sewer systems. The City meets the requirements of the System Development Fee Acts. System development fees are subject to the pledge of net revenues of the water and sewer system pursuant to the general trust indentures. Revenue is recognized upon collection.

**M. PENSIONS**

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about fiduciary net position of the Local Governmental Employee's Retirement System (LGERS) and additions to/



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Dollar Amount in Thousands

*Continued*

deductions from LGER's fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Charlotte's employer contributions are recognized when due and there is a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value. For purposes of measuring the net OPEB asset or liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Employee Benefit Trust Plan (EBTP) and additions to/deductions from the EBTP fiduciary net position have been determined on the same basis as they are reported by the EBTP. For this purpose, the EBTP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### N. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

During the fiscal year, the City adopted the provisions of GASB Statement No. 101, Compensated Absences, which supersedes the previous standard, GASB 16. This new standard requires a liability to be recognized for both: 1) Leave that has not been used which applies to leave attributable to services already rendered, that accumulates and is more likely than not to be used for time off or otherwise paid in cash or non-cash means; and 2) Leave that has been used but not yet paid or settled. In addition, the calculation of the liability for the City incorporates the employee's pay rate and associated salary related costs, such as social security (6.2%), Medicare (1.45%), 401K contribution (3.00%), and law enforcement additional contribution (5.00%). Management determined that the implementation of Statement No. 101 was material and restated the beginning net position as of July 1, 2024. The vacation and well-being leave and compensatory time liability amounts were summed together, and salary-related payments were integrated (at varying points of the calculation) to arrive at a total re-measured FY 24 compensated absence liability for Charlotte Water of \$9,992. This is an increase from the previous FY 24 measurement of \$1,538 under Statement No. 16. Utilizing the same methodology, the FY 25 liability totaled \$11,112.

## 2. RECEIVABLES

### A. LEASE RECEIVABLE

Charlotte Water (CLTWater) leases land, water and sewer systems, and infrastructure capital assets to various third-party tenants doing business in the City of Charlotte. These leases have terms including options to extend between 1 and 99 years, with payments required monthly, semiannually, or annually. In fiscal year 2025, CLTWater recognized \$345 of lease principal revenue and \$41 of interest revenue related to these leases. As of June 30, 2025, CLTWater's lease receivables were valued at \$2,643. The deferred inflow of resources associated with these leases to be recognized as revenue over the remaining terms of the leases is \$2,436.



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

The principal and interest requirements to maturity for the lease receivable at June 30, 2025, are as follows:

<u>YEAR ENDING JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2026	\$ 295	\$ 37	\$ 332
2027	231	34	265
2028	116	31	147
2029	114	30	144
2030	121	28	149
2031-2035	602	111	713
2036-2040	404	71	475
2041-2045	192	50	242
2046-2050	244	34	278
2051-2055	282	13	295
2056-2060	2	3	5
2061-2065	2	3	5
2066-2070	2	3	5
2071-2075	2	3	5
2076-2080	3	2	5
2081-2085	3	2	5
2086-2090	3	2	5
2091-2095	4	1	5
2096-2100	4	1	5
2101-2105	4	1	5
2106-2110	4	1	5
2111-2115	5	1	6
2116-2119	4	-	4
	<u><b>\$ 2,643</b></u>	<u><b>\$ 462</b></u>	<u><b>\$ 3,105</b></u>



NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Dollar Amount in Thousands

Continued

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

Business-type activities	Beginning Balance	Increase	Decrease	Ending Balance
<i>Water and Sewer</i>				
Capital assets not being depreciated				
Land	\$ 69,440	\$ 3,506	\$ -	\$ 72,946
Construction in progress	33,720	24,633	20,138	38,215
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>103,160</b>	<b>28,139</b>	<b>20,138</b>	<b>111,161</b>
Capital assets being depreciated				
Buildings	105,651	6,941	-	112,592
Water and sewer system	7,747,175	460,327	-	8,207,502
Intangibles	63,935	14,023	-	77,958
Machinery and equipment	96,589	13,835	1,756	108,668
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>8,013,350</b>	<b>495,126</b>	<b>1,756</b>	<b>8,506,720</b>
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>				
Buildings	19,562	2,657	-	22,219
Water and sewer system	2,545,250	194,945	-	2,740,195
Intangibles	26,679	1,988	-	28,667
Machinery and equipment	61,573	7,261	3,589	65,245
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>2,653,064</b>	<b>206,851</b>	<b>3,589</b>	<b>2,856,326</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<b>5,360,286</b>	<b>288,275</b>	<b>(1,833)</b>	<b>5,650,394</b>
<b>RIGHT TO USE ASSETS BEING AMORTIZED:</b>				
Land	47	-	-	47
Machinery and equipment	4,219	-	-	4,219
SBITAs	4,599	872	178	5,293



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

<b>TOTAL RIGHT TO USE ASSETS BEING AMORTIZED</b>	<b>8,865</b>	<b>872</b>	<b>178</b>	<b>9,559</b>
<b>LESS ACCUMULATED AMORTIZATION FOR:</b>				
Land	11	5	-	16
Machinery and equipment	572	474	-	1,046
SBITAs	1,650	1,280	225	2,705
<b>TOTAL ACCUMULATED AMORTIZATION</b>	<b>2,233</b>	<b>1,759</b>	<b>225</b>	<b>3,767</b>
<b>WATER AND SEWER RIGHT TO USE ASSETS, NET</b>	<b>6,632</b>	<b>(887)</b>	<b>(47)</b>	<b>5,792</b>
<b>WATER AND SEWER CAPITAL ASSETS, NET</b>	<b>\$ 5,470,078</b>	<b>\$ 315,527</b>	<b>\$ 18,258</b>	<b>\$ 5,767,347</b>

NOTE: Decreases in construction in progress relate to increases in land and other capital assets. Other items not meeting capitalization thresholds are expensed.



NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Dollar Amount in Thousands

Continued

4. INTERFUND TRANSFERS

Charlotte Water transferred \$3,296 to the Capital Projects Fund to fund the Enterprise Business System software.

5. NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ended June 30, 2025, follows by type:

	Beginning Balance *Restated	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Plus amortized premiums	-	-	-	-	-
Revenue Bonds	1,950,870	-	71,450	1,879,420	65,990
Plus unamortized premiums	263,859	-	10,639	253,220	10,639
<b>TOTAL BOND PAYABLE</b>	<b>2,214,729</b>	<b>-</b>	<b>82,089</b>	<b>2,132,640</b>	<b>76,629</b>
Direct placement installment purchases	5,659	-	2,238	3,421	2,272
Installment Purchases	14,000	-	2,800	11,200	2,800
Plus unamortized premiums	624	-	139	485	139
<b>TOTAL INSTALLMENT PURCHASES</b>	<b>20,283</b>	<b>-</b>	<b>5,177</b>	<b>15,106</b>	<b>5,211</b>
Direct placement revenue bond anticipation notes	94,086	207,420	-	301,506	-
Direct borrowing state revolving loan	97,966	550	4,851	93,665	5,401



NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Dollar Amount in Thousands

Continued

Refundable construction deposits	2,604	3,574	3,896	2,282	948
Lease liabilities	3,665		405	3,260	418
SBITA liabilities	2,644	884	1,570	1,958	1,128
Compensated absences*	9,992	1,120	-	11,112	6,107
Net pension liability (LGERS) (note 7)	54,207	276	-	54,483	-
<b>TOTAL</b>	<b>\$ 2,498,637</b>	<b>\$ 213,824</b>	<b>\$ 97,988</b>	<b>\$ 2,616,012</b>	<b>\$ 95,842</b>

NOTE: The change in compensated absence liability is presented as a net change. The beginning balance is restated due to the implementation of GASB 101.

A. REVENUE BONDS

The following table summarizes Charlotte Water’s revenue bonds:

PURPOSE	INTEREST RATES	DATE ISSUED	FINAL MATURITY	ORIGINAL ISSUE	BALANCE JUNE 30, 2025
Water and Sewer, Refunding Series 2015	1.00%-5.00%	8/27/2015	2046	\$ 459,585	\$ 221,025
Water and Sewer, Refunding Series 2018	3.00%-5.00%	4/25/2018	2049	409,915	339,730
Water and Sewer, Refunding Series 2019	3.00%-5.00%	9/10/2019	2036	58,750	45,245
Water and Sewer, Refunding Series 2020	2.00%-5.00%	9/24/2020	2051	333,445	292,000
Water and Sewer, Refunding Series 2022A	3.47%-5.00%	9/14/2022	2053	464,680	436,770
Water and Sewer, Refunding Series 2022B	3.45%-3.55%	9/14/2022	2026	13,405	1,650
Water and Sewer, Refunding Series 2024	5.00%	6/26/2024	2055	543,000	543,000
<b>TOTAL</b>					<b>\$ 1,879,420</b>



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

Interest on the variable-rate bonds is determined by a remarketing agent based upon market conditions. The principal and interest on the Water and Sewer Bonds are payable from net revenues of water and sewer systems. Pursuant to the general trust indentures, the City has covenanted to charge rates that produce net revenues which (1) including 50 percent of the surplus fund, after providing for a two-month operating reserve, are at least 120 percent of the principal and interest requirements plus 100 percent of the non-revenue bond debt service requirements and (2) are at least 110 percent of the principal and interest requirements plus 100 percent of non-revenue bond debt service requirements. Based on the FY 2025 Water and Sewer Fund budgets, revenue bond debt service coverage including surplus fund was at least 2.8 times coverage. The revenue bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of its income, receipts or revenues, except as provided in the Revenue Bond Orders. Neither the credit nor the taxing power of the City is pledged for the payment of the principal and interest, and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default under the Revenue Bond Orders.

Revenue bond debt service requirements to maturity are as follows:

<b>YEAR ENDING JUNE 30</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2026	\$ 65,990	\$ 85,207
2027	69,615	81,829
2028	73,065	78,262
2029	64,350	74,827
2030	67,595	71,528
2031-2035	391,660	303,247
2036-2040	402,575	208,464
2041-2045	258,050	141,105
2046-2050	270,115	79,131
2051-2055	216,405	23,521
	<b>\$ 1,879,420</b>	<b>\$ 1,147,121</b>



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

**B. INSTALLMENT PURCHASES**

The following table summarizes Charlotte Water’s installment purchases:

<b>PURPOSE</b>	<b>INTEREST RATES</b>	<b>DATE ISSUED</b>	<b>FINAL MATURITY</b>	<b>ORIGINAL ISSUE</b>	<b>BALANCE JUNE 30, 2025</b>
Equipment, 2022, Direct Placement	1.498%	3/15/2022	2027	10,005	\$ 3,421
Equipment and Facilities, Series 2024	5.000%	4/24/2024	2029	14,000	11,200
<b>TOTAL</b>					<b>\$ 14,621</b>

These installment purchase contracts are non-general obligation financings. In accordance with State statutes, no deficiency judgment may be rendered against the City for amounts owed and the taxing power of the City may not be pledged directly or indirectly to collateralize amounts due pursuant to these contracts. The City enters into installment purchase contracts for the purchase of capital equipment. These financings are payable over five years. Charlotte Water and Sewer’s outstanding non-direct and direct placement installment purchases are secured with collateral of equipment purchased.

Installment purchases debt service requirements to maturity are as follows:

<b>YEAR ENDING JUNE 30</b>	<b>DIRECT PLACEMENTS</b>			
	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2026	\$ 2,800	\$ 490	\$ 2,272	\$ 43
2027	2,800	350	1,149	8
2028	2,800	210	-	-
2029	2,800	70	-	-
	<b>\$ 11,200</b>	<b>\$ 1,120</b>	<b>\$ 3,421</b>	<b>\$ 51</b>



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

**C. CHARLOTTE WATER REVENUE BOND ANTICIPATION NOTES**

The City of Charlotte has available a Water and Sewer direct placement revenue bond anticipation note program to finance the cost of water and sewer system improvements. The aggregate principal amount of the note outstanding at any one time shall not exceed \$500,000. The note is payable from net revenues of the water and sewer systems. The note does not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the City’s property or upon any of its income, receipts or revenues, except as provided in the Revenue Bond Orders. Neither the credit nor the taxing power of the City is pledged for the payment of the principal or interest, and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default on the note. In addition, the City has entered into a Note Purchase and Advance Agreement. The note will be replaced by water and sewer revenue bonds. The note will mature no later than the third anniversary of the closing date or June 26, 2027. The City had direct placement Water and Sewer revenue bond anticipation notes payable of \$301,506 outstanding at June 30, 2025. Interest rates are based upon market conditions. Direct placement water revenue bond anticipation note debt service requirements to maturity are as follows:

<b>YEAR ENDING JUNE 30</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2026	\$ -	\$ 11,642
2027	301,506	11,514
	<b>\$ 301,506</b>	<b>\$ 23,156</b>



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

**D. STATE REVOLVING LOAN**

Pursuant to the North Carolina Clean Water Revolving Loan & Grant Act of 1987, the City was awarded direct borrowing state revolving loans through the North Carolina Department of Environmental Quality. The City utilized loan proceeds to construct wastewater treatment works projects. The maximum loan term is twenty years. As of June 30, 2025, interest rates varied from zero to 1.71 percent.

Debt service requirements to maturity are as follows:

<b>YEAR ENDING JUNE 30</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2026	\$ 5,401	\$ 1,203
2027	5,401	1,186
2028	5,401	1,116
2029	5,401	1,046
2030	5,401	976
2031-2035	27,005	3,828
2036-2040	26,326	2,074
2041-2045	13,329	438
	<b>\$ 93,665</b>	<b>\$ 11,867</b>



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

**E. LEASE LIABILITIES**

Charlotte Water (CLTWater) has entered into agreements to lease certain land, machinery, and other equipment. The lease agreements have been recorded at the present value of the future minimum lease payments as of the date of their inception. The terms and conditions for these leases vary and generally contain renewal options for periods ranging from six to ten years. If the City is not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term and associated potential option payments are excluded from the present value calculation of the right-to-use lease asset and the lease liability determination. CLTWater's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. As a result of the leases, the City has recorded the right to use assets with a total net book value of \$3,204. The right to use assets is discussed in more detail in this note. Payments due under the lease contracts include fixed, periodic payments over the lease terms plus, for many of the City's leases, variable and non-lease component payments. For CLTWater's leases, variable lease payments that depend on future performance or usage of the underlying asset and non-lease components are excluded from the measurement of the lease liability and recognized as outflows of resources. In fiscal year 2025 CLTWater recognized \$791 in variable lease payments not previously included in the measurement of the lease liability. As of June 30, 2025, the CLTWater's lease payables were valued at \$3,260.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025, were as follows:

<b>YEAR ENDING JUNE 30</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2026	\$ 418	\$ 79
2027	440	72
2028	438	60
2029	292	50
2030	310	42
2031-2033	1,362	76
	<b>\$ 3,260</b>	<b>\$ 379</b>



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

**F. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)**

Charlotte Water has entered into subscription-based information technology arrangements (SBITAs). The SBITA agreements have been recorded at the present value of the future subscription payments as of the date of their inception. Accordingly, the City’s estimated incremental borrowing rates of 2.41 percent to 3.57 percent were used to discount the SBITA payments. As a result of the subscriptions, Charlotte Water has recorded right to use assets with a total net book value of \$2,588. The SBITA liability balance was \$1,958 at June 30, 2025.

<b>YEAR ENDING JUNE 30</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2026	\$ 1,128	\$ 59
2027	480	25
2028	285	11
2029	65	2
	<b>\$ 1,958</b>	<b>\$ 97</b>

**G. OTHER DEBT INFORMATION**

Under an irrevocable letter of credit issued by Truist Bank, the City is entitled to draw an amount sufficient to pay the amount demanded under the sewer construction contract between the City and Classic Neighborhood Development, LLC (the total amount not to exceed \$256). The letter of credit is valid through February 27, 2026 (automatically extended for successive one-year periods, unless Truist Bank notifies the City at least 30 days before the then current expiration date that issuer elects not to extend the expiration date).

In the event of default of any City debt, the City agrees to pay the purchaser on-demand interest on any and all amounts due and owing by the City under the related documents. New debt is issued on parity with existing debt. General obligation debt is backed by the full faith and credit of the City, installment purchase contracts are backed by pledged collateral, and revenue bonds are backed by revenue bond covenants.



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

*6. TRANSACTIONS WITH THE CITY OF CHARLOTTE*

Expenses include certain costs charged to Charlotte Water by other funds of the City. These charges are as follows:

Administrative and other City services	\$ 40,216
Revenue services	4,102
	<u>\$ 44,318</u>

*7. PENSION PLANS AND OTHER BENEFITS*

**A. LOCAL GOVERNMENTAL EMPLOYEES’ RETIREMENT SYSTEM**

**Plan Description.** The City of Charlotte, and the Charlotte Water as an enterprise fund of the City, is a participating employer in the statewide Local Governmental Employees’ Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members—nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The LGERS is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State’s ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 707-0500, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided.** LGERS provides retirement and survivor benefits. Retirement benefits are determined at 1.85 percent of the member’s average final compensation times the member’s years of creditable service. A member’s average final compensation is calculated as the average of a member’s four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor’s Alternate



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Dollar Amount in Thousands

*Continued*

Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

**Contributions.** Contribution provisions are established by North Carolina General Statute § 128-30 and may be amended only by the North Carolina General Assembly. Charlotte Water employees are required to contribute 6 percent of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The contractually required contribution rate for the year ended June 30, 2025, was 14.35 percent for general employees of Charlotte Water, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from Charlotte Water were \$11,140 for the year ended June 30, 2025.

**Refund of Contributions.** Charlotte Water employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4 percent interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

**Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflow of Resources Related to Pensions.** At June 30, 2025, Charlotte Water (CLTWater) reported a liability of \$54,483 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024, utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2024 (measurement date), the City's proportion was 6.202 percent which was a decrease of 0.0788 percent from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, CLTWater recognized a pension expense of \$15,920. At June 30, 2025, CLTWater reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>DEFERRED INFLOWS OF RESOURCES</b>
Differences between expected and actual experience	\$ 9,548	\$ 64
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	7,407	-
Changes in proportion and differences between Charlotte Water contributions and proportionate share of contributions	-	1,017
Charlotte Water's contributions subsequent to the measurement date	11,140	-
<b>TOTAL</b>	<b>\$ 28,095</b>	<b>\$ 1,081</b>

\$11,140 reported as deferred outflows of resources related to pensions resulting from Charlotte Water contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>YEAR ENDING JUNE 30</b>	
2026	\$ 4,653
2027	10,419
2028	1,640
2029	(838)
<b>TOTAL</b>	<b>\$ 15,874</b>



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Dollar Amount in Thousands

*Continued*

**Actuarial Assumption.** The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.25%, including inflation and productivity factor
Investment rate of return	6.50%, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e., general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions used in the December 31, 2023, valuation was based on the results of an actuarial experience study for the period January 1, 2015, through December 31, 2019. Future ad hoc cost of living adjustment amounts is not considered to be substantively automatic and are therefore not included in the measurement. The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections.

Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024, are summarized in the following table:



NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Dollar Amount in Thousands

Continued

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Opportunistic Fixed Income	7.0%	5.3%
Inflation Sensitive	6.0%	4.3%
<b>TOTAL</b>	<b>100.0%</b>	

The information above is based on 30-year expectations developed with the consulting actuary for the asset, liability, and investment policy study for the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38 percent. All rates of return and inflation are annualized.

**Discount Rate.** The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate of the Net Pension on Liability to Changes in the Discount Rate.**

The following presents Charlotte Water’s proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what Charlotte Water’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate.

Charlotte Water’s proportionate share of the net pension liability is as follows:

1% DECREASE (5.50%)	DISCOUNT RATE (6.50%)	1% INCREASE (7.50%)
\$ 96,546	\$ 54,483	\$ 19,881



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) for the State of North Carolina.

**B. OTHER POST-EMPLOYMENT BENEFITS**

Charlotte Water participates in the City of Charlotte Employee Benefit Trust Plan (EBTP).

**Plan Description.** The EBTP is a single employer defined benefit healthcare plan administered by the City of Charlotte. The EBTP provides health and welfare benefit plans for the benefit of eligible retired employees of the City. Section 4.05 of the Charlotte City Code assigns the authority to establish benefit provisions for EBTP to the City Council. The EBTP is included in the Annual Comprehensive Financial Report for the City of Charlotte. The City’s ACFR includes financial statements and required supplementary information for the EBTP. That report may be obtained by writing to the City of Charlotte, Finance Department, Charlotte-Mecklenburg Government Center, 600 East Fourth Street, 10th Floor, Charlotte, North Carolina 28202-2848.

**Plan Membership.** At June 30, 2024, the EBTP membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	2,197
Active plan members	<u>2,093</u>
<b>TOTAL</b>	<b><u>4,290</u></b>

**Benefits Provided.** The EBTP provides healthcare benefits for retirees hired before July 1, 2009, and have at least ten years of consecutive City service in a benefit eligible position and immediately begin drawing a retirement benefit. The City pays a percentage of the cost of coverage for employees’ benefits through private insurers based on years of service.

**Contributions.** The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution rates for plan members were dependent on the years of service and the coverage selected. Monthly rates ranged from \$238 to \$5,898 per retiree.



NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Dollar Amount in Thousands

Continued

CITY CONTRIBUTIONS TO EBTP BASED ON YEARS OF CREDITABLE SERVICE

YEARS OF CREDITABLE SERVICE	DATE HIRED	
	PRE-JULY 1, 2009	ON OR AFTER JULY 1, 2009
Less than 10 years	0%	0%
10-20 years	51%	0%
20+ years	60%	0%

The City Council set the employer contribution rate to contribute the projected pay-as-you-go-financing requirements, with additional amounts to prefund benefits as determined annually. For the current year, the City contributed \$10,527 to the plan. Charlotte Water’s proportionate share of the employer contribution was \$870.

**Investments.** The Long-Term Investment Program (LTIP) represents an investment program in which long-term capital reserves of the City are invested under expanded investment authorization outlined in State law G.S. 147-69.2(b)(1)-(6) and (8) as rewritten with additional investment authorization in Senate Bill 703, ratified June 3, 2009, in order to diversify investment assets of the City. In addition, the LTIP is expected to be a source of funding for future OPEB obligations of the City.

The LTIP is overseen by its Board which works with an external investment consultant to manage the LTIP by developing and monitoring its investment policy, including asset allocation, selecting qualified investment managers to manage LTIP assets, and to monitor and evaluate individual investment manager performance.

The LTIP policy regarding the allocation of invested assets, is established and may be amended by the LTIP Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy with moderate risk that provides a rate of return that exceeds the rate of inflation and that is above average compared to relevant market benchmarks. The Board also seeks prudent diversification of the portfolio across a broad selection of distinct asset classes. The LTIP discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. LTIP investments are valued at fair value. The following was the Board’s adopted asset allocation policy based on an analysis of historical and projected capital market return patterns and consistent with the moderate risk tolerance defined in its policy.



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

<b>INVESTMENTS</b>	
<b>ASSET CLASS</b>	<b>TARGET ALLOCATION</b>
Non-Domestic Equity	18%
Domestic Equity	50%
Non-Domestic Fixed Income	20%
Domestic Fixed Income	12%
<b>TOTAL</b>	<b>100%</b>

**Rate of Return.** For the year ended June 30, 2025, the annual money market weighted rate of return on investment, net of investment expenses was 14.3 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The components of the net OPEB liability of the City at June 30, 2025, were as follows:

	<b>RATE OF RETURN</b>	
	<b>CITY</b>	<b>CHARLOTTE WATER'S PROPORTIONATE SHARE</b>
Total OPEB liability	\$ 353,087	\$ 18,878
Plan fiduciary net position	180,350	46,695
<b>NET OPEB LIABILITY (ASSET)</b>	<b>\$ 172,737</b>	<b>\$ (27,817)</b>
Plan fiduciary net position as a percentage of the total OPEB liability	51.08%	247.35%



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

**Actuarial Assumptions.** The total OPEB liability of the City was determined on an actuarial valuation as of June 30, 2024, using the following key actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	
Real wage growth	2.50%
Wage inflation	0.75%
Salary increases, including wage inflation	3.25%
General employees	3.25%-8.41%
Firefighters	3.75%-9.00%
Law Enforcement Officers	3.25%-7.90%
Long-term investment Rate of Return, net OPEB plan investment expense, including price inflation	7.25%
Municipal Bond Index Rate	
Prior Measurement Date	3.93%
Measurement Date	5.20%
Year FNP is projected to be depleted	
Prior Measurement Date	N/A
Measurement Date	N/A
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	7.25%
Measurement Date	7.25%
Health Care Cost Trends	
Pre-Medicare Medical and Prescription Drug	7.00% for 2024 decreasing to an ultimate rate of 4.50% by 2034
Medicare Medical and Prescription Drug	5.125% for 2024 decreasing to an ultimate rate of 4.50% by 2027



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

Total OPEB liabilities were rolled forward to June 30, 2024, and June 30, 2025, for the employer and the plan, respectively, utilizing updated procedures incorporating the actuarial assumptions. Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

**Discount Rate.** The discount rate used to measure the total OPEB liability at June 30, 2025, was 7.25 percent. The projection’s basis was an actuarial valuation performed as of June 30, 2024.

**Sensitivity of the Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate.** The following presents Charlotte Water’s proportionate share of the net OPEB asset of the EBTP as of June 30, 2025, as well as what Charlotte Water’s proportionate share of the EBTP’s asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.25 percent) or one-percentage-point higher (8.25 percent) than the current rate.

	<b>1% DECREASE (6.25%)</b>	<b>DISCOUNT RATE (7.25%)</b>	<b>1% INCREASE (8.25%)</b>
Net OPEB (asset)	\$ (22,519)	\$ (27,817)	\$ (34,142)

**Sensitivity of the Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates.** The following presents Charlotte Water’s proportionate share of the net OPEB asset of the EBTP as of June 30, 2025 as well as Charlotte Water’s proportionate share of the EBTP asset would be if it were to calculate the healthcare trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate.

	<b>HEALTHCARE COST TREND RATES</b>		
	<b>1% DECREASE</b>	<b>CURRENT RATE</b>	<b>1% INCREASE</b>
Net OPEB (asset)	\$ (34,983)	\$ (27,817)	\$ (21,826)

**Changes in Net OPEB Liability (Asset), OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resource Related to OPEB.** At June 30, 2025, Charlotte Water’s proportionate share of the EBTP’s reported net OPEB asset was (\$27,817). The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2024. The total OPEB asset was then rolled forward to the measurement date of June 30, 2025, utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2025, the components of Charlotte Water’s proportionate share of the net OPEB asset of the EBTP, measured as of June 30, 2025, were as follows:



NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Dollar Amount in Thousands

Continued

	TOTAL OPEB LIABILITY (A)	INCREASE (DECREASE) PLAN FIDUCIARY NET POSITION (B)	NET OPEB ASSET (A) - (B)
Balances at June 30, 2024	\$ 21,206	\$ 46,427	\$ (25,221)
Changes for the year:			
Service cost	247	-	247
Interest	1,417	-	1,417
Difference between expected and actual experience	(3,584)	-	(3,584)
Changes of assumptions or other inputs	508	-	508
Contributions-employers	-	870	(870)
Net investment income	-	4,460	(4,460)
Administrative expense	-	(626)	626
Benefit payments	(916)	(4,436)	3,520
Net change	(2,328)	268	(2,596)
<b>BALANCES AT JUNE 30, 2025</b>	<b>\$ 18,878</b>	<b>\$ 46,695</b>	<b>\$ (27,817)</b>

**Changes of Assumptions.** Changes of assumptions and other inputs reflect a change in the discount rate from 5.28 percent in 2022 to 7.25 percent in 2023. Medical claims cost and rates were changed based on most recent experience and changed to the current schedule. The impacts of the Affordable Care Act (ACA) and the inflation Reduction Act (IRA) were addressed in this valuation. The impact of the COVID-19 pandemic was considered in the valuation; however, no changes were incorporated at this time due to the level of uncertainty regarding the impact on both plan costs and contribution levels going forward.

For the year ended June 30, 2025, Charlotte Water's proportionate share of the EBTP's recognized OPEB income was \$887. At June 30, 2025, Charlotte Water's proportionate share of the EBTP's reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>DEFERRED INFLOWS OF RESOURCES</b>
Differences between expected and actual experience	\$ -	\$ 1,991
Changes of assumptions or other inputs	752	990
Net difference between projected and actual earnings on plan investment	-	570
<b>TOTAL</b>	<b>\$ 752</b>	<b>\$ 3,551</b>

Total amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>YEAR ENDING JUNE 30</b>	
2026	\$ (1,463)
2027	(957)
2028	(254)
2029	(125)
2030	-
Thereafter	-
	<b>\$ (2,798)</b>



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

Below are the City’s Statement of Net Position and Statement of Changes in Net Position for the Employee Benefit–Other Employee Benefit Trust:

**STATEMENT OF NET POSITION–OTHER EMPLOYEE BENEFIT TRUST**

Assets:

Cash, cash equivalents and investments	\$	1,331
--	----	-------

Investments:

Mutual funds	179,056
--------------	---------

Total assets:	180,387
---------------	---------

Liabilities:

Accounts payable	37
------------------	----

Due to other funds	-
--------------------	---

Total liabilities	37
-------------------	----

Net position:

<b>NET POSITION RESTRICTED FOR OPEB</b>	<b>\$ 180,350</b>
---	-------------------



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

**STATEMENT OF CHANGES IN NET POSITION - OTHER EMPLOYEE BENEFIT TRUST**

Additions:

Contributions		
Employer	\$	10,527
Investment income		
Net appreciation in fair value of investments		23,025
Interest		673
Total investment income		23,698
Investment expense		288
Net investment income		23,410
<b>TOTAL ADDITIONS</b>		<b>33,937</b>

Deductions:

Benefits		10,301
Insurance premiums		6,831
Administration		2,417
Total deductions		19,549
Changes in net position		14,388
Net position - beginning		165,962
Net position - ending	<b>\$</b>	<b>180,350</b>

**C. DEFERRED COMPENSATION PLAN**

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are placed in trust for the exclusive benefit of the participants and their beneficiaries and therefore are not included in the City's financial statements.

The City participates in the NC 401(k) Plan which is a retirement savings plan administered by the North Carolina Department of the State Treasurer, and available exclusively to North Carolina public employees who are actively contributing to one of the NC Retirement Systems.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Dollar Amount in Thousands

*Continued*

### 8. INSURANCE

#### A. EMPLOYEE HEALTH AND LIFE

The City provides health and life benefits to employees and retirees. Private companies administer these benefits pursuant to administrative services agreements. The City maintains insurance coverage with private carriers for life claims, vision claims, and excess coverage for health claims in excess of five-hundred thousand. The City has an Employee Health and Life Insurance Fund (EHLIF), an internal service fund, to account for and finance its health and life insurance program. Charlotte Water participates and makes payments to the EHLIF for both an amount per employee and a proportionate share of the administrative cost. The amount per employee is based on actuarial estimates of amounts needed to pay prior and current year claims. The employees and retirees contribute a portion of the cost for health coverage. The City provides basic life insurance and accidental death and dismemberment benefits for employees in the amount of two times the employees' salary up to a maximum of five-hundred thousand. Employees may purchase additional life insurance up to a maximum of five times their salary. The City provides short-term disability that equals 60 percent of salary for up to 26 weeks. Charlotte Water made payments to the EHLIF for the year ended June 30, 2025, in the amount of \$13,085.

#### B. RISK MANAGEMENT

Charlotte Water (CLTWater) is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has a Risk Management Fund (RMF), an internal service fund, to account for and finance its insured and uninsured risks of loss. Currently, insurance coverage is purchased for excess property damage for buildings, contents, and light rail trains; excess workers' compensation; excess vehicle and general liability; network security liability; police professional liability; police helicopter hull liability; drone liability; airport liability; City bus liability; and passenger railway liability for the light rail train operations. Insurance coverage includes vehicle, and general liability claims in excess of \$2,000 but less than \$22,000 per occurrence, workers' compensation claims in excess of \$2,000, property damage claims in excess of \$250 and flood insurance of \$100,000 in all flood zones, except \$10,000 in flood zone A in excess of federal flood program maximums, network security coverage in the amount of \$40,000 and drone liability in the amount of \$2,000. The finance officer is bonded for \$1,000. Employees who handle funds or have access to inventories are covered under a crime policy of \$500. The actuarially determined losses for the remaining risks and deductible amounts are funded in the RMF. Settled claims have not exceeded insurance coverage in the past three years. CLTWater participates in the risk management program and makes payments to the RMF based on historical cost information or actuarial estimates of the amounts needed to pay prior and current year claims and establish a reserve for catastrophic losses. CLTWater made payments to the RMF for the year ended June 30, 2025, in the amount of \$4,974.



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2025**

**Dollar Amount in Thousands**

*Continued*

*9. COMMITMENTS AND CONTINGENCIES*

Charlotte Water (CLTWater) settled previously reported litigation for \$106 million. On July 3, 2023, CLTWater made its first settlement payment of \$90 million. On July 1, 2024, CLTWater made its second and final settlement payment of \$16 million. CLTWater has received a number of federal and state grants for specific purposes that are subject to review by the grantor agencies. Such reviews could lead to requests for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grants. The City management believes that such disallowances, if any, would not be significant. CLTWater had authorized capital projects at June 30 as follows:

	<u>2025</u>
Project authorization	\$ 5,426,064
Expended	4,875,622
Unexpended	<u>\$ 550,442</u>

Financial resources are available to fund the total amount of unexpended authorizations. CLTWater had construction and other contractual commitments of approximately \$167,479 at June 30, 2025.

*10. SUBSEQUENT EVENTS*

On July 31, 2025, the City issued \$146,110 in Water and Sewer System Refunding Bonds, Series 2025 to refund \$158,180 of outstanding fixed rate Water and Sewer System Refunding Revenue Bonds, series 2015. The City completed the refunding to reduce the total debt service payments over a period of 15 years by \$12,606 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$9,819.



*This page is intentionally left blank*



# Required Supplementary Information

## **LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM:**

- 81 Proportionate Share of Net Position Liability (Asset) for the City of Charlotte
- 85 City of Charlotte's Contributions

## **EMPLOYEE BENEFIT TRUST PLAN:**

- 88 Schedule of Changes in the Net OPEB Liability
- 91 Schedule of Changes of Total Liability as a Percentage of Covered Payroll
- 94 Schedule of City Contributions and Investment Returns



**CHARLOTTE WATER  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM  
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
LAST TEN FISCAL YEARS**  
Dollar Amount in Thousands

Valuation Date	<b>DECEMBER 31, 2023</b>	<b>DECEMBER 31, 2022</b>	<b>DECEMBER 31, 2021</b>
Measurement Date	<b>JUNE 30, 2024</b>	<b>JUNE 30, 2023</b>	<b>JUNE 30, 2022</b>
Reporting Date	<b>JUNE 30, 2025</b>	<b>JUNE 30, 2024</b>	<b>JUNE 30, 2023</b>
City of Charlotte's proportion of the net pension liability (asset) (%)	6.50%	6.28%	6.47%
City of Charlotte's proportion of the net pension liability (asset) (\$)	\$ 418,136	\$ 416,018	\$ 364,760
Charlotte Water proportion of the net pension liability (asset) (\$)	\$ 54,483	\$ 54,207	\$ 45,814
City of Charlotte's covered payroll	\$ 564,871	\$ 524,305	\$ 476,720
City of Charlotte's proportionate share of the net pension liability (asset) as a percentage of its covered payroll (%)	74.02%	79.35%	76.51%
Plan fiduciary net position as a percentage of the total pension liability (%) <sup>(1)</sup>	83.30%	82.49%	81.14%

## REQUIRED SUPPLEMENTARY INFORMATION



*Continued*

Valuation Date	<b>DECEMBER 31, 2020</b>	<b>DECEMBER 31, 2019</b>	<b>DECEMBER 31, 2018</b>
Measurement Date	<b>JUNE 30, 2021</b>	<b>JUNE 30, 2020</b>	<b>JUNE 30, 2019</b>
Reporting Date	<b>JUNE 30, 2022</b>	<b>JUNE 30, 2021</b>	<b>JUNE 30, 2020</b>
City of Charlotte's proportion of the net pension liability (asset) (%)	6.84%	6.48%	6.32%
City of Charlotte's proportion of the net pension liability (asset) (\$)	\$ 104,952	\$ 231,494	\$ 172,606
Charlotte Water proportion of the net pension liability (asset) (\$)	\$ 13,182	\$ 28,728	\$ 21,179
City of Charlotte's covered payroll	\$ 473,265	\$ 454,357	\$ 425,364
City of Charlotte's proportionate share of the net pension liability (asset) as a percentage of its covered payroll (%)	22.18%	50.95%	40.58%
Plan fiduciary net position as a percentage of the total pension liability (%) <sup>(1)</sup>	95.51%	88.61%	90.86%

## REQUIRED SUPPLEMENTARY INFORMATION



*Continued*

Valuation Date	<b>DECEMBER 31, 2017</b>	<b>DECEMBER 31, 2016</b>	<b>DECEMBER 31, 2015</b>
Measurement Date	<b>JUNE 30, 2018</b>	<b>JUNE 30, 2017</b>	<b>JUNE 30, 2016</b>
Reporting Date	<b>JUNE 30, 2019</b>	<b>JUNE 30, 2018</b>	<b>JUNE 30, 2017</b>
City of Charlotte's proportion of the net pension liability (asset) (%)	6.26%	6.12%	6.05%
City of Charlotte's proportion of the net pension liability (asset) (\$)	\$ 148,334	\$ 93,421	\$ 128,378
Charlotte Water proportion of the net pension liability (asset) (\$)	\$ 18,275	\$ 11,070	\$ 14,961
City of Charlotte's covered payroll	\$ 397,056	\$ 381,739	\$ 350,856
City of Charlotte's proportionate share of the net pension liability (asset) as a percentage of its covered payroll (%)	37.36%	24.47%	36.59%
Plan fiduciary net position as a percentage of the total pension liability (%) <sup>(1)</sup>	91.63%	94.18%	91.47%

## REQUIRED SUPPLEMENTARY INFORMATION



*Continued*

Valuation Date	<b>DECEMBER 31, 2014</b>
Measurement Date	<b>JUNE 30, 2015</b>
Reporting Date	<b>JUNE 30, 2016</b>

City of Charlotte's proportion of the net pension liability (asset) (%)		5.89%
---	--	-------

City of Charlotte's proportion of the net pension liability (asset) (\$)	\$	26,455
--	----	--------

Charlotte Water proportion of the net pension liability (asset) (\$)	\$	3,189
--	----	-------

City of Charlotte's covered payroll	\$	327,094
-------------------------------------	----	---------

City of Charlotte's proportionate share of the net pension liability (asset) as a percentage of its covered payroll (%)		8.09%
---	--	-------

Plan fiduciary net position as a percentage of the total pension liability (%) <sup>(1)</sup>		98.09%
---	--	--------

**NOTE:**

<sup>(1)</sup> This will be the same percentage for all participant employers in the LGERS plan. Information shown on this page is for the employer, the City of Charlotte, unless otherwise noted.



**CHARLOTTE WATER  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM  
CITY OF CHARLOTTE'S CONTRIBUTIONS  
LAST TEN FISCAL YEARS  
Dollar Amount in Thousands**

Reporting Date	2025	2024	2023	2022
City of Charlotte's contractually required contribution	\$ 85,498	\$ 74,398	\$ 64,848	\$ 55,104
City of Charlotte's contributions in relation to the contractually required contribution	85,498	74,398	64,848	55,104
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	\$ -	\$ -	\$ -	\$ -
City of Charlotte's covered payroll	\$ 611,747	\$ 564,871	\$ 524,305	\$ 476,720
City of Charlotte's contributions as a percentage of covered payroll (%)	13.98%	13.17%	12.37%	11.56%
Charlotte Water's proportion of contractually required contribution	\$ 11,140	\$ 9,694	\$ 8,145	\$ 6,921
Charlotte Water's proportion of contributions in relation to contractually required contribution	\$ 11,140	\$ 9,694	\$ 8,145	\$ 6,921
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	\$ -	\$ -	\$ -	\$ -

## REQUIRED SUPPLEMENTARY INFORMATION



*Continued*

Reporting Date	2021	2020	2019	2018
City of Charlotte's contractually required contribution	\$ 49,054	\$ 41,715	\$ 33,945	\$ 30,712
City of Charlotte's contributions in relation to the contractually required contribution	49,054	41,715	33,945	30,712
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Charlotte's covered payroll	\$ 473,265	\$ 454,357	\$ 425,364	\$ 397,056
City of Charlotte's contributions as a percentage of covered payroll (%)	10.37%	9.18%	7.98%	7.73%
Charlotte Water's proportion of contractually required contribution	\$ 6,088	\$ 5,118	\$ 4,182	\$ 3,639
Charlotte Water's proportion of contributions in relation to contractually required contribution	\$ 6,088	\$ 5,118	\$ 4,182	\$ 3,639
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## REQUIRED SUPPLEMENTARY INFORMATION



*Continued*

Reporting Date	2017	2016
City of Charlotte's contractually required contribution	\$ 28,613	\$ 23,959
City of Charlotte's contributions in relation to the contractually required contribution	28,613	23,959
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<b>\$ -</b>	<b>\$ -</b>
City of Charlotte's covered payroll	\$ 381,739	\$ 350,856
City of Charlotte's contributions as a percentage of covered payroll (%)	7.50%	6.83%
Charlotte Water's proportion of contractually required contribution	\$ 3,335	\$ 2,757
Charlotte Water's proportion of contributions in relation to contractually required contribution	\$ 3,335	\$ 2,757
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<b>\$ -</b>	<b>\$ -</b>

NOTE: Information shown on this page is for the employer, the City of Charlotte unless otherwise noted.



**CHARLOTTE WATER  
EMPLOYEE BENEFIT TRUST PLAN (EBTP)  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY  
LAST NINE FISCAL YEARS  
Dollar Amount in Thousands**

Valuation Date	<u>JUNE 30, 2024</u>	<u>JUNE 30, 2023</u>	<u>JUNE 30, 2022</u>
Measurement Date	<u>JUNE 30, 2025</u>	<u>JUNE 30, 2024</u>	<u>JUNE 30, 2023</u>
Reporting Date	<u>JUNE 30, 2025</u>	<u>JUNE 30, 2024</u>	<u>JUNE 30, 2023</u>
<b>CITY OF CHARLOTTE'S TOTAL OPEB LIABILITY</b>			
Service cost at end of year	\$ 4,626	\$ 4,480	\$ 8,225
Interest on the total OPEB liability	26,498	25,656	24,078
Difference between expected and actual experience	(44,318)	(1,427)	(31,499)
Changes of assumptions or other inputs	9,508	-	(87,091)
Benefit payments	(17,132)	(17,064)	(14,747)
<b>NET CHANGE IN TOTAL OPEB LIABILITY</b>	<b>\$ (20,818)</b>	<b>\$ 11,645</b>	<b>\$ (101,034)</b>
City of Charlotte's total OPEB liability - beginning	373,906	362,261	463,295
<b>CITY OF CHARLOTTE'S TOTAL OPEB LIABILITY-ENDING</b>	<b>\$ 353,088</b>	<b>\$ 373,906</b>	<b>\$ 362,261</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - employer	\$ 10,527	\$ 16,227	\$ 15,550
Net investment income	23,410	20,970	18,000
Benefit payments	(17,132)	(17,064)	(14,747)
Additional contributions into the trust	-	-	-
Administrative expense	(2,417)	(2,153)	(2,005)
Other	-	-	-
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>14,388</b>	<b>17,980</b>	<b>16,798</b>
Plan fiduciary net position-beginning	165,962	147,982	131,184
Plan fiduciary net position-ending	180,350	165,962	147,982
<b>CITY OF CHARLOTTE'S NET OPEB LIABILITY-ENDING</b>	<b>\$ 172,738</b>	<b>\$ 207,944</b>	<b>\$ 214,279</b>

## REQUIRED SUPPLEMENTARY INFORMATION



Continued

Valuation Date	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>
Measurement Date	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>
Reporting Date	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>
<b>CITY OF CHARLOTTE'S TOTAL OPEB LIABILITY</b>			
Service cost at end of year	\$ 4,634	\$ 17,691	\$ 10,615
Interest on the total OPEB liability	25,121	19,173	22,012
Difference between expected and actual experience	(2,333)	(39,053)	3,218
Changes of assumptions or other inputs	103,796	(275,389)	145,782
Benefit payments	(14,537)	(8,819)	(18,016)
<b>NET CHANGE IN TOTAL OPEB LIABILITY</b>	<b>\$ 116,681</b>	<b>\$ (286,397)</b>	<b>\$ 163,611</b>
City of Charlotte's total OPEB liability - beginning	346,614	633,011	469,400
<b>CITY OF CHARLOTTE'S TOTAL OPEB LIABILITY - ENDING</b>	<b>\$ 463,295</b>	<b>\$ 346,614</b>	<b>\$ 633,011</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions-employer	\$ 15,550	\$ 44,303	\$ 19,957
Net investment income	(29,674)	26,988	1,224
Benefit payments	(14,537)	(8,818)	(18,016)
Additional contributions into the trust	-	-	-
Administrative expense	(1,903)	(1,774)	(1,984)
Other	-	-	(41)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>(30,564)</b>	<b>60,699</b>	<b>1,140</b>
Plan fiduciary net position-beginning	161,748	101,049	99,909
Plan fiduciary net position-ending	131,184	161,748	101,049
<b>CITY OF CHARLOTTE'S NET OPEB LIABILITY-ENDING</b>	<b>\$ 332,111</b>	<b>\$ 184,866</b>	<b>\$ 531,962</b>

## REQUIRED SUPPLEMENTARY INFORMATION



Continued

Valuation Date	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017 <sup>(1)</sup></u>	<u>JUNE 30, 2016<sup>(1)</sup></u>
Measurement Date	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
Reporting Date	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
<b>CITY OF CHARLOTTE'S TOTAL OPEB LIABILITY</b>			
Service cost at end of year	\$ 8,123	\$ 7,545	\$ 7,002
Interest on the total OPEB liability	24,031	24,372	23,432
Difference between expected and actual experience	(106,807)	-	(294)
Changes of assumptions or other inputs	(45,850)	-	-
Benefit payments	(15,592)	(25,143)	(14,639)
<b>NET CHANGE IN TOTAL OPEB LIABILITY</b>	<b>\$ (136,095)</b>	<b>\$ 6,774</b>	<b>\$ 15,501</b>
City of Charlotte's total OPEB liability - beginning	605,495	598,721	583,220
<b>CITY OF CHARLOTTE'S TOTAL OPEB LIABILITY-ENDING</b>	<b>\$ 469,400</b>	<b>\$ 605,495</b>	<b>\$ 598,721</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - employer	\$ 21,689	\$ 20,454	\$ 16,361
Net investment income	4,730	5,881	7,532
Benefit payments	(15,592)	(14,782)	(14,639)
Additional contributions into the trust	-	20,325	-
Administrative expense	(223)	(266)	(232)
Other	-	(2,746)	(1,844)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>10,604</b>	<b>28,866</b>	<b>7,178</b>
Plan fiduciary net position-beginning	89,305	60,439	53,261
Plan fiduciary net position-ending	99,909	89,305	60,439
<b>CITY OF CHARLOTTE'S NET OPEB LIABILITY-ENDING</b>	<b>\$ 369,491</b>	<b>\$ 516,190</b>	<b>\$ 538,282</b>

NOTE: Information on this page is for the employer, the City of Charlotte, unless otherwise noted. Valuation dates for 2017 were as of July 1, 2017. This schedule will not present ten years' worth of fiscal information until 2026.



**CHARLOTTE WATER  
EMPLOYEE BENEFIT TRUST PLAN (EBTP)  
SCHEDULE OF TOTAL LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
LAST NINE FISCAL YEARS  
Dollar Amount in Thousands**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
City of Charlotte's total OPEB Liability	\$ 353,087	\$ 373,906	\$ 362,261
Plan fiduciary net position	<u>180,350</u>	<u>165,962</u>	<u>147,982</u>
<b>CITY OF CHARLOTTE'S NET OPEB LIABILITY</b>	<u>172,737</u>	<u>207,944</u>	<u>214,279</u>
Plan fiduciary net position as a percentage of the total OPEB liability (%)	51.08%	44.39%	40.85%
City of Charlotte's covered payroll	\$ 202,683	\$ 222,893	\$ 222,893
City of Charlotte's net OPEB liability as a percentage of covered payroll (%)	85.23%	93.29%	96.14%

## REQUIRED SUPPLEMENTARY INFORMATION



*Continued*

	<u>2022</u>	<u>2021</u>	<u>2020</u>
City of Charlotte's total OPEB Liability	\$ 463,295	\$ 346,614	\$ 633,011
Plan fiduciary net position	131,184	161,748	101,049
<b>CITY OF CHARLOTTE'S NET OPEB LIABILITY</b>	<b><u>332,111</u></b>	<b><u>184,866</u></b>	<b><u>531,962</u></b>
Plan fiduciary net position as a percentage of the total OPEB liability (%)	28.32%	46.67%	15.96%
City of Charlotte's covered payroll	\$ 222,802	\$ 240,688	\$ 252,834
City of Charlotte's net OPEB liability as a percentage of covered payroll (%)	149.06%	76.81%	210.40%

## REQUIRED SUPPLEMENTARY INFORMATION



*Continued*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City of Charlotte's total OPEB Liability	\$ 469,400	\$ 605,495	\$ 598,721
Plan fiduciary net position	99,909	89,305	60,439
<b>CITY OF CHARLOTTE'S NET OPEB LIABILITY</b>	<b><u>369,491</u></b>	<b><u>516,190</u></b>	<b><u>538,282</u></b>
Plan fiduciary net position as a percentage of the total OPEB liability (%)	21.28%	14.75%	10.09%
City of Charlotte's covered payroll	\$ 252,834	\$ 402,489	\$ 402,489
City of Charlotte's net OPEB liability as a percentage of covered payroll (%)	146.14%	128.25%	133.74%

NOTE: Information shown on this page is for the employer, the City of Charlotte, unless otherwise noted. This schedule will not present ten years of fiscal information until 2026.



**CHARLOTTE WATER  
EMPLOYEE BENEFIT TRUST PLAN (EBTP)  
SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS  
LAST NINE FISCAL YEARS  
Dollar Amount in Thousands**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Actuarially determined contribution	\$ 23,706	\$ 23,706	\$ 24,483
Contributions in relation to actuarially determined contribution	10,527	16,227	15,550
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<b>\$ 13,179</b>	<b>\$ 7,479</b>	<b>\$ 8,933</b>
City of Charlotte's covered payroll	\$ 202,683	\$ 222,893	\$ 222,893
Contributions in relation to actuarially determined contribution as a percentage of covered payroll (%)	5.19%	7.28%	6.98%

## REQUIRED SUPPLEMENTARY INFORMATION



Continued

	<u>2022</u>	<u>2021</u>
Actuarially determined contribution	\$ 24,483	\$ 26,605
Contributions in relation to actuarially determined contribution	15,550	44,303
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<b>\$ 8,933</b>	<b>\$ (17,698)</b>
City of Charlotte's covered payroll	\$ 240,688	\$ 240,688
Contributions in relation to actuarially determined contribution as a percentage of covered payroll (%)	6.98%	18.41%

The Total OPEB Liability was determined based on actuarial valuation as of June 30, 2022, using the following key actuarial assumptions and other inputs:

Inflation	
Real wage growth	2.50%
Wage inflation	0.75%
Salary increases, including wage inflation	3.25%
General Employees	3.25% - 8.41%
Firefighters	3.75% - 9.00%
Law Enforcement Officers	3.25% - 7.90%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	7.25%
Municipal Bond Index Rate	
Prior Measurement Date	3.93%
Measurement Date	5.20%
Year FNP is projected to be depleted	
Prior Measurement Date	N/A
Measurement Date	N/A
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	7.25%
Measurement Date	7.25%
Health Care Cost Trends	
Pre-Medicare Medical and Prescription Drug	7.00% for 2024 decreasing to an ultimate rate of 4.50% by 2034
Medicare Medical and Prescription Drug	5.125% for 2024 decreasing to an ultimate rate of 4.50% by 2027

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Annual money-weighted rate of return, net of investment expenses	14.30%	14.30%	13.85%	(18.28%)	25.41%

## REQUIRED SUPPLEMENTARY INFORMATION



*Continued*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 26,605	\$ 26,605	\$ 25,967	\$ 22,729
Contributions in relation to actuarially determined contribution	19,957	21,689	40,778	24,630
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<b>\$ 6,648</b>	<b>\$ 4,916</b>	<b>\$ (14,811)</b>	<b>\$ (1,901)</b>
City of Charlotte's covered payroll	\$ 252,834	\$ 252,834	\$ 402,489	\$ 402,489
Contributions in relation to actuarially determined contribution as a percentage of covered payroll (%)	7.89%	8.58%	10.13%	6.12%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expenses	1.30%	4.38%	7.60%	13.84%

NOTE: Information shown on this page is for the employer, the City of Charlotte, unless otherwise noted. This schedule will not present ten years' worth of fiscal information until 2026.



# Statistical Section

- 99 Financial Trends
- 114 Revenue Capacity
- 126 Debt Capacity
- 131 Demographic and Economic Information
- 138 Operating Information

The Statistical Section contains unaudited information about the Charlotte Water Enterprise Fund.

This part of the annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about Charlotte Water's overall financial health. This information is presented in five categories.

**FINANCIAL TRENDS** – These schedules contain trend information to help the reader understand how Charlotte Water's financial performance and well-being have changed over time.

**REVENUE CAPACITY** – These schedules contain information to help the reader understand and access the factors that affect Charlotte Water's ability to generate its own revenues.

**DEBT CAPACITY** – These schedules present information to help the reader assess the affordability of Charlotte Water's current levels of outstanding debt and Charlotte Water's ability to issue additional debt in the future.

**DEMOGRAPHIC AND ECONOMIC INFORMATION** – These schedules offer demographic and economic indicators to help the reader understand the environment within which Charlotte Water's financial activities take place.

**OPERATING INFORMATION** – These schedules contain operational data to help the reader understand how the information in Charlotte Water's Financial Report relates to the services Charlotte Water provides.

**SOURCES** – Unless otherwise noted, the information in these schedules is derived from Charlotte Water's Annual Comprehensive Financial Report for the relevant year.



### FINANCIAL TRENDS

- Schedule 1:** Net Position
- Schedule 2:** Changes in Net Position
- Schedule 3:** Reconciliation of Cash Balances, Non-GAAP
- Schedule 4:** Operating Expenses Per Capita
- Schedule 5:** Capital Assets

### REVENUE CAPACITY

- Schedule 6:** Annual Water Consumption Billed by Customer Type
- Schedule 7:** Operating Revenues and Rate Increases
- Schedule 8:** Ten Largest Water and Sewer Customers - Current and Nine Years Ago
- Schedule 9:** Retail Water and Sewer Rates
- Schedule 10:** Residential Water and Sewer Bill Comparisons as a Percentage of Median Household Income
- Schedule 11:** Residential Water and Sewer Bill Comparisons to Local and Regional Utilities

### DEBT CAPACITY

- Schedule 12:** Revenue Bond Coverage
- Schedule 13:** Outstanding Debt

### DEMOGRAPHIC AND ECONOMIC INFORMATION

- Schedule 14:** Population
- Schedule 15:** Total Personal Income
- Schedule 16:** Per Capita Personal Income
- Schedule 17:** Unemployment Rate
- Schedule 18:** Ten Largest Charlotte-Area Non-Governmental Employers

### OPERATING INFORMATION

- Schedule 19:** Employee Count by Function/Program
- Schedule 20:** Number of Service Accounts
- Schedule 21:** Average Daily Water Delivered (Pumped)
- Schedule 22:** Average Daily Sewer Treated
- Schedule 23:** Summary of Major Permits
- Schedule 24:** Capital Assets by Function/Program



## *Financial Trends*

### SCHEDULE 1

### NET POSITION

FISCAL YEARS ENDED JUNE 30

Dollar Amounts in Thousands

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net investments in capital assets	\$ 3,152,062	\$ 2,958,568	\$ 3,071,617	\$ 2,796,494
Restricted for:				
Debt service		-	-	-
Net OPEB Asset	27,817	25,221	24,984	14,218
Unrestricted	399,386	376,045	53,385	152,205
<b>TOTAL NET POSITION</b>	<b><u>\$ 3,579,265</u></b>	<b><u>\$ 3,359,834</u></b>	<b><u>\$ 3,149,986</u></b>	<b><u>\$ 2,962,917</u></b>

## FINANCIAL TRENDS



*Continued*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net investments in capital assets	\$ 2,503,569	\$ 2,184,781	\$ 1,977,806	\$ 1,786,625
Restricted for:				
Debt service	-	-	-	-
Net OPEB Asset	30,412	-	-	-
Unrestricted	245,045	319,684	382,121	411,160
<b>TOTAL NET POSITION</b>	<b><u>\$ 2,779,026</u></b>	<b><u>\$ 2,504,465</u></b>	<b><u>\$ 2,359,927</u></b>	<b><u>\$ 2,197,785</u></b>

## FINANCIAL TRENDS



*Continued*

	<u>2017</u>	<u>2016</u>
Net investments in capital assets	\$ 1,720,933	\$ 1,583,337
Restricted for:		
Debt service	-	-
Net OPEB Asset	-	-
Unrestricted	<u>363,349</u>	<u>334,392</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 2,084,282</u></b>	<b><u>\$ 1,917,729</u></b>

SOURCE: City of Charlotte Finance Department



**SCHEDULE 2**  
**CHANGES IN NET POSITION**  
**FISCAL YEARS ENDED JUNE 30**  
**Dollar Amount in Thousands**

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
Operating revenues				
Water	\$ 243,468	\$ 223,755	\$ 215,157	\$ 193,947
Sewer	373,055	347,738	325,379	305,192
<b>TOTAL OPERATING REVENUE</b>	<b>616,523</b>	<b>571,493</b>	<b>540,536</b>	<b>499,139</b>
Operating expenses <sup>(2)</sup>				
Water	(245,656)	(224,726)	(218,363)	(223,397)
Sewer	(217,846)	(199,285)	(201,565)	(206,212)
<b>TOTAL OPERATING EXPENSES</b>	<b>(463,502)</b>	<b>(424,011)</b>	<b>(419,928)</b>	<b>(429,609)</b>
Nonoperating revenues (expenses)				
Water	(18,350)	(17,731)	(14,947)	(12,350)
Sewer	(66,895)	(53,574)	(45,597)	(32,796)
Investment earnings	16,905	9,153	9,291	(2,675)
Miscellaneous	4,670	1,105	2,793	3,413
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(63,670)</b>	<b>(61,047)</b>	<b>(48,460)</b>	<b>(44,408)</b>
<b>Income before capital contributions</b>	<b>\$ 89,351</b>	<b>\$ 86,435</b>	<b>\$ 72,148</b>	<b>\$ 25,122</b>
Capital contributions <sup>(1)</sup>				
Water	\$ 68,630	\$ 58,634	\$ 54,640	\$ 47,244
Sewer	66,284	68,204	61,993	111,802
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<b>134,914</b>	<b>126,838</b>	<b>116,633</b>	<b>159,046</b>
Transfers in (out)	(3,296)	(3,425)	(1,712)	(277)
<b>CHANGE IN NET POSITION</b>	<b>\$ 220,969</b>	<b>\$ 209,848</b>	<b>\$ 187,069</b>	<b>\$ 183,891</b>

## FINANCIAL TRENDS



Continued

	2021	2020	2019	2018
Operating revenues				
Water	\$ 177,114	\$ 173,923	\$ 181,823	\$ 171,796
Sewer	281,555	264,182	242,504	235,548
<b>TOTAL OPERATING REVENUE</b>	<b>458,669</b>	<b>438,105</b>	<b>424,327</b>	<b>407,344</b>
Operating expenses <sup>(2)</sup>				
Water	(154,111)	(161,981)	(137,648)	(124,368)
Sewer	(142,256)	(149,520)	(142,686)	(132,366)
<b>TOTAL OPERATING EXPENSES</b>	<b>(296,367)</b>	<b>(311,501)</b>	<b>(280,334)</b>	<b>(256,734)</b>
Nonoperating revenues (expenses)				
Water	(14,790)	(18,319)	(20,149)	(23,975)
Sewer	(35,071)	(38,602)	(41,228)	(43,001)
Investment earnings	(1,133)	6,838	10,287	5,830
Miscellaneous	1,640	5,148	3,425	7,166
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(49,354)</b>	<b>(44,935)</b>	<b>(47,665)</b>	<b>(53,980)</b>
<b>Income before capital contributions</b>	<b>\$ 112,948</b>	<b>\$ 81,669</b>	<b>\$ 96,328</b>	<b>\$ 96,630</b>
Capital contributions <sup>(1)</sup>				
Water	\$ 69,311	\$ 20,627	\$ 21,181	\$ 18,726
Sewer	92,647	36,531	44,731	29,752
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<b>161,958</b>	<b>57,158</b>	<b>65,912</b>	<b>48,478</b>
Transfers in (out)	(345)	5,711	(98)	(331)
<b>CHANGE IN NET POSITION</b>	<b>\$ 274,561</b>	<b>\$ 144,538</b>	<b>\$ 162,142</b>	<b>\$ 144,777</b>

## FINANCIAL TRENDS



Continued

	<b>2017</b>	<b>2016</b>
Operating revenues		
Water	\$ 171,798	\$ 166,043
Sewer	230,511	211,084
<b>TOTAL OPERATING REVENUE</b>	<b>402,309</b>	<b>377,127</b>
Operating expenses <sup>(2)</sup>		
Water	(122,216)	(105,490)
Sewer	(136,711)	(120,426)
<b>TOTAL OPERATING EXPENSES</b>	<b>(258,927)</b>	<b>(225,916)</b>
Nonoperating revenues (expenses)		
Water	(20,680)	(38,887)
Sewer	(28,512)	(43,481)
Investment earnings	1,600	1,768
Miscellaneous	6,653	4,404
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(40,939)</b>	<b>(76,196)</b>
<b>Income before capital contributions</b>	<b>\$ 102,443</b>	<b>\$ 75,015</b>
Capital contributions <sup>(1)</sup>		
Water	\$ 21,725	\$ 11,032
Sewer	39,004	15,238
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<b>60,729</b>	<b>26,270</b>
Transfers in (out)	3,381	-
<b>CHANGE IN NET POSITION</b>	<b>\$ 166,553</b>	<b>\$ 101,285</b>

NOTES:

<sup>(1)</sup>The increase in capital contributions from 2020 to 2021 was primarily due to an increase in donated assets.

<sup>(2)</sup>The increase in 2022 was primarily due to an \$80,000 accrual for potential lawsuit settlement and costs of contracted services and chemicals in the treatment of water and sewer.

SOURCE: City of Charlotte Finance Department



**SCHEDULE 3**  
**RECONCILIATION OF CASH BALANCES, NON-GAAP**  
**FISCAL YEARS ENDED JUNE 30**  
 Dollar Amount in Thousands

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30<sup>(1)</sup></b>	<b>\$ 414,314</b>	<b>\$ 385,078</b>	<b>\$ 340,580</b>	<b>\$ 227,744</b>
<b>RESTRICTED FUNDS:</b>				
Cash and cash equivalents held by trustee	70	-	-	3
<b>TOTAL RESTRICTED FUNDS</b>	<b>\$ 70</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3</b>
<b>TOTAL REDUCTIONS</b>	<b>70</b>	<b>-</b>	<b>-</b>	<b>3</b>
<b>UNRESTRICTED CASH, JUNE 30</b>	<b><u>\$ 414,244</u></b>	<b><u>\$ 385,078</u></b>	<b><u>\$ 340,580</u></b>	<b><u>\$ 227,741</u></b>
<b>DAYS CASH ON HAND CALCULATION</b>				
Total water & sewer cash on hand, June 30	\$ 414,244	\$ 385,078	\$ 340,580	\$ 227,741
Total operating expenses <sup>(2)</sup>	254,892	230,051	243,309	270,897
<b>DAYS CASH ON HAND</b>	<b>593</b>	<b>611</b>	<b>511</b>	<b>307</b>

## FINANCIAL TRENDS



Continued

	2021	2020	2019	2018
<b>CASH AND CASH EQUIVALENTS, JUNE 30<sup>(1)</sup></b>	<b>\$ 246,050</b>	<b>\$ 392,383</b>	<b>\$ 397,163</b>	<b>\$ 439,530</b>
<b>RESTRICTED FUNDS:</b>				
Cash and cash equivalents held by trustee	-	1,026	1,007	88
<b>TOTAL RESTRICTED FUNDS</b>	<b>\$ -</b>	<b>\$ 1,026</b>	<b>\$ 1,007</b>	<b>\$ 88</b>
<b>TOTAL REDUCTIONS</b>	<b>-</b>	<b>1,026</b>	<b>1,007</b>	<b>88</b>
<b>UNRESTRICTED CASH, JUNE 30</b>	<b>\$ 246,050</b>	<b>\$ 391,357</b>	<b>\$ 396,156</b>	<b>\$ 439,442</b>
<b>DAYS CASH ON HAND CALCULATION</b>				
Total water & sewer cash on hand, June 30	\$ 246,050	\$ 391,357	\$ 396,156	\$ 439,442
Total operating expenses <sup>(2)</sup>	152,163	177,113	154,110	136,215
<b>DAYS CASH ON HAND</b>	<b>590</b>	<b>807</b>	<b>938</b>	<b>1,178</b>

## FINANCIAL TRENDS



*Continued*

	<u>2017</u>	<u>2016</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30<sup>(1)</sup></b>	<b>\$ 345,719</b>	<b>\$ 321,897</b>
<b>RESTRICTED FUNDS:</b>		
Cash and cash equivalents held by trustee	4	4
<b>TOTAL RESTRICTED FUNDS</b>	<b>\$ 4</b>	<b>\$ 4</b>
<b>TOTAL REDUCTIONS</b>	<b>4</b>	<b>4</b>
<b>UNRESTRICTED CASH, JUNE 30</b>	<b><u>\$ 345,715</u></b>	<b><u>\$ 321,893</u></b>
 <b>DAYS CASH ON HAND CALCULATION</b>		
Total water & sewer cash on hand, June 30	\$ 345,715	\$ 321,893
Total operating expenses <sup>(2)</sup>	146,964	122,144
<b>DAYS CASH ON HAND</b>	<b>859</b>	<b>962</b>

**NOTES:**

<sup>(1)</sup>GAAP balance from the Statement of Cash Flows on page 41.

<sup>(2)</sup>GAAP Basis excluding depreciation and amortization.

SOURCE: City of Charlotte Finance Department



**SCHEDULE 4**  
**OPERATING EXPENSES PER CAPITA**  
**FISCAL YEARS ENDED JUNE 30**  
**Dollar Amounts in Thousands**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>OPERATING EXPENSES</b>				
Administration <sup>(1)</sup>	\$ 57,108	\$ 46,505	\$ 69,946	\$ 129,997
Operating and maintenance <sup>(2)</sup>	195,794	181,609	171,295	139,655
Other <sup>(3)</sup>	1,990	1,937	2,068	1,245
Right to use lease amortization	479	229	180	178
Right to use SBITA amortization	1,280	1,072	578	-
Depreciation	206,851	192,659	175,861	158,534
<b>TOTAL OPERATING EXPENSES</b>	<b><u>\$ 463,502</u></b>	<b><u>\$ 424,011</u></b>	<b><u>\$ 419,928</u></b>	<b><u>\$ 429,609</u></b>
<b>TOTAL POPULATION<sup>(4)</sup></b>	N/A	1,206	1,176	1,149
<b>OPERATING EXPENSES PER CAPITA<sup>(5)</sup></b>	<b><u>N/A</u></b>	<b><u>\$ 351.50</u></b>	<b><u>\$ 357.01</u></b>	<b><u>\$ 373.78</u></b>

## FINANCIAL TRENDS



Continued

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>OPERATING EXPENSES</b>				
Administration <sup>(1)</sup>	\$ 30,794	\$ 43,394	\$ 26,136	\$ 36,598
Operating and maintenance <sup>(2)</sup>	109,675	132,641	127,432	99,496
Other <sup>(3)</sup>	11,694	1,078	542	121
Right to use lease amortization	-	-	-	-
Right to use SBITA amortization	-	-	-	-
Depreciation	144,204	134,388	126,224	120,519
<b>TOTAL OPERATING EXPENSES</b>	<b><u>\$ 296,367</u></b>	<b><u>\$ 311,501</u></b>	<b><u>\$ 280,334</u></b>	<b><u>\$ 256,734</u></b>
<b>TOTAL POPULATION<sup>(4)</sup></b>	<b>1,125</b>	<b>1,116</b>	<b>1,104</b>	<b>1,088</b>
<b>OPERATING EXPENSES PER CAPITA<sup>(5)</sup></b>	<b><u>\$ 263.37</u></b>	<b><u>\$ 279.06</u></b>	<b><u>\$ 253.96</u></b>	<b><u>\$ 236.08</u></b>

## FINANCIAL TRENDS



Continued

	<u>2017</u>	<u>2016</u>
<b>OPERATING EXPENSES</b>		
Administration <sup>(1)</sup>	\$ 39,864	\$ 28,728
Operating and maintenance <sup>(2)</sup>	104,917	91,487
Other <sup>(3)</sup>	2,183	1,929
Right to use lease amortization	-	-
Right to use SBITA amortization	-	-
Depreciation	111,963	103,772
<b>TOTAL OPERATING EXPENSES</b>	<b><u>\$ 258,927</u></b>	<b><u>\$ 225,916</u></b>
<b>TOTAL POPULATION<sup>(4)</sup></b>	<b>1,072</b>	<b>1,052</b>
<b>OPERATING EXPENSES PER CAPITA<sup>(5)</sup></b>	<b><u>\$ 241.47</u></b>	<b><u>\$ 214.81</u></b>

NOTES:

<sup>(1)</sup> In fiscal year 2020, administration increased due to paying additional costs through cost allocation and direct salaries for services provided by other City departments. In fiscal year 2021, the decrease was related to the change in OPEB from a liability to an asset in addition to changes in deferred inflow and outflows related to OPEB. In fiscal year 2022, the increase is due an \$80,000 accrual for a potential lawsuit settlement. In fiscal year 2023, an additional \$26,000 was accrued for the lawsuit settlement.

<sup>(2)</sup> In fiscal year 2019, increased expenses were due to changes in deferred inflows for OPEB. In fiscal year 2021, decreased expenses resulted from salary savings, reduced chemical and power costs at treatment plants, and reduced third-party contractual services. In fiscal year 2022, increased expenses resulted from costs of contracted services and chemicals in the treatment of water and sewer. In fiscal year 2023, increased expenses resulted from increased personnel costs, increased materials, supplies, and internal fleet costs as well as increased prices of chemicals for waste and sludge disposal.

<sup>(3)</sup> In fiscal year 2021, other expenses increased due to refunding savings being used to pre-fund other postemployment benefit trust.

<sup>(4)</sup> N/A: population not available. Bureau of Economic Analysis U.S. Department of Commerce - Mecklenburg County. U.S. Census Bureau midyear population estimates. New statistics for 2024; revised statistics for 2020-2023.

<sup>(5)</sup> Operating expenses per capita calculated as operating expenses divided by the total population.

SOURCE: City of Charlotte Finance Department and Bureau of Economic Analysis U.S. Department of Commerce



**SCHEDULE 5**  
**CAPITAL ASSETS**  
**FISCAL YEARS ENDED JUNE 30**  
**Dollar Amounts in Thousands**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>TOTAL CAPITAL ASSETS</b>				
Land	\$ 72,946	\$ 69,440	\$ 66,528	\$ 61,878
Buildings	112,592	105,651	96,992	51,938
Water and sewer systems	8,207,502	7,747,175	7,046,256	6,442,203
Machinery and equipment	108,668	96,589	89,169	80,508
Intangibles	77,958	63,935	48,832	28,008
Construction in progress	38,215	33,720	143,767	264,032
Right to Use lease assets	4,266	4,266	1,109	1,067
Right to Use SBITA assets	5,293	4,599	3,067	-
<b>TOTAL</b>	<b><u>\$ 8,627,440</u></b>	<b><u>\$ 8,125,375</u></b>	<b><u>\$ 7,495,720</u></b>	<b><u>\$ 6,929,634</u></b>
Less accumulated depreciation	\$ 2,856,326	\$ 2,653,064	\$ 2,462,275	\$ 2,288,233
Less accumulated lease asset amortization	1,062	583	354	178
Less accumulated SBITA asset amortization	2,705	1,650	578	-
<b>TOTAL CAPITAL ASSETS, NET</b>	<b><u>\$ 5,767,347</u></b>	<b><u>\$ 5,470,078</u></b>	<b><u>\$ 5,032,513</u></b>	<b><u>\$ 4,641,223</u></b>

## FINANCIAL TRENDS



*Continued*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>TOTAL CAPITAL ASSETS</b>				
Land	\$ 56,424	\$ 54,100	\$ 52,615	\$ 49,632
Buildings	48,804	45,539	44,598	29,867
Water and sewer systems	5,750,408	5,312,632	4,983,254	4,724,768
Machinery and equipment	72,818	59,469	56,395	49,837
Intangibles	26,274	25,373	20,839	20,114
Construction in progress	417,865	321,725	325,289	320,831
Right to Use lease assets	-	-	-	-
Right to Use SBITA assets	-	-	-	-
<b>TOTAL</b>	<b><u>\$ 6,372,593</u></b>	<b><u>\$ 5,818,838</u></b>	<b><u>\$ 5,482,990</u></b>	<b><u>\$ 5,195,049</u></b>
Less accumulated depreciation	\$ 2,131,801	\$ 1,989,434	\$ 1,858,052	\$ 1,733,333
Less accumulated lease asset amortization	-	-	-	-
Less accumulated SBITA asset amortization	-	-	-	-
<b>TOTAL CAPITAL ASSETS, NET</b>	<b><u>\$ 4,240,792</u></b>	<b><u>\$ 3,829,404</u></b>	<b><u>\$ 3,624,938</u></b>	<b><u>\$ 3,461,716</u></b>

## FINANCIAL TRENDS



*Continued*

	<u>2017</u>	<u>2016</u>
<b>TOTAL CAPITAL ASSETS</b>		
Land	\$ 49,635	\$ 43,600
Buildings	29,867	27,770
Water and sewer systems	4,588,961	4,149,870
Machinery and equipment	42,160	39,143
Intangibles	19,780	18,610
Construction in progress	247,207	491,342
Right to Use lease assets	-	-
Right to Use SBITA assets	-	-
<b>TOTAL</b>	<b><u>\$ 4,977,610</u></b>	<b><u>\$ 4,770,335</u></b>
Less accumulated depreciation	\$ 1,614,043	\$ 1,504,222
Less accumulated lease asset amortization	-	-
Less accumulated SBITA asset amortization	-	-
<b>TOTAL CAPITAL ASSETS, NET</b>	<b><u>\$ 3,363,567</u></b>	<b><u>\$ 3,266,113</u></b>

SOURCE: City of Charlotte Finance Department



## Revenue Capacity

### SCHEDULE 6

### ANNUAL WATER CONSUMPTION BILLED BY CUSTOMER TYPE

### FISCAL YEARS ENDED JUNE 30

### Consumption Amounts in Ccf

<u>FISCAL YEAR</u>	<u>RESIDENTIAL</u>	<u>MULTIFAMILY</u>	<u>COMMERCIAL</u>
<b>2025</b>	20,923,977	11,214,269	12,150,533
<b>2024</b>	20,542,768	10,727,470	12,064,586
<b>2023</b>	20,585,275	10,404,793	11,677,944
<b>2022</b>	20,705,215	10,003,955	11,067,204
<b>2021</b>	20,290,137	9,628,132	10,057,851
<b>2020</b>	19,784,141	9,302,685	10,822,759
<b>2019</b>	19,213,371	9,272,519	11,309,810
<b>2018</b>	19,113,097	9,168,264	11,448,951
<b>2017</b>	19,649,314	8,927,028	11,714,146
<b>2016</b>	19,110,749	8,605,215	11,530,836
Change from 2025 to 2024	1.86%	4.54%	0.71%

## REVENUE CAPACITY



*Continued*

<b>FISCAL YEAR</b>	<b>INDUSTRIAL</b>	<b>IRRIGATION</b>	<b>BULK WHOLESALE</b>
<b>2025</b>	264,649	3,301,286	216,274
<b>2024</b>	143,938	3,017,506	152,333
<b>2023</b>	137,700	3,070,044	103,068
<b>2022</b>	111,336	3,053,265	144,874
<b>2021</b>	75,381	2,626,609	136,390
<b>2020</b>	100,309	3,007,450	227,039
<b>2019</b>	134,874	2,860,597	90,120
<b>2018</b>	124,960	2,598,352	67,008
<b>2017</b>	146,818	3,213,471	177,759
<b>2016</b>	150,936	3,060,029	230,597
Change from 2025 to 2024	3.42%	9.40%	41.97%

## REVENUE CAPACITY



*Continued*

<b>FISCAL YEAR</b>	<b>OTHER</b>	<b>TOTAL WATER CONSUMPTION</b>
<b>2025</b>	77,642	48,148,630
<b>2024</b>	72,874	46,721,475
<b>2023</b>	88,152	46,066,976
<b>2022</b>	79,973	45,165,822
<b>2021</b>	71,123	42,885,623
<b>2020</b>	59,716	43,304,099
<b>2019</b>	62,032	42,943,323
<b>2018</b>	62,115	42,582,747
<b>2017</b>	46,687	43,875,222
<b>2016</b>	43,317	42,731,679
Change from 2025 to 2024	6.54%	3.05%

NOTE: Charlotte Water customer service records as of June 30 of every year.

SOURCE: Charlotte Water

## REVENUE CAPACITY



### SCHEDULE 7 OPERATING REVENUES AND RATE INCREASES FISCAL YEARS ENDED JUNE 30 Dollar Amounts in Thousands

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues				
Charges for services	\$ 473,223	\$ 443,904	\$ 424,449	\$ 396,831
Availability Fees	60,398	56,795	53,896	52,190
Capacity fees <sup>(1)</sup>	-	-	-	-
System development fees <sup>(1)</sup>	76,607	62,712	57,126	45,377
Miscellaneous	6,295	8,082	5,065	4,741
<b>TOTAL OPERATING REVENUES</b>	<b><u>\$ 616,523</u></b>	<b><u>\$ 571,493</u></b>	<b><u>\$ 540,536</u></b>	<b><u>\$ 499,139</u></b>
Average residential rate increase <sup>(3)</sup>	<u>5.75%</u>	<u>4.25%</u>	<u>3.54%</u>	<u>3.42%</u>

## REVENUE CAPACITY



*Continued*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018<sup>(2)</sup></u>
Operating revenues				
Charges for services	\$ 363,572	\$ 355,501	\$ 343,705	\$ 318,084
Availability Fees	50,813	47,903	51,141	51,039
Capacity fees <sup>(1)</sup>	-	-	-	-
System development fees <sup>(1)</sup>	38,890	30,115	23,829	28,316
Miscellaneous	5,394	4,586	5,652	9,905
<b>TOTAL OPERATING REVENUES</b>	<b><u>\$ 458,669</u></b>	<b><u>\$ 438,105</u></b>	<b><u>\$ 424,327</u></b>	<b><u>\$ 407,344</u></b>
Average residential rate increase <sup>(3)</sup>	<u>1.86%</u>	<u>3.42%</u>	<u>3.01%</u>	<u>2.84%</u>

## REVENUE CAPACITY



*Continued*

	<u>2017</u>	<u>2016</u>
Operating revenues		
Charges for services	\$ 324,311	\$ 313,781
Availability Fees	44,913	37,113
Capacity fees <sup>(1)</sup>	24,290	19,157
System development fees <sup>(1)</sup>	-	-
Miscellaneous	8,795	7,076
<b>TOTAL OPERATING REVENUES</b>	<b><u>\$ 402,309</u></b>	<b><u>\$ 377,127</u></b>
Average residential rate increase <sup>(3)</sup>	<u>4.35%</u>	<u>2.72%</u>

NOTES:

<sup>(1)</sup> Capacity fees changed to system development fees due to House Bill 436, Session Law 2017-138, passed on July 20, 2017 also known as the "Public Water and Sewer Development Fee Act".

<sup>(2)</sup> Fiscal year 2018 has been restated to reflect recategorization of capacity fees from nonoperating revenues to operating revenues in the amount of \$28,316.

<sup>(3)</sup> Rate increase for an average residential customer at 7 Ccf. 7 Ccf=5,236 gallons.

SOURCE: Charlotte Water



**SCHEDULE 8  
TEN LARGEST WATER AND SEWER CUSTOMERS - CURRENT  
AND NINE YEARS AGO  
FISCAL YEARS ENDED JUNE 30**

The following table presents information on the ten largest users of the water and sewer system during the fiscal year ended June 30, 2025, and nine years ago. There have been no substantial new users added to the water and sewer system since June 30, 2025.

CUSTOMER	2025		
	REVENUES	RANK OF TOP 10	PERCENTAGE OF TOP 10
City of Charlotte	\$ 2,216,530	1	26%
Atrium Health	1,274,363	2	15%
Novant / Presbyterian Hospital	905,030	3	10%
University of North Carolina - Charlotte	862,761	4	10%
Chesapeake Treatment Co, LLC	770,244	5	9%
Frito Lay, Inc.	648,660	6	8%
Independent Beverage Corporation	634,338	7	7%
Charlotte Mecklenburg School System	584,896	8	7%
Lance, Inc.	369,433	9	4%
Mecklenburg County	359,537	10	4%
Town of Harrisburg	—		0%
Crosland Retail	—		0%
Paramount Carowinds	—		0%
<b>TOTAL</b>	<b>\$ 8,625,792</b>		<b>100%</b>

## REVENUE CAPACITY



Continued

CUSTOMER	2016		
	REVENUES	RANK OF TOP 10	PERCENTAGE OF TOP 10
City of Charlotte	\$ 699,845	5	12%
Atrium Health	934,933	1	15%
Novant / Presbyterian Hospital	560,706	6	9%
University of North Carolina - Charlotte	780,549	2	13%
Chesapeake Treatment Co, LLC	755,434	4	13%
Frito Lay, Inc.	498,102	7	8%
Independent Beverage Corporation	345,765	9	6%
Charlotte Mecklenburg School System	—	-	0%
Lance, Inc.	—	-	0%
Mecklenburg County	—	-	0%
Town of Harrisburg	767,028	3	13%
Crosland Retail	358,189	8	6%
Paramount Carowinds	298,415	10	5%
<b>TOTAL</b>	<b>\$ 5,998,966</b>		<b>100%</b>

SOURCE: Charlotte Water

## REVENUE CAPACITY



### SCHEDULE 9 RETAIL WATER AND SEWER RATES FISCAL YEARS ENDED JUNE 30

<b>FISCAL YEAR</b>	<b>FIXED BILLING WATER</b>	<b>AVAILABILITY FEE WATER</b>	<b>VOLUMETRIC WATER</b>	<b>FIXED BILLING FEE SEWER</b>
<b>2025</b>	\$ 6.16	\$ 1.44	\$ 15.60	\$ 6.16
<b>2024</b>	5.52	1.38	14.88	5.52
<b>2023</b>	5.30	1.30	14.02	5.30
<b>2022</b>	4.22	1.29	13.95	4.22
<b>2021</b>	4.22	1.29	13.30	4.22
<b>2020</b>	4.73	1.24	12.82	4.73
<b>2019</b>	4.45	2.95	12.82	4.45
<b>2018</b>	4.02	3.17	12.44	4.02
<b>2017</b>	3.57	2.97	12.44	3.57
<b>2016</b>	3.15	3.03	12.44	3.15

## REVENUE CAPACITY



*Continued*

<b>FISCAL YEAR</b>	<b>AVAILABILITY FEE SEWER</b>	<b>VOLUMETRIC SEWER<sup>(2)</sup></b>	<b>AVERAGE MONTHLY BILL<sup>(1)</sup></b>
<b>2025</b>	\$ 9.48	\$ 41.51	\$ 80.35
<b>2024</b>	9.06	39.62	75.98
<b>2023</b>	8.74	38.22	72.88
<b>2022</b>	8.70	38.01	70.39
<b>2021</b>	8.70	36.33	68.06
<b>2020</b>	8.37	34.93	66.82
<b>2019</b>	7.39	32.55	64.61
<b>2018</b>	7.50	31.57	62.72
<b>2017</b>	6.87	31.57	60.99
<b>2016</b>	5.11	31.57	58.45

**NOTES:**

<sup>(1)</sup> This analysis represents a single family residential average monthly bill based on 7 Ccf customer, 1 Ccf is equivalent to 748 gallons.

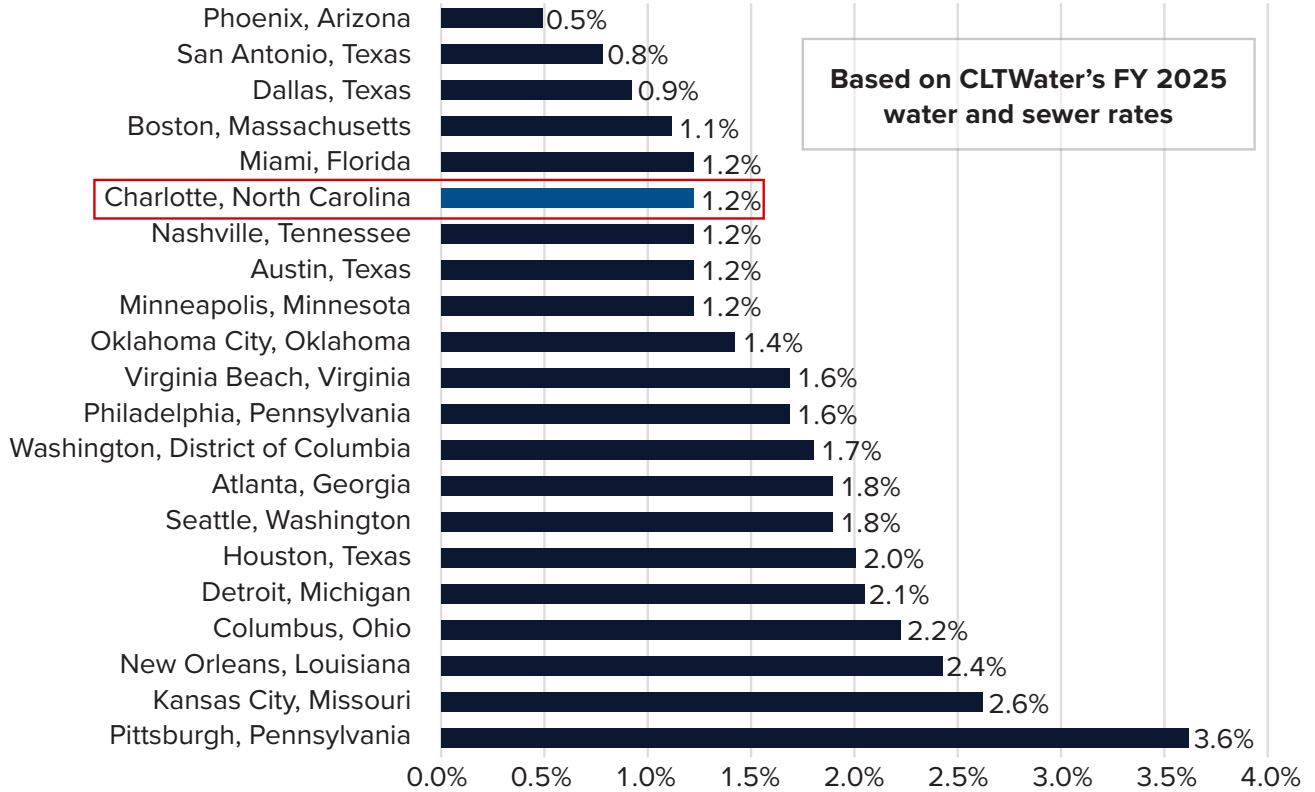
<sup>(2)</sup> Up to 16 Ccf for residential customers.

SOURCE: Charlotte Water



**SCHEDULE 10  
RESIDENTIAL WATER AND SEWER BILL COMPARISONS AS A PERCENTAGE  
OF MEDIAN HOUSEHOLD INCOME  
FISCAL YEARS ENDED JUNE 30**

**Annual Residential Water & Sewer Bill (at 7 CCF/Mo)  
as % of Median Household Income**

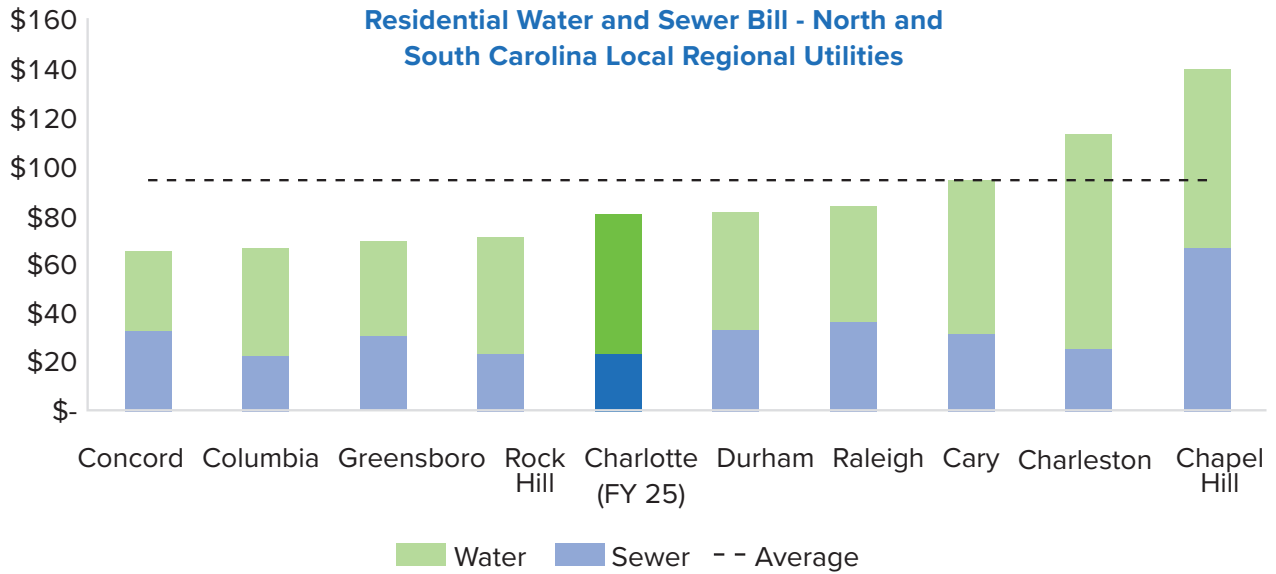


NOTE: This analysis represents a single family residential average monthly bill based on rates in effect January 2025.

SOURCE: Charlotte Water



**SCHEDULE 11  
RESIDENTIAL WATER AND SEWER BILL COMPARISONS TO LOCAL AND  
REGIONAL UTILITIES  
FISCAL YEARS ENDED JUNE 30**



NOTE: This analysis represents a single family residential average monthly bill based on rates in effect January 2025.

SOURCE: Charlotte Water



## *Debt Capacity*

### SCHEDULE 12

### REVENUE BOND COVERAGE

### FISCAL YEARS ENDED JUNE 30

Dollar Amounts in Thousands

FISCAL YEAR	ALLOWABLE REVENUES <sup>(1)</sup>	FINAL BUDGETED EXPENSES <sup>(1)(2)</sup>	DEBT SERVICE REQUIREMENT
2025	\$ 626,427	\$ 249,432	\$ 177,453
2024	580,213	229,413	167,013
2023	551,726	230,974	139,905
2022	499,601	186,738	133,079
2021	458,253	189,558	143,370
2020	446,647	181,441	147,719
2019	435,750	166,869	153,687
2018	418,226	159,952	146,441
2017	410,308	153,487	150,819
2016	382,826	132,948	150,528

## DEBT CAPACITY



*Continued*

REVENUE BOND COVERAGE	50% OF SURPLUS FUND <sup>(1)</sup>	REVENUE BOND COVERAGE, INCLUDING SURPLUS FUND
2.1	\$ 125,698	2.8
2.1	121,419	2.8
2.3	103,878	3.0
2.4	144,166	3.4
1.9	141,997	2.9
1.8	135,666	2.7
1.7	142,149	2.7
1.8	132,748	2.7
1.7	118,010	2.5
1.7	92,141	2.3

**NOTES:**

<sup>(1)</sup> Allowable revenues, final budgeted expenses and Surplus Fund as defined by the Revenue Bond Order.

<sup>(2)</sup> In 2023, final budgeted expenses include \$26,000 for system development fee lawsuit.

SOURCE: City of Charlotte Finance Department

## DEBT CAPACITY



### SCHEDULE 13 OUTSTANDING DEBT FISCAL YEARS ENDED JUNE 30 Dollar Amounts in Thousands

	2025	2024	2023	2022
Outstanding Debt				
General Obligation Bonds	\$ -	\$ -	\$ 1,535	\$ 6,759
Revenue Bonds (Restated)	1,879,420	1,950,870	1,481,305	1,207,425
Installment Purchases	14,621	19,659	14,066	22,342
Revenue Bond Anticipation Notes	301,506	94,086	239,610	250,000
State Revolving Funds	93,655	97,966	88,298	87,137
Other Financing Agreements - Municipal	-	-	-	-
Lease Liabilities	3,260	3,665	725	858
SBITA Liabilities	1,958	2,644	2,362	-
<b>TOTAL OUTSTANDING DEBT</b>	<b>2,294,420</b>	<b>2,168,890</b>	<b>1,827,901</b>	<b>1,574,521</b>
Total Population <sup>(1)</sup>	N/A	1,206	1,176	1,149
<b>CHARLOTTE WATER DEBT PER CAPITA<sup>(2)</sup></b>	<b>N/A</b>	<b>\$ 1,798</b>	<b>\$ 1,554</b>	<b>\$ 1,370</b>

## DEBT CAPACITY



*Continued*

	2021	2020	2019	2018
Outstanding Debt				
General Obligation Bonds	\$ 11,835	\$ 26,208	\$ 44,017	\$ 69,074
Revenue Bonds (Restated)	1,272,740	1,298,740	1,373,365	1,432,675
Installment Purchases	18,404	25,284	10,967	5,443
Revenue Bond Anticipation Notes	85,000	96,241	32,947	-
State Revolving Funds	72,807	49,052	13,992	2,527
Other Financing Agreements - Municipal	-	-	250	675
Lease Liabilities	-	-	-	-
SBITA Liabilities	-	-	-	-
<b>TOTAL OUTSTANDING DEBT</b>	<b>1,460,786</b>	<b>1,495,525</b>	<b>1,475,538</b>	<b>1,510,394</b>
Total Population <sup>(1)</sup>	1,125	1,116	1,104	1,088
<b>CHARLOTTE WATER DEBT PER CAPITA<sup>(2)</sup></b>	<b>\$ 1,298</b>	<b>\$ 1,340</b>	<b>\$ 1,337</b>	<b>\$ 1,389</b>

## DEBT CAPACITY



*Continued*

	2017	2016
Outstanding Debt		
General Obligation Bonds	\$ 95,158	\$ 122,851
Revenue Bonds (Restated)	1,354,285	1,403,080
Installment Purchases	8,892	12,482
Revenue Bond Anticipation Notes	64,919	18,118
State Revolving Funds	2,753	-
Other Financing Agreements-Municipal	1,320	2,130
Lease Liabilities	-	-
SBITA Liabilities	-	-
<b>TOTAL OUTSTANDING DEBT</b>	<b>1,527,327</b>	<b>1,558,661</b>
Total Population <sup>(1)</sup>	1,072	1,052
<b>CHARLOTTE WATER DEBT PER CAPITA<sup>(2)</sup></b>	<b>\$ 1,424</b>	<b>\$ 1,482</b>

NOTES:

<sup>(1)</sup> Bureau of Economic Analysis U.S. Department of Commerce - Mecklenburg County. U.S. Census Bureau midyear population estimates. New statistics for 2024; revised statistics for 2020-2023

<sup>(2)</sup> Charlotte Water debt per capita calculated as total outstanding debt divided by the total population.

SOURCE: City of Charlotte Finance Department and the Bureau of Economic Analysis U.S. Department of Commerce



# Demographic and Economic Information

## SCHEDULE 14 POPULATION

CALENDAR YEAR	POPULATION
2025	N/A
2024	1,206,285
2023	1,176,228
2022	1,149,349
2021	1,125,279
2020	1,116,263
2019	1,103,865
2018	1,087,510
2017	1,072,273
2016	1,051,691

NOTE: N/A: Information not available

SOURCE: Bureau of Economic Analysis U.S. Department of Commerce - Mecklenburg County. U.S. Census Bureau midyear population estimates. New statistics for 2024; revised statistics for 2020-2023



**SCHEDULE 15**  
**TOTAL PERSONAL INCOME**  
 Dollar Amounts in Thousands

<b>CALENDAR YEAR</b>	<b>TOTAL INCOME</b>
<b>2025</b>	\$ N/A
<b>2024</b>	103,858,464
<b>2023</b>	97,002,272
<b>2022</b>	90,314,022
<b>2021</b>	84,459,108
<b>2020</b>	76,524,860
<b>2019</b>	70,362,774
<b>2018</b>	66,081,094
<b>2017</b>	62,458,332
<b>2016</b>	58,064,732

NOTE: N/A: Information not available.

SOURCE: Bureau of Economic Analysis U.S. Department of Commerce - Mecklenburg County. New statistics for 2024; revised statistics for 2020-2023



**SCHEDULE 16  
PER CAPITA PERSONAL INCOME**

<b>CALENDAR YEAR</b>	<b>INCOME</b>	
<b>2025</b>	\$	N/A
<b>2024</b>		86,098
<b>2023</b>		82,469
<b>2022</b>		78,578
<b>2021</b>		75,056
<b>2020</b>		68,555
<b>2019</b>		63,742
<b>2018</b>		60,764
<b>2017</b>		58,249
<b>2016</b>		55,211

NOTE: N/A: Information not available.

SOURCE: Bureau of Economic Analysis U.S. Department of Commerce - Mecklenburg County. Per capita personal income is the total personal income divided by total midyear population. New statistics for 2024; revised statistics for 2020-2023.



**SCHEDULE 17  
UNEMPLOYMENT RATE**

<b>CALENDAR YEAR</b>	<b>UNEMPLOYMENT RATE</b>
<b>2025</b>	N/A
<b>2024</b>	3.63%
<b>2023</b>	3.34%
<b>2022</b>	3.53%
<b>2021</b>	4.72%
<b>2020</b>	7.23%
<b>2019</b>	3.58%
<b>2018</b>	3.78%
<b>2017</b>	4.32%
<b>2016</b>	4.83%

NOTE: N/A: Information not available

SOURCE: Bureau of Labor Statistics - U.S. Department of Labor - Charlotte-Concord-Gastonia, North Carolina & South Carolina (Metropolitan Statistical Area)



**SCHEDULE 18**  
**TEN LARGEST CHARLOTTE-AREA NON-GOVERNMENTAL EMPLOYERS**  
**(Ranked by Numbers of Full Time Employees)**

2025			2024		
RANK	EMPLOYER	NUMBER OF EMPLOYEES	RANK	EMPLOYER	NUMBER OF EMPLOYEES
1	Atrium Health	39,000	1	Atrium Health	39,000
2	Wells Fargo & Co.	27,000	2	Wells Fargo & Co.	27,000
3	Novant Health, Inc.	16,594	3	Bank of America Corporation	15,000
4	American Airlines Group, Inc.	15,500	4	American Airlines Group, Inc.	14,923
5	Bank of America Corporation	15,000	5	Novant Health, Inc.	14,762
6	Lowe's Cos. Inc.	11,000	6	Lowe's Cos. Inc.	11,000
7	Food Lion LLC	10,500	7	Harris Teeter, LLC	8,239
8	Compass Group USA, Inc.	10,000	8	Duke Energy Corporation	7,900
9	Harris Teeter, LLC	8,239	9	Daimler Trucks North America	6,800
10	Daimler Trucks North America	8,000	10	Spectrum	6,600

2023			2022		
RANK	EMPLOYER	NUMBER OF EMPLOYEES	RANK	EMPLOYER	NUMBER OF EMPLOYEES
1	Atrium Health	39,000	1	Atrium Health	39,000
2	Wells Fargo & Co.	28,000	2	Wells Fargo & Co.	27,200
3	Bank of America Corporation	15,000	3	Wal-Mart Stores, Inc.	16,100
4	Novant Health, Inc.	14,052	4	Bank of America Corporation	15,000
5	American Airlines Group, Inc.	13,500	5	Novant Health, Inc.	13,088
6	Lowe's Cos. Inc.	11,000	6	American Airlines Group, Inc.	13,000
7	Compass Group USA, Inc.	8,800	7	Lowe's Cos. Inc.	11,000
8	Harris Teeter, LLC	8,239	8	Harris Teeter, a division of the Kroger Co.	8,239
9	Duke Energy Corporation	7,700	9	Duke Energy Corporation	7,700
10	Daimler Trucks North America	6,800	10	Daimler Trucks North America	6,800

## DEMOGRAPHIC AND ECONOMIC INFORMATION



*Continued*

2021			2020		
RANK	EMPLOYER	NUMBER OF EMPLOYEES	RANK	EMPLOYER	NUMBER OF EMPLOYEES
1	Atrium Health	39,039	1	Atrium Health	38,320
2	Wells Fargo & Co.	27,500	2	Wells Fargo & Co.	27,500
3	Wal-Mart Stores, Inc.	16,100	3	Wal-Mart Stores, Inc.	16,100
4	Bank of America Corporation	15,000	4	Bank of America Corporation	15,000
5	American Airlines Group, Inc.	12,000	5	Novant Health, Inc.	14,170
6	Novant Health, Inc.	11,635	6	American Airlines Group, Inc.	12,000
7	Lowe's Cos. Inc.	11,000	7	Lowe's Cos. Inc.	9,233
8	Harris Teeter, a division of the Kroger Co.	8,239	8	Delhaize America, Inc./Food Lion, Inc.	8,465
9	Duke Energy Corporation	7,700	9	Harris Teeter, a division of the Kroger Co.	8,329
10	Compass Group USA, Inc.	5,000	10	Duke Energy Corporation	7,700

2019			2018		
RANK	EMPLOYER	NUMBER OF EMPLOYEES	RANK	EMPLOYER	NUMBER OF EMPLOYEES
1	Atrium Health	35,700	1	Atrium Health	35,700
2	Wells Fargo & Co.	26,000	2	Wells Fargo & Co.	25,100
3	Wal-Mart Stores, Inc.	16,100	3	Wal-Mart Stores, Inc.	16,100
4	Bank of America Corporation	15,000	4	Bank of America Corporation	15,000
5	Novant Health, Inc.	12,172	5	American Airlines Group, Inc.	11,000
6	American Airlines Group, Inc.	11,000	6	Delhaize America, Inc./Food Lion, Inc.	10,859
7	Lowe's Cos. Inc.	9,233	7	Novant Health, Inc.	9,679
8	Delhaize America, Inc./Food Lion, Inc.	8,465	8	Lowe's Cos. Inc.	8,500
9	Harris Teeter, a division of the Kroger Co.	8,239	9	Duke Energy Corporation	8,300
10	Duke Energy Corporation	7,700	10	Harris Teeter, a division of the Kroger Co.	8,239

## DEMOGRAPHIC AND ECONOMIC INFORMATION



*Continued*

2017			2016		
RANK	EMPLOYER	NUMBER OF EMPLOYEES	RANK	EMPLOYER	NUMBER OF EMPLOYEES
1	Carolinas Health Care System	35,000	1	Carolinas Health Care System	35,000
2	Wells Fargo & Co.	24,100	2	Wells Fargo & Co.	23,500
3	Wal-Mart Stores, Inc.	16,100	3	Wal-Mart Stores, Inc.	16,100
4	Bank of America Corporation	15,000	4	Bank of America Corporation	15,000
5	American Airlines Group, Inc.	11,500	5	Novant Health, Inc.	11,698
6	Delhaize America, Inc./Food Lion, Inc.	10,859	6	American Airlines Group, Inc.	11,500
7	Novant Health, Inc.	9,679	7	Lowe's Cos. Inc.	9,077
8	Lowe's Cos. Inc.	8,500	8	Harris Teeter, a division of the Kroger Co.	8,239
9	Duke Energy Corporation	8,487	9	Duke Energy Corporation	7,800
10	Harris Teeter, a division of the Kroger Co.	8,239	10	Delhaize America, Inc./Food Lion, Inc.	6,900

NOTE: The Charlotte area includes the following counties: Alexander, Anson, Cabarrus, Catawba, Chester (SC), Chesterfield (SC), Cleveland, Gaston, Iredell, Lancaster (SC), Lincoln, Mecklenburg, Rowan, Stanly, Union and York (SC).

SOURCE: Charlotte Business Journal Book of Lists; rankings reflect publication year methodology.



## Operating Information

### SCHEDULE 19 EMPLOYEE COUNT BY FUNCTION/PROGRAM FISCAL YEARS ENDED JUNE 30

FISCAL YEAR	WATER AND SEWER TOTAL FULL TIME EQUIVALENT POSITIONS
2025	1,106
2024	1,106
2023	1,050
2022	1,019
2021	997
2020	997
2019	958
2018	912
2017	846
2016	822

NOTES:

<sup>(1)</sup> In 2016, positions were added in response to the improving economy and regulatory changes. In 2017 through 2019 and 2022 positions were added to keep pace with the growth in customer base. In 2020, positions were added to support rehabilitation and replacement efforts and to maintain regulatory compliance.

<sup>(2)</sup> In 2023, positions were added for operation and maintenance of facilities and for the management and administrative functions related to increase in construction projects.

<sup>(3)</sup> In 2024, positions were added for operation and maintenance, customer service and business oversight.

SOURCE: Charlotte Water Department

## OPERATING INFORMATION



### SCHEDULE 20 NUMBER OF SERVICE ACCOUNTS FISCAL YEARS ENDED JUNE 30

<b>FISCAL YEAR</b>	<b>NUMBER OF WATER SERVICE CONNECTIONS</b>	<b>NUMBER OF SEWER SERVICE CONNECTIONS</b>
<b>2025</b>	328,048	295,747
<b>2024</b>	323,527	292,053
<b>2023</b>	318,067	287,499
<b>2022</b>	310,547	281,983
<b>2021</b>	304,029	276,498
<b>2020</b>	297,098	270,640
<b>2019</b>	290,442	264,981
<b>2018</b>	285,092	260,580
<b>2017</b>	279,380	256,327
<b>2016</b>	273,574	246,299

SOURCE: Charlotte Water

## OPERATING INFORMATION



### SCHEDULE 21 AVERAGE DAILY WATER DELIVERED (PUMPED) FISCAL YEARS ENDED JUNE 30

<u>FISCAL YEAR</u>	<u>AVERAGE DAILY PUMPED (MILLION GALLONS PER DAY)</u>
2025	125
2024	117
2023	116
2022	118
2021	110
2020	109
2019	108
2018	106
2017	107
2016	107

SOURCE: Charlotte Water

## OPERATING INFORMATION

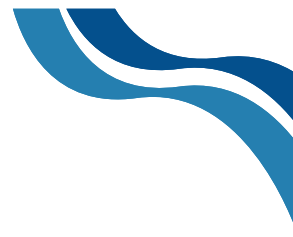


### SCHEDULE 22 AVERAGE DAILY SEWER TREATED FISCAL YEARS ENDED JUNE 30

<b>FISCAL YEAR</b>	<b>AVERAGE DAILY TREATED (MILLION GALLONS PER DAY)</b>
2025	88
2024	86
2023	85
2022	80
2021	87
2020	89
2019	91
2018	78
2017	80
2016	80

SOURCE: Charlotte Water

## OPERATING INFORMATION



### SCHEDULE 23 SUMMARY OF MAJOR PERMITS FISCAL YEARS ENDED JUNE 30

WASTEWATER	PERMIT NUMBER <sup>(1)</sup>	DESCRIPTION	EXPIRATION DATE	CURRENT STATUS
National Pollutant Discharge Elimination System (NPDES)	NC0024937	Permit issued by the North Carolina Department of Environmental Quality (DEQ) to the City of Charlotte-Charlotte Water at the Sugar Creek Wastewater Treatment Plant for municipal wastewater discharge.	August 31, 2028	In Compliance
National Pollutant Discharge Elimination System (NPDES)	NC0024945	Permit issued by the North Carolina Department of Environmental Quality (DEQ) to the City of Charlotte-Charlotte Water at the Irwin Creek Wastewater Treatment Plant for municipal wastewater discharge.	October 31, 2028	In Compliance
National Pollutant Discharge Elimination System (NPDES)	NC0024970	Permit issued by the North Carolina Department of Environmental Quality (DEQ) to the City of Charlotte-Charlotte Water at the McAlpine Creek Wastewater Treatment Plant for municipal wastewater discharge.	June 30, 2028	In Compliance
National Pollutant Discharge Elimination System (NPDES)	NC0030210	Permit issued by the North Carolina Department of Environmental Quality (DEQ) to the City of Charlotte-Charlotte Water at the Mallard Creek Water Resource Recover Facility for municipal wastewater discharge.	November 30, 2029	In Compliance

## OPERATING INFORMATION



*Continued*

National Pollutant Discharge Elimination System (NPDES)	NC0036277 <sup>(1)</sup>	Permit issued by the North Carolina Department of Environmental Quality (DEQ) to the City of Charlotte-Charlotte Water at the McDowell Creek Wastewater Treatment Plant for municipal wastewater discharge.	June 30, 2024	In Compliance
National Pollutant Discharge Elimination System (NPDES)	NC0065749	Permit issued by the North Carolina Department of Environmental Quality (DEQ) to the City of Charlotte-Charlotte Water at the Ashe Plantation Wastewater Treatment Plant for discharging 100% domestic wastewater <1MGD.	April 30, 2026	In Compliance
National Pollutant Discharge Elimination System (NPDES)	NC0089630	Permit issued by the North Carolina Department of Environmental Quality (DEQ) to the City of Charlotte-Charlotte Water at the Joe C. Stowe, Jr. Regional Water Resource Recovery Facility for municipal wastewater discharge.	November 30, 2029	In Compliance
National Pollutant Discharge Elimination System (NPDES)	NC0089923	Permit issued by the North Carolina Department of Environmental Quality (DEQ) to the City of Charlotte-Charlotte Water at the Baxter Street Remediation Site to discharge remediated groundwater.	June 30, 2027	In Compliance

## OPERATING INFORMATION



*Continued*

Collection System	WQCS00001	Permit issued by the North Carolina Department of Environmental Quality (DEQ) to the City of Charlotte-Charlotte Water for the collection system transport of sewage, or untreated wastewater to wastewater treatment facilities through sewer lines and force mains.	December 31, 2025	In Compliance
WATER	PERMIT NUMBER <sup>(1)</sup>	DESCRIPTION	EXPIRATION DATE	CURRENT STATUS
National Pollutant Discharge Elimination System (NPDES)	NC0084387 <sup>(1)</sup>	Permit issued by the North Carolina Department of Environmental Quality (DEQ) to the City of Charlotte-Charlotte Water for water plants and water conditioning discharge at the Lee S. Dukes Water Treatment Plant.	February 28, 2025	In Compliance
National Pollutant Discharge Elimination System (NPDES)	NC0084549 <sup>(1)</sup>	Permit issued by the North Carolina Department of Environmental Quality (DEQ) to the City of Charlotte-Charlotte Water for water plants and water conditioning discharge at the Franklin Water Treatment Plant.	May 31, 2025	In Compliance
Public Water System ID (PWSID)	NC0160010	Public Water System ID assigned by the North Carolina Department of Environmental Quality (DEQ) to the City of Charlotte for the operation of a public water system.	December 31, 2025	In Compliance

## OPERATING INFORMATION



*Continued*

<b>STORMWATER</b>	<b>PERMIT NUMBER</b>	<b>DESCRIPTION</b>	<b>EXPIRATION DATE</b>	<b>CURRENT STATUS</b>
National Pollutant Discharge Elimination System (NPDES)	NCG110008	Permit issued by the North Carolina Department of Environmental Quality (DEQ) to the City of Charlotte-Charlotte Water for industrial stormwater discharge at the Irwin Creek Wastewater Treatment Plant.	February 28, 2029	In Compliance
National Pollutant Discharge Elimination System (NPDES)	NCG110010	Permit issued by the North Carolina Department of Environmental Quality (DEQ) to the City of Charlotte-Charlotte Water for industrial stormwater discharge at the McAlpine Creek Wastewater Treatment Plant.	February 28, 2029	In Compliance
National Pollutant Discharge Elimination System (NPDES)	NCG110011	Permit issued by the North Carolina Department of Environmental Quality (DEQ) to the City of Charlotte-Charlotte Water for industrial stormwater discharge at the McDowell Creek Wastewater Treatment Plant.	February 28, 2029	In Compliance
National Pollutant Discharge Elimination System (NPDES)	NCG110012	Permit issued by the North Carolina Department of Environmental Quality (DEQ) to the City of Charlotte-Charlotte Water for industrial stormwater discharge at the Sugar Creek Wastewater Treatment Plant.	February 28, 2029	In Compliance

## OPERATING INFORMATION



*Continued*

National Pollutant Discharge Elimination System (NPDES)	NCG110114	Permit issued by the North Carolina Department of Environmental Quality (DEQ) to the City of Charlotte-Charlotte Water for industrial stormwater discharge at the Mallard Creek Water Resource Recover Facility.	February 28, 2029	In Compliance
---	-----------	--	-------------------	---------------

NOTE: <sup>(1)</sup> The North Carolina Department of Environmental Quality has acknowledged the renewal requests for Permit NC0036277 (McDowell Creek) expired June 30, 2024, Permit NC0084387 (Lee S. Dukes) expired February 28, 2025, and Permit NC0084549 (Franklin Water Treatment Plant) expired May 31, 2025, and has administratively continued the permits while the renewals are under review.

SOURCE: North Carolina Department of Environmental Quality and Charlotte Water



**SCHEDULE 24**  
**CAPITAL ASSETS BY FUNCTION/PROGRAM**  
**FISCAL YEARS ENDED JUNE 30**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Function/Program				
Water				
Number of treatment plants	3	3	3	3
Miles of water mains	4,664	4,610	4,570	4,525
Number of fire hydrants	18,797	18,534	18,340	18,128
Number of water quality sampling stations	363	348	342	319
Sewer				
Number of treatment plants	6	6	6	7
Miles of sanitary sewer lines	4,638	4,595	4,562	4,526
Number of lift stations	76	74	75	74
Manhole sewer level monitoring devices	470	470	454	277

## OPERATING INFORMATION



*Continued*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Function/Program				
Water				
Number of treatment plants	3	3	3	3
Miles of water mains	4,482	4,431	4,393	4,353
Number of fire hydrants	17,925	17,677	17,517	17,344
Number of water quality sampling stations	314	299	267	208
Sewer				
Number of treatment plants	7	7	7	5
Miles of sanitary sewer lines	4,475	4,420	4,376	4,330
Number of lift stations	78	83	82	81
Manhole sewer level monitoring devices	174	45	19	12

## OPERATING INFORMATION



*Continued*

Function/Program	<u>2017</u>	<u>2016</u>
Water		
Number of treatment plants	3	3
Miles of water mains	4,314	4,269
Number of fire hydrants	17,109	16,901
Number of water quality sampling stations	105	43
Sewer		
Number of treatment plants	5	5
Miles of sanitary sewer lines	4,288	4,244
Number of lift stations	82	77
Manhole sewer level monitoring devices	12	12

NOTE: Deployment of manhole cover additions in 2023 resulted in an increase of 177 installs from 2022.

SOURCE: Charlotte Water

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX B**  
**SUMMARY OF INDENTURES**

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX B

### SUMMARY OF INDENTURES

In addition to summaries of the provisions of the General Indenture and Series Indenture, Number 27 contained under the caption “**THE 2026 BONDS**” and elsewhere in this Official Statement, the following is a brief summary of certain provisions of the General Indenture and the Series Indenture, Number 27 applicable to the 2026 Bonds. This summary is not intended to be definitive and is qualified in its entirety by express reference to the General Indenture and Series Indenture, Number 27 for the complete terms thereof.

#### DEFINITIONS OF CERTAIN TERMS

“*Account*” or “*Fund*” means one of the special funds or accounts created and established under the General Indenture.

“*Accountant*” means an independent certified accountant or firm of public accountants as may be selected by the City and not unacceptable to the Trustee.

“*Accreted Value*” means (i) on a Compounding Date with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond at the date of delivery to the original purchasers thereof plus the interest accrued on such Capital Appreciation Bond from such date to that Compounding Date as shown in the Series Indenture under which it is issued, or (ii) as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond at the date of delivery to the original purchasers thereof plus the interest accrued on such Capital Appreciation Bond from such date to the date of computation, calculated based on the assumption that Accreted Value as shown in the Series Indenture under which it is issued accrues during any period in equal daily amounts on the basis of a year of 360 days consisting of twelve months of thirty days each.

“*Act*” means The State and Local Government Revenue Bond Act, General Statutes of North Carolina Section 159-80 *et seq.*, and as the same may hereafter be amended.

“*Additional Bonds*” means Bonds issued under the General Indenture and meeting the requirements of the General Indenture.

“*Annual Budget*” means the annual budget approved by the City concerning the operation of the Water and Sewer System for each Fiscal Year.

“*Authenticating Agent*” means with respect to any given Series of Bonds, the Registrar or any other entity appointed in the related Series Indenture to act as an authenticating agent for such Series of Bonds or a portion thereof.

“*Authorized Denomination*” means \$5,000 or any integral multiple thereof.

“*Balloon Indebtedness*” means a Series of Bonds, either (a) 25% or more of the Principal Installments of which are payable in a single Fiscal Year or (b) 25% or more of the Principal Installments of which may, at the option of the holder thereof, be redeemed at one time, and in either event which

portion of the Principal Installments is not required by the documents pursuant to which such Bonds are issued to be amortized by redemption prior to such date.

“*Bond*” means one of the obligations delivered pursuant to the General Indenture, including all Series of Bonds issued pursuant to a Series Indenture.

“*Bond Counsel*” means an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the City and not unacceptable to the Trustee.

“*Business Day*” means any day other than (a) a day on which banking institutions in New York, New York, or in the State or in the cities in which the Trustee or the Paying Agent have their respective principal offices are authorized to close or (b) a day on which the New York Stock Exchange is closed.

“*Capital Appreciation Bonds*” means any Bonds, however denominated in the related Series Indenture, as to which interest is compounded periodically on each Compounding Date and which are payable in an amount equal to the then-current Accreted Value only at maturity, earlier redemption or other payment date therefor.

“*Certificate*” means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the General Indenture or (ii) the report of an accountant as to audit or other procedures called for by the General Indenture.

“*City*” means the City of Charlotte, North Carolina.

“*City Representative*” means the City Manager, the Finance Officer, the Deputy Finance Officer, the Treasurer or the Debt Manager of the City and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of the City then authorized to perform such act or discharge such duty.

“*Code*” means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code in the General Indenture will be deemed to include the United States Treasury Regulations in effect with respect thereto.

“*Compounding Date*” means, with respect to any Capital Appreciation Bond, the dates set forth in the Series Indenture under which it is issued.

“*Construction Fund*” means the Fund so designated and established under the General Indenture.

“*Consulting Engineer*” means the City’s professional engineer or a firm of engineers or utilities consultants with recognized expertise for advising governmental entities with respect to the construction, maintenance and use of the Water and Sewer System from time to time employed by the City and not unacceptable to the Trustee.

“*Costs of Construction*” means the costs reasonably incurred in connection with the Water and Sewer System, including but not limited to the costs of (1) acquisition of all property, real or personal, tangible or intangible, and all interests in connection therewith including all rights-of-way and easements therefor, (2) physical construction, installation and testing, including the costs of labor, services,

materials, supplies and utility services used in connection therewith, (3) architectural, engineering, legal, financial advisory and other professional services, (4) premiums for insurance policies taken out and maintained during construction, to the extent not paid for by a contractor for construction and installation, (5) any taxes, assessments or other charges which become due during construction, (6) expenses incurred by the City or on its behalf with its approval in seeking to enforce any remedy against any contractor or sub-contractor in respect of any default under a contract relating to construction, (7) Costs of Issuance, (8) Interest on the Bonds during the construction of any portion of the Water and Sewer System, (9) miscellaneous expenses incidental thereto and (10) reimbursements of such Cost of Construction properly incurred prior to the issuance of the Bonds.

“*Costs of Issuance*” means all items of expense, directly or indirectly payable by or reimbursable to the City, related to the authorization, sale and issuance of Bonds.

“*Current Expenses*” means the current expenses of operation, maintenance and current repair of the Water and Sewer System, as calculated in accordance with generally accepted accounting principles except as otherwise provided in the General Indenture, and includes, without limiting the generality of the foregoing: insurance premiums; any rebate required to be paid to the United States Government; fees and expenses of the Trustee and any Paying Agent; fees and expenses of any entity providing credit support or liquidity for any Series of the Bonds; administrative and engineering expenses of the City relating solely to the Water and Sewer System; labor; executive compensation; the cost of materials and supplies used for current operations; and charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but which are such as may reasonably be expected to be incurred as determined by the City in accordance with generally accepted accounting principles except as otherwise provided in the General Indenture. “*Current Expenses*” will not include (i) any allowance for depreciation or replacements of capital assets of the Water and Sewer System, (ii) moneys payable as Interest and as interest on General Obligation Indebtedness, Subordinate Indebtedness or Other Indebtedness, (iii) moneys deposited or transferred to the Reserve Fund pursuant to the applicable Series Indenture and (iv) any expense paid from a source other than Revenues. When generally accepted accounting principles provide that amounts be treated as Current Expenses but (1) the timing of the required payment of the expense of a portion thereof, while known, is more than one year in the future or (2) the actual timing of the required payment of the expense is not readily determinable (such as post-employment benefits calculated actuarially), the City may include as a Current Expense the amount required to be paid for in the current period rather than the entirety of amounts required to be expensed.

“*Debt Service Fund*” means the Fund so designated and established under the General Indenture.

“*Derivative Agreement*” means an interest rate swap, cap, collar, floor, forward, option, put, call or other agreement however denominated, relating to the Bonds.

“*Direct Subsidy Bonds*” means any Bonds, Subordinate Indebtedness, Other Indebtedness or General Obligation Indebtedness incurred or issued under an interest subsidy program established under the Code.

“*Event of Default*” means any of the events specified in the General Indenture together with any other events specified as such in a Series Indenture.

“*Extension and Replacement Fund*” means the capital fund or account (or portion thereof) of the City in which it deposits money for the extension and replacement of the Water and Sewer System and

such amounts deposited are designated as the “Extension and Replacement Fund” established pursuant to the General Indenture.

“*Federal Securities*” means, to the extent otherwise permitted by law, (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged; (b) obligations the payment of the principal of and interest on which is fully guaranteed as full faith and credit obligations of the United States of America (including any securities described in (a) or (b) issued or held in the name of the Trustee in book entry form on the books of the Department of Treasury of the United States of America), which obligations, in either case, are held in the name of the Trustee and are not subject to redemption or purchase prior to maturity at the option of anyone other than the Owner; (c) any bonds or other obligations of the State or of any agency, instrumentality or local governmental unit of the State which are (i) not callable prior to maturity or (ii) as to which irrevocable instructions have been given to the trustee or escrow agent of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified, and which are rated by Moody’s, if the Bonds are rated by Moody’s, S&P, if the Bonds are rated by S&P, and Fitch, if the Bonds are rated by Fitch, within the highest rating category and which are secured as to principal, redemption premium, if any, and interest by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) or (b) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; or (d) direct evidences of ownership of proportionate interests in future interest and principal payments on specified obligations described in (a) held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations described in (a), and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated.

“*Finance Officer*” means the finance officer of the City appointed in accordance with Section 159-24 of the General Statutes of North Carolina, or any successor statute, or the official succeeding to the Finance Officer’s principal functions.

“*Financial Consultant*” means an independent person or firm with recognized expertise for advising governmental entities with respect to financial forecasting and analysis of the Water and Sewer System from time to time employed by the City and not unacceptable to the Trustee.

“*Fiscal Year*” means a twelve-month period commencing on the first day of July of any year, or such other twelve-month period adopted as the Fiscal Year of the City.

“*Fitch*” means Fitch Ratings, Inc., its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, “*Fitch*” will be deemed to refer to any other nationally recognized securities rating agency designated by the Finance Officer of the City by notice to the Trustee.

“*General Indenture*” means the Amended and Restated General Trust Indenture dated as of September 24, 2020 between the City and the Trustee, and any amendments and supplements thereto.

“*General Obligation Indebtedness*” means (i) general obligation indebtedness incurred by the City which is payable from Net Revenues and the proceeds of which were or are to be used to provide for

capital costs of the Water and Sewer System and (ii) general obligation indebtedness of another governmental unit, the payment on which is assumed by the City in connection with acquisition of assets for the Water and Sewer System.

“*Independent Insurance Consultant*” means a person or firm, appointed by the City and not unacceptable to the Trustee, qualified to survey risks and to recommend insurance coverage for facilities of the type operated by the City and having a favorable reputation for skill and experience in such surveys and such recommendations, which insurance consultant, in the case of an individual, must not be an officer or employee of the City and, in the case of a firm, must not have a partner, director, member, officer or employee who is an officer or employee of the City.

“*Interest*” means (i) the amount designated as interest on any Bonds and (ii) payments due from the City under a Derivative Agreement other than for the termination thereof.

“*Interest Payment Date*” means, with respect to the 2026 Bonds, each January 1 and July 1, beginning January 1, 2027.

“*Investment Securities*” means investments permitted under Sections 159-30 of the North Carolina General Statutes, as amended from time to time, or as otherwise permitted by law.

“*LGC*” means the North Carolina Local Government Commission or any successor to its functions under the laws of the State.

“*Mail*” means first-class United States mail, postage prepaid.

“*Moody’s*” means Moody’s Investors Service, its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, “*Moody’s*” will be deemed to refer to any other nationally recognized rating agency designated by the Finance Officer of the City by notice to the Trustee.

“*Net Revenues*” means the excess of Revenues over Current Expenses.

“*Other Indebtedness*” means capital leases, installment financing agreements or other contracts used to provide capital improvements to the Water and Sewer System, the payments under which are payable from Net Revenues after payment of the Principal of and Interest on the Bonds.

“*Outstanding*” means all Bonds which have been authenticated and delivered by the Trustee under the General Indenture, except:

- (1) Bonds canceled after purchase in the open market or because of payment (it being understood that a payment to an Owner of the purchase price of a Bond, as prescribed in the related Series Indenture, is not payment of a Bond) at or redemption prior to maturity;
- (2) Bonds deemed paid under the General Indenture;
- (3) Bonds for the payment of the Principal of, redemption premium, if any, and Interest on which Federal Securities have been irrevocably set aside; and
- (4) Bonds in lieu of which other Bonds have been authenticated under the General Indenture.

“*Owner*” means (1) any person in whose name any Outstanding Bond is registered on the books of the Registrar, and (2) with respect to the 2026 Bonds, the registered owners of the 2026 Bonds.

“*Paying Agent*” means any entity appointed in a Series Indenture to act as a paying agent for a Series of Bonds.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

“*Principal*” means the principal amount of an Outstanding Bond (including as to Capital Appreciation Bonds, the Accreted Value thereof except with respect to the order of priority of payment of Bonds after an event of default under the General Indenture, in which case, “*Principal*” means the principal amount of such Capital Appreciation Bonds on their date of delivery and the balance of the Accreted Value will be “*Interest*”) payable as a Sinking Fund Payment or at maturity.

“*Principal and Interest Requirements on the Bonds*” means, with respect to any particular Fiscal Year, an amount equal to the sum of (i) all Interest payable on the Outstanding Bonds during such Fiscal Year excluding any capitalized Interest payable from the proceeds of a Series of the Bonds, plus (ii) any Principal Installments of the Outstanding Bonds during such Fiscal Year.

(a) For purposes of computing “*Principal and Interest Requirements on the Bonds*,” the rate of interest used to determine (i) above will be a rate per annum equal to (1) with respect to Bonds which bear interest at a fixed rate, the rate of interest borne or to be borne by such Bonds, and (2) with respect to Bonds which bear interest at a variable or periodically determined rate of interest, the rate which is equal to the greater of (A) the average of all the interest rates in effect on the Bonds (or, as certified by a financial institution or investment banking firm acceptable to the Finance Officer, which would have been in effect on the Bonds had such Bonds been Outstanding) during the immediately preceding twelve-month period or (B) the average of all the interest rates in effect on the Bonds (or, as certified by a financial institution or investment banking firm acceptable to the Finance Officer, which would have been in effect on the Bonds had such Bonds been Outstanding) during the immediately preceding one-month period and (3) with respect to Direct Subsidy Bonds, any subsidy payments that are received or expected to be received and deposited in the Debt Service Fund to be used to pay interest on such Direct Subsidy Bonds, the interest rate will be calculated by subtracting the applicable direct subsidy percentage from the stated interest rate (in other words, the City will receive a credit against the interest paid or to be paid on such Direct Subsidy Bonds). If the City has entered into a Derivative Agreement under which it will receive payments calculated on a notional amount equal to the aggregate Principal amount of a Series of the Bonds and will make payments calculated on the same notional amount, the interest used to calculate (1) above will be the amount to be paid by the City, and the amount to be received will be deducted; payments on a variable or periodic basis under such an agreement will be calculated in accordance with clause (2) above.

(2) For purposes of computing “*Principal and Interest Requirements on the Bonds*,” the Principal Installments for each Series of Bonds used to determine (ii) above will be the actual planned Principal Installments, except for any Balloon Indebtedness the Principal Installments for any Fiscal Year will be assumed to be the result of dividing (A) the outstanding principal amount of such Balloon Indebtedness by (B) thirty (30) years, in each case determined as the original issuance of the Balloon Indebtedness (in other words, the Principal Installment for any Fiscal

Year will be deemed to be 1/30<sup>th</sup> of the initial aggregate principal amount of the Balloon Indebtedness); provided, however, if the date of calculation is within 12 months of the final maturity date of such Series of Bonds, the City will use the actual planned Principal Installment unless the City has a binding commitment by an institutional lender or municipal underwriting firm to provide moneys to refinance the aggregate Principal of such Series of Bonds then Outstanding and if such binding commitment exists, then the payment terms contained in the commitment are to be used for purposes of calculating Principal for such Series of Bonds.

*“Principal and Interest Requirements for General Obligation Indebtedness”* means, with respect to any particular Fiscal Year, an amount equal to the sum of (i) all interest payable on the General Obligation Indebtedness during such Fiscal Year excluding any capitalized interest, plus (ii) any principal of the General Obligation Indebtedness during such Fiscal Year. Principal and interest for purposes of this definition will be computed in the manner in which the Principal of and Interest on the Bonds is calculated under the definition of *“Principal and Interest Requirements on the Bonds.”*

*“Principal and Interest Requirements for Other Indebtedness”* means, with respect to any particular Fiscal Year, an amount equal to the sum of all payment obligations with respect to Other Indebtedness during such Fiscal Year. If the payment obligation under any Other Indebtedness is stated in terms of principal and interest, such principal and interest will be computed for purposes of this definition in the manner in which the Principal of and Interest on the Bonds is calculated under the definition of *“Principal and Interest Requirements on the Bonds.”*

*“Principal and Interest Requirements for Subordinate Indebtedness”* means, with respect to any particular Fiscal Year, an amount equal to the sum of (i) all interest payable on Subordinate Indebtedness during such Fiscal Year excluding any capitalized interest, plus (ii) any principal of Subordinate Indebtedness during such Fiscal Year. Principal and interest for purposes of this definition will be computed in the manner in which the Principal of and Interest on the Bonds is calculated under the definition of *“Principal and Interest Requirements on the Bonds.”*

*“Principal Installment”* means, as of any date of calculation, (i) the aggregate Principal amount of Outstanding Bonds (including as to Capital Appreciation Bonds, the Accreted Value thereof) due on a certain future date, reduced by the aggregate Principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the General Indenture of Sinking Fund Payments payable before such future date, plus (ii) any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such Sinking Fund Payments.

*“Principal Payment Date”* means any date upon which Principal is due and payable.

*“Qualified Reserve Fund Substitute”* means (1) an irrevocable letter of credit, naming the Trustee as beneficiary, issued by any domestic or foreign bank, or any branch or agency thereof, whose long-term debt obligations are rated by at least one national rating agency in the “A” rating category or higher, or the equivalent (2) a surety bond issued by a financial institution whose long-term rating is in the “A” rating category or higher, or equivalent, by at least one national rating agency or (3) a policy of reserve fund insurance issued by an insurance company whose claims-paying ability is rated by at least one national rating agency in the “A” rating category or higher, or the equivalent. In each case, ratings set forth above shall be determined at the time of issuance of such Qualified Reserve Fund Substitute and without regard to ratings subcategories.

“*Record Date*” means the 15th day of the month next preceding the Interest Payment Date.

“*Redemption Date*” means the date on which 2026 Bonds have been called for redemption or are to be redeemed pursuant to the Series Indenture.

“*Redemption Price*” means, with respect to any 2026 Bond, the principal amount thereof plus the applicable premium, if any, payable on redemption thereof plus accrued interest to the Redemption Date.

“*Registrar*” means the Trustee or, in lieu of the Trustee, any other entity appointed in a Series Indenture to act as the Registrar for a Series of Bonds or a portion thereof.

“*Reserve Fund*” means the Fund so designated and established pursuant to the General Indenture.

“*Reserve Requirement*” means, as of any date of calculation, the collective amount required to be on deposit in the Reserve Fund as determined by the Series Indentures under which all Series of Bonds secured by an account in the Reserve Fund are issued.

“*Revenues*” means all fees (including any tap or impact fees), rentals, assessments or other charges or other income received by the City in connection with the ownership, management and operation of the Water and Sewer System, and all parts thereof, including amounts received from the investment or deposit of moneys in any Fund or Account (but not including amounts received from interest or other investment income earned in the Construction Fund and, during the construction period, the Reserve Fund), all as calculated in accordance with generally accepted accounting principles except as otherwise provided in the General Indenture, but shall not include (i) net proceeds of insurance or condemnation awards or other extraordinary items, (ii) any amounts collected by the City representing sales or use taxes which may be required by law or agreement to be paid to the State or a governmental unit thereof or (iii) refundable deposits made by customers of the Water and Sewer System.

“*S&P*” means S&P Global Ratings, its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, “*S&P*” will be deemed to refer to any other nationally recognized securities rating agency designated by the Finance Officer of the City by notice to the Trustee.

“*Series of Bonds*” or “*Series*” means any series of Bonds issued under the General Indenture pursuant to a Series Indenture.

“*Series Indenture*” means any indenture or other document supplementing the General Indenture executed by the City and effective in accordance with the General Indenture, providing for the issuance of a Series of Bonds, and when specifically referring to the 2026 Bonds, Series Indenture, Number 27 dated as of June 1, 2026 between the City and the Trustee and any amendments or supplements adopted in accordance with the terms thereof.

“*Sinking Fund Payment*” means, as of any particular date of calculation, the amount required to be paid by the City on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by the City by reason of the maturity of a Bond or by call for redemption at the election of the City.

“*State*” means the State of North Carolina.

“*Subordinate Indebtedness*” means debt, other than General Obligation Indebtedness, the payment of the principal and interest on which is secured by Net Revenues after payment of the Principal of and Interest on the Bonds, including any loan or other obligations payable to the State under a State loan program unless by its terms it is stated to be on parity with the Bonds.

“*Supplemental Indenture*” means any indenture supplemental to the General Indenture delivered amending or supplementing the General Indenture.

“*Surplus Fund*” means the fund so designated and established by the General Indenture.

“*Trustee*” means the Trustee with respect to the Bonds and any other person at any time substituted in its place as provided in the General Indenture.

“*Trust Estate*” means all property and rights conveyed by the City under the Granting Clauses of the General Indenture.

“*2026 Bonds*” means the City’s Water and Sewer System Revenue Bonds, Series 2026 to be issued pursuant to the General Indenture and the Series Indenture.

“*2026 Cost of Issuance Account*” means the account by that name in the Construction Fund created under the Series Indenture.

“*Water and Sewer Operating Fund*” means the Fund so designated and established pursuant to the General Indenture.

“*Water and Sewer Revenue Bond Fund*” means the Fund so designated and established pursuant to the General Indenture.

“*Water and Sewer System*” means the City’s water and sanitary sewer system, providing water and sanitary sewer services within the jurisdiction of the City and its surrounding areas, including any and all additions, modifications, replacements and parts thereof and currently operated by the Charlotte-Mecklenburg Utility Department and other assets so designated under Section 6.11(e) of the General Indenture.

## **PLEDGE UNDER THE GENERAL INDENTURE**

The City has assigned and pledged to the Trustee, to the extent provided in the General Indenture (1) all Net Revenues of the Water and Sewer System, (2) all moneys and securities held by the Trustee, the City or any other depositaries in any and all of the funds and accounts held under the General Indenture, except the Water and Sewer Operating Fund, the Water and Sewer Revenue Bond Fund, the Extension and Replacement Fund and the Surplus Fund and (3) any additional property that may, from time to time, by delivery or by writing of any kind, be subjected to the lien of the General Indenture, by the City or by anyone on its behalf. The General Indenture does not convey, mortgage, pledge or create any lien on any real estate or tangible personal property owned by the City or on any revenues of the City other than Net Revenues.

## FUNDS AND ACCOUNTS

Under the General Indenture, the City has established the following special funds:

- (1) Water and Sewer Operating Fund;
- (2) Water and Sewer Revenue Bond Fund;
- (3) Debt Service Fund;
- (4) Extension and Replacement Fund;
- (5) Construction Fund;
- (6) Reserve Fund, if required; and
- (7) Surplus Fund.

The Trustee or the City may also create such other Funds or Accounts as either deems necessary or desirable in the administration of the General Indenture. The Debt Service Fund, the Construction Fund and the Reserve Fund will be held by the Trustee. The Water and Sewer Operating Fund, the Water and Sewer Revenue Bond Fund, the Extension and Replacement Fund and the Surplus Fund will be held by one or more financial institution from time to time determined by the City.

**Construction Fund.** The City has created the 2026 Costs of Issuance Account in the Construction Fund under the Series Indenture. A portion of the proceeds of the 2026 Bonds will be deposited in the 2026 Costs of Issuance Account and applied pursuant to the Series Indenture, including to the payment of Costs of Issuance on the filing from time to time with the Trustee of a requisition from the City pursuant to the Series Indenture. Any balance remaining in the 2026 Costs of Issuance Account on December 15, 2026 will be deposited in the Debt Service Fund and applied to the payment of interest due on the 2026 Bonds.

**Water and Sewer Operating Fund.** The City will cause all Revenues to be deposited in the Water and Sewer Operating Fund. There will also be deposited in the Water and Sewer Operating Fund any other amounts required to be deposited therein pursuant to the General Indenture or any Supplemental Indenture and any other amounts available therefor and determined by the City to be deposited therein. All amounts collected by the City that do not constitute Revenues, which have been deposited in the Water and Sewer Operating Fund, may be paid out of the Water and Sewer Operating Fund in the amounts and at the times determined by the City Representative.

Except as provided in the preceding paragraph, the City will cause disbursements to be made from the Water and Sewer Operating Fund as follows:

FIRST: Directly to the Persons entitled thereto at any time as may be required, the amount required to pay the Current Expenses as shown in the Annual Budget for the current Fiscal Year;

SECOND: To the Water and Sewer Revenue Bond Fund, on or before the 15th day of the month, an amount such that (after taking into consideration amounts then on deposit in the Water and Sewer Revenue Bond Fund allocated to pay Interest due with respect to the Bonds), if the same amount is transferred thereto on the first day of each succeeding month, there will be in the Water and Sewer Revenue Bond Fund an amount equal to the Interest due on the next Interest Payment Date;

THIRD: To the Water and Sewer Revenue Bond Fund, on or before the 15th day of the month, an amount such that (after taking into consideration amounts then on deposit in the Water and Sewer Revenue Bond Fund allocated to pay Principal due with respect to the Bonds), if the same amount is transferred thereto on the first day of each succeeding month, there will be in the Water and Sewer Revenue Bond Fund an amount equal to the Principal due on the next Principal Payment Date;

FOURTH: At any time as may be required, to the provider of any Qualified Reserve Fund Substitute in satisfaction of the then current obligations of the City incurred in connection therewith;

FIFTH: At any time as may be required, to the Trustee for deposit in the Reserve Fund (i) the amount necessary for the balance therein to equal the Reserve Requirement, but if the Revenues are insufficient therefor, to each Account of the Reserve Fund *pro rata* on the basis of the Reserve Requirement for each Series of Bonds secured by an Account of the Reserve Fund or (ii) if the Reserve Fund is less than 90% of the Reserve Requirement as a result of a valuation of investments therein, the amount necessary for the balance therein to equal the Reserve Requirement; but the City is not required to transfer in any month more than an amount such that if the same amount were deposited in equal monthly installments over the subsequent 11 months, the Reserve Fund would equal the Reserve Requirement;

SIXTH: At any time as may be required, to the Debt Service Fund, the amount necessary to make up any deficiency therein in accordance with the priorities described under “**FUNDS AND ACCOUNTS--*Debt Service Fund*”** below;

SEVENTH: At any time as may be required, to the Persons entitled to payment of any principal, premium, if any, or interest on any Subordinate Indebtedness, an amount equal to the principal, premium or interest then due and owing;

EIGHTH: At any time as may be required, to the paying agent or directly to the registered owners of General Obligation Indebtedness in an amount necessary to pay when due the principal of, premium, if any, and interest on the General Obligation Indebtedness;

NINTH: At any time as may be required, to the Persons entitled to payment with respect to any Other Indebtedness, an amount equal to the payment then due and owing;

TENTH: On the last day of each month, to the Extension and Replacement Fund, 1/12th of the amount, if any, shown in the Annual Budget; and

ELEVENTH: On the first day of each Fiscal Year, to the Surplus Fund, the balance remaining in the Water and Sewer Operating Fund as of the last day of the preceding Fiscal Year after reserving therein an amount sufficient to pay the Current Expenses for the first two months of that Fiscal Year as shown in the Annual Budget.

***Debt Service Fund.*** The Trustee will disburse amounts deposited in the Debt Service Fund as follows:

- (1) On each Interest Payment Date, to the Persons entitled thereto, Interest due on such date.

(2) Subject to the provisions of the General Indenture requiring the application thereof to the payment or redemption of any particular Bond, on each Principal Payment Date, to the Owners, the amounts required for the payment of the Principal due on such date.

(3) On each Redemption Date, to the Owners, the amount required for redemption of Bonds called for redemption.

If on any Interest Payment Date or Principal Payment Date, there is a deficiency in the Debt Service Fund, the amount of such deficiency will be made up from the following Funds and in the order or priority set forth below:

- (1) Water and Sewer Revenue Bond Fund;
- (2) Water and Sewer Operating Fund;
- (3) Surplus Fund;
- (4) Extension and Replacement Fund;
- (5) the Account of the Reserve Fund securing a Series of Bonds to pay the Principal of and Interest on such Series of Bonds, to the extent such deficiency is attributable to the Series of Bonds secured by that Account of the Reserve Fund; and
- (6) Construction Fund.

***Water and Sewer Revenue Bond Fund.*** There will be deposited from time to time in the Water and Sewer Revenue Bond Fund all amounts required to be deposited therein pursuant to the General Indenture and any other amounts available therefor and determined by the City to be deposited therein. The City shall transfer from the Water and Sewer Revenue Bond Fund to the Debt Service Fund (i) on or before the fifth day preceding each Interest Payment Date, an amount sufficient to pay Interest due on that Interest Payment Date and (ii) on or before the fifth day preceding each Principal Payment Date, an amount sufficient to pay Principal due on that Principal Payment Date. The City will not transfer moneys from the Water and Sewer Revenue Bond Fund for any other purpose than the payment of the Principal of and Interest on the Bonds.

***Extension and Replacement Fund.*** The Extension and Replacement Fund will be applied for the following purposes:

- (1) paying the cost of extensions, additions and capital improvements to, or the renewal and replacement of capital assets of, or purchasing and installing new equipment for, the Water and Sewer System, or paying any extraordinary maintenance and repair or any expenses which are not Current Expenses;
- (2) transfer to the Debt Service Fund to make up any deficiency therein in accordance with the order of priorities described under the caption “**FUNDS AND ACCOUNTS--*Debt Service Fund***” above; and
- (3) repayment of Subordinate Indebtedness, General Obligation Indebtedness or Other Indebtedness.

The Finance Officer will authorize disbursements to be made from the Extension and Replacement Fund for the purposes set forth in clauses (1) and (3) on the filing of a requisition signed by a City Representative setting forth the purpose for which the disbursement is to be made and stating that the work has been performed or that materials, supplies or equipment have been delivered, installed or

fabricated or that the payment of principal of or interest on Subordinate Indebtedness, General Obligation Indebtedness or Other Indebtedness is due, as appropriate.

***Surplus Fund.*** Moneys held in the Surplus Fund will be applied in the following order of priority: (1) first, to the Water and Sewer Operating Fund to make up any deficiency therein to meet the obligations therefor; (2) second, to pay the Person entitled thereto a termination payment under a Derivative Agreement; (3) third, to the Persons entitled to payment of any principal, premium, if any, or interest on any Subordinate Indebtedness, an amount equal to the principal, premium or interest then due and owing; (4) fourth, to the paying agent or directly to the registered owners of General Obligation Indebtedness in an amount necessary to pay when due the principal of, premium, if any, and interest on the General Obligation Indebtedness; (5) fifth, to the Persons entitled to payment with respect to any Other Indebtedness, an amount equal to the payment then due and owing; and (6) sixth, for any lawful purpose related to the Water and Sewer System from time to time authorized by the City.

## **INVESTMENTS**

The Trustee will invest moneys held in the Debt Service Fund, the Construction Fund and the Reserve Fund, at the written direction of the City, in Investment Securities. The City will invest all Funds and Accounts held by it pursuant to the General Indenture in such Investment Securities as it determines in its sole discretion. The proceeds of any remarketing of a Series of the Bonds will be held uninvested or will be invested in Federal Securities maturing not later than the earlier of 30 days or the date needed for payment. The City will invest, and as to the Debt Service Fund, the Reserve Fund and the Construction Fund, will direct the Trustee (in writing or orally with subsequent confirmation in writing) to invest all moneys held under the General Indenture pursuant to the investment instructions as provided in connection with a Series of Bonds. Whenever the Trustee has not received written direction from the City and moneys in a Fund or Account created under this Indenture or a Series Indenture are therefore uninvested, the Trustee shall invest the moneys in Federal Securities maturing the earlier of (i) the date such moneys are needed to meet an obligation under this Indenture or a Series Indenture or (ii) 30 days after such investment. The Trustee may rely on the City's directions and is not responsible for any loss on the investment of moneys under the General Indenture made pursuant to the City's directions.

Unless otherwise provided in a Series Indenture, the Trustee will deposit earnings from investment of moneys (i) in the Construction Fund immediately on receipt thereof into the Construction Fund, (ii) in the Debt Service Fund immediately on receipt thereof into the Debt Service Fund, and (iii) in the Reserve Fund as set forth in each Series Indenture. All other earnings from the investment of moneys held in any other Fund or Account under the General Indenture will be credited to the Water and Sewer Operating Fund.

## **COVENANTS OF THE CITY**

***Accounts and Reports.*** The City will keep, or cause to be kept, proper books of record and account in which complete and accurate entries will be made relating to the Water and Sewer System, which will at all reasonable times be subject to the inspection of the Trustee and the Owners or their representatives duly authorized in writing.

The City will file with the Trustee and the LGC, within 180 days after the close of each Fiscal Year, a copy of an audited annual financial report as to the obligations and activities of the Water and Sewer System during such Fiscal Year. The financial statements for each Fiscal Year, shall set forth in reasonable detail:

- (1) a balance sheet for the Water and Sewer System at the end of such Fiscal Year;
- (2) a statement of the Water and Sewer System revenues and expenses in accordance with the categories or classifications established by the City for its operating and program purposes and showing the Revenues and Current Expenses during such Fiscal Year; and
- (3) a statement of cash flows of the Water and Sewer System as of the end of such Fiscal Year.

In addition, the City will file with the Trustee and the LGC an audited calculation demonstrating its compliance with the covenant described under “**COVENANTS OF THE CITY--Rate Covenant**” below which may be contained (i) in the audited annual financial report or (ii) in a separate document that has been certified by the Accountant which prepares such calculation. The contents of the financial statements may vary from that set forth in clauses (1) through (3) if the Accountant certifies that they conform to then-existing generally accepted accounting principles. The financial statements must be accompanied by an Accountant’s Certificate stating whether the financial statements examined fairly present the financial position of the City, including the Water and Sewer System, at the end of the Fiscal Year, and whether the results of its operations and the changes in financial position for the period examined are in conformity with generally accepted accounting principles. The Trustee will make a copy of the financial statements available to any Owner of a Bond on written request therefor.

The City may employ Consulting Engineers to inspect the operation and maintenance of the Water and Sewer System or to review the performance by the City of the duties relating thereto provided for in the General Indenture. The City will file any report of the Consulting Engineers regarding their inspection or review with the Trustee and the LGC.

Within 60 days after the close of each Fiscal Year, the City will file or cause to be filed with the Trustee and the LGC (i) a certificate that no event of default under the General Indenture has occurred or (ii) if an event of default has occurred, a special report, accompanied by an Accountant’s Certificate as to the fair presentation of the financial statements contained therein, setting forth in reasonable detail the individual balances and receipts and disbursements for each Fund under the General Indenture.

**Annual Budgets.** The City will approve by July 1 of each year an Annual Budget covering the fiscal operations of the Water and Sewer System for the Fiscal Year and will file the same with the Trustee. Such budget need not necessarily be the budget prepared by the City for budgeting purposes. The Annual Budget will set forth for such Fiscal Year the estimated Revenues; the Principal and Interest Requirements on the Bonds, the Principal and Interest Requirements on Subordinate Indebtedness, the Principal and Interest Requirements on General Obligation Indebtedness and the Principal and Interest Requirements on Other Indebtedness, due and payable or estimated to become due and payable during such Fiscal Year; estimated Current Expenses; and, unless capital expenditures for the Water and Sewer System are included in the City’s capital investment plan or similar document, the estimated amounts, if any, to be expended for extension, improvement, enlargement, renewal or replacement of the Water and Sewer System, whether begun, continued or completed during such Fiscal Year. The City may at any time adopt and file with the Trustee an amended Annual Budget in the manner provided in the General Indenture for the adoption of the Annual Budget. Copies of the Annual Budget as then amended and in effect will be made available by the Trustee at normal business hours in the Trustee’s principal corporate trust office for inspection by any Owner. If the City does not approve or adopt an Annual Budget for a Fiscal Year on or before the first day of such Fiscal Year, the Annual Budget for the preceding Fiscal Year will be deemed to have been adopted and be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year has been adopted as above provided.

**Rate Covenant.** Before the commencement of each Fiscal Year, the City will fix, establish or maintain or cause to be fixed, established and maintained such rates and charges for the provision of services of the Water and Sewer System, and revise or cause to be revised the same, as necessary, as will produce (a) Revenues which together with 50% of the balance in the Surplus Fund at the end of the preceding Fiscal Year at least equal in such Fiscal Year to the total of (i) the Current Expenses budgeted for such Fiscal Year, as may be amended from time to time, plus (ii) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds to become due during that Fiscal Year plus (iii) 100% of (1.00 times) the Principal and Interest Requirements on Subordinate Indebtedness to become due in such Fiscal Year plus (iv) 100% of (1.00 times) the Principal and Interest Requirements on General Obligation Indebtedness to become due in such Fiscal Year plus (v) 100% of (1.00 times) the Principal and Interest Requirements on Other Indebtedness to become due in such Fiscal Year plus (vi) 100% of (1.00 times) the amount required to reimburse the provider of a Qualified Reserve Fund Substitute for any amounts owing thereunder and (b) Revenues at least equal in such Fiscal Year to the total of (i) the Current Expenses budgeted for such Fiscal Year, as may be amended from time to time, plus (ii) 110% of (1.10 times) the Principal and Interest Requirements on the Bonds to become due during that Fiscal Year plus (iii) 100% of (1.00 times) the Principal and Interest Requirements on Subordinate Indebtedness to become due in such Fiscal Year plus (iv) 100% of (1.00 times) the Principal and Interest Requirements on General Obligation Indebtedness to become due in such Fiscal Year plus (v) 100% of (1.00 times) the Principal and Interest Requirements on Other Indebtedness to become due in such Fiscal Year plus (vi) 100% of (1.00 times) the amount required to reimburse the provider of a Qualified Reserve Fund Substitute for any amounts owing thereunder. All users, including political subdivisions and public bodies (State or federal) who receive services from the Water and Sewer System will pay therefor at the established rates, fees and charges, but the City may adopt specific policies with respect to use by persons of low income and the rates, fees and charges need not be uniform.

**Issuance of Additional Bonds.** The City will not issue any other obligations, except on the conditions and in the manner provided in the General Indenture, payable from the Revenues, having priority to or being on a parity with the lien of the Bonds issued pursuant to the General Indenture, nor voluntarily create or cause to be or suffer to be created any debt, lien, pledge, assignment, encumbrance or any other charge having priority to or being on a parity with the lien of the Bonds issued pursuant to the General Indenture.

The City may issue Bonds to refund all or any Principal amount of the Bonds; if, however, the debt service in any Fiscal Year on the Outstanding Bonds remaining Outstanding after the issuance of the refunding Bonds will increase as a result of such refunding or if the maximum annual Principal and Interest Requirements on the Bonds after the issuance of the refunding Bonds exceeds the maximum annual Principal and Interest Requirements on the Bonds before the issuance of the refunding Bonds, then the City must satisfy the requirements in the fourth paragraph under this caption below.

If the City has issued Bonds, the proceeds of which were used to acquire or construct any portion of the Water and Sewer System and such proceeds are insufficient to pay the Costs of Construction, the City may issue a Series of Bonds in an amount equal to (i) the insufficiency, (ii) any required deposit to the Reserve Fund with respect to such Series and (iii) the Costs of Issuance related thereto. Before the issuance of any Series of Bonds under this paragraph, the City shall deliver to the Trustee a Certificate of a Consulting Engineer stating that the proceeds from the Series of Bonds together with other available funds will be sufficient to pay the Costs of Construction of the portion of the Water and Sewer System for which such Series of Bonds are being issued.

No Series of Bonds, other than the Bonds described in the second or third paragraphs above, will be issued under the General Indenture unless either:

(1) the Net Revenues for the most recent Fiscal Year for which audited financial statements are available, adjusted in the manner described in the paragraph below, were at least equal to (a) 120% of (1.20 times) the maximum Principal and Interest Requirements on the Bonds, including the Series of Bonds to be issued, (b) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness in that Fiscal Year, (c) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness in that Fiscal Year and (d) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness in that Fiscal Year, in each case excluding any Bonds and other applicable indebtedness to be refunded by the proposed Additional Bonds; or

(2) (A) the Net Revenues for the most recent Fiscal Year for which audited financial statements are available were at least equal to (a) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds for such Fiscal Year, excluding the Series of Bonds to be issued, (b) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness in such Fiscal Year, (c) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness in such Fiscal Year and (d) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness in such Fiscal Year; and

(B) the Net Revenues, as projected by a report of a Financial Consultant filed with the Trustee, for the first two Fiscal Years following (I) the date capitalized interest, if any, provided from the proceeds of the proposed Series of Bonds is expended in the case of the acquisition of assets for or construction of improvements to the Water and Sewer System or (II) the date the proposed Series of Bonds is issued in any other case, are at least equal to (a) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds, including the Series of Bonds to be issued, for such Fiscal Years, (b) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness to become due in such Fiscal Years, (c) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness to become due in such Fiscal Years and (d) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness to become due in such Fiscal Years, in each case excluding any Bonds and other applicable indebtedness to be refunded by the proposed Additional Bonds; and

(3) no Event of Default under the General Indenture has occurred and is continuing.

For purposes of calculating Net Revenues in paragraph (1) or paragraph (2)(A), (1) if any rates, fees or charges of the Water and Sewer System have been increased since the date of such audited financial statements or will be increased on or before the date the proposed Series of Bonds is issued, the Finance Officer may add to the Net Revenues his estimate of the additional Revenues that would have been included in the calculation of Net Revenues if such rates, fees and charges had been in effect in such Fiscal Year and (2) if users of the Water and Sewer System have been added as a result of an acquisition of assets from another provider of water or sewer services or as a result of a contract with another governmental unit, the Finance Officer may add to the Net Revenues his estimate of the additional Revenues that would have been included in the calculation of Net Revenues if such users had been a part of the Water and Sewer System in such Fiscal Year.

***Issuance of Subordinate Indebtedness*** The City may issue Subordinate Indebtedness if:

(1) the Net Revenues for the most recent Fiscal Year for which audited financial statements are available were at least equal to (a) 120% of (1.20 times) the maximum Principal and Interest Requirements on the Bonds, (b) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness in that Fiscal Year, including the Subordinate Indebtedness to be issued, (c) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness in that Fiscal Year and (d) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness in that Fiscal Year, in each case excluding any Bonds and other applicable indebtedness to be refunded by the proposed Subordinated Indebtedness; or

(2) (A) the Net Revenues for the most recent Fiscal Year for which audited financial statements are available were at least equal to (a) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds for such Fiscal Year, (b) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness in such Fiscal Year, excluding the Subordinate Indebtedness to be issued, (c) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness in such Fiscal Year and (d) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness in such Fiscal Year; and

(B) the Net Revenues, as projected by a report of a Financial Consultant filed with the Trustee, for the first two Fiscal Years following (I) the date capitalized interest, if any, provided from the proceeds of the proposed Subordinate Indebtedness is expended in the case of the acquisition of assets for or construction of improvements to the Water System or (II) the date the proposed Subordinate Indebtedness is incurred in any other case, are at least equal to (a) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds for such Fiscal Years, (b) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness, including the Subordinate Indebtedness to be issued, to become due in such Fiscal Years, (c) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness to become due in such Fiscal Years and (d) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness to become due in such Fiscal Years, in each case excluding any Bonds and other applicable indebtedness to be refunded by the proposed Subordinate Indebtedness; and

(3) no Event of Default under the General Indenture or under the agreement securing the Subordinate Indebtedness has occurred and is continuing.

For purposes of calculating Net Revenues in paragraph (1) or paragraph (2)(A), (1) if any rates, fees or charges of the Water and Sewer System have been increased since the date of such audited financial statements or will be increased on or before the date the proposed Subordinated Indebtedness is issued, the Finance Officer may add to the Net Revenues his estimate of the additional Revenues that would have been included in the calculation of Net Revenues if such rates, fees and charges had been in effect in such Fiscal Year and (2) if users of the Water and Sewer System have been added as a result of an acquisition of assets from another provider of water or sewer services or as a result of a contract with another governmental unit, the Finance Officer may add to the Net Revenues his estimate of the additional Revenues that would have been included in the calculation of Net Revenues if such users had been a part of the Water and Sewer System in such Fiscal Year.

***Construction; Maintenance of Water and Sewer System.*** The City will complete or cause to be completed the additions, extensions and improvements of the Water and Sewer System provided for in the

General Indenture in accordance with plans and specifications approved by a Consulting Engineer and in an economical and efficient manner with all practicable dispatch and thereafter will maintain or cause to be maintained the Water and Sewer System in good condition and will continuously operate or cause to be operated the same in an efficient manner and at a reasonable cost as a municipal revenue-producing enterprise.

Each contractor entering into a construction contract shall be required to furnish a performance bond and a separate labor and material payment bond as required by the laws of the State, showing the Trustee as an additional loss payee.

In the event of any material default by a contractor under any construction contract, or in the event of a material breach of warranty with respect to any materials, workmanship or performance, the City shall promptly proceed, either separately or in conjunction with others, to pursue diligently its remedies against any such contractor or against each surety of any bond securing the performance of the construction contract.

***Insurance; Condemnation.*** The City will carry or cause to be carried such insurance with a reputable insurance carrier or carriers, such as is maintained or carried by similar municipal systems as the Water and Sewer System, including, public liability insurance against loss or damage by fire, explosion, hurricane, flood, cyclone, occupancy or other hazards and risks, and said property loss and damage insurance will at all times be in an amount sufficient to indemnify in amounts sufficient to repair the Water and Sewer System for loss, but not less than the aggregate Principal amount of the Bonds Outstanding, to the extent that such insurance is obtainable.

The City will deposit the proceeds of any insurance or condemnation, with respect to the Water and Sewer System, in excess of \$2,000,000 in any given Fiscal Year (i) in the Construction Fund, to rebuild or replace the Water and Sewer System or portion thereof giving rise to the referenced proceeds or (ii) in the Debt Service Fund, to redeem or pay the Principal of the Bonds pursuant to a Series Indenture.

The City may provide for and maintain the insurance required under the General Indenture partially or wholly by means of an adequate self-insurance fund. Reserves for a self-insurance fund will be determined by using actuarial principles. Any self-insurance fund will be reviewed annually by the City's risk manager or an Independent Insurance Consultant. The Trustee may rely on a letter of the City's risk manager or an Independent Insurance Consultant (dated as of the first day of the Fiscal Year) as to the adequacy of any self-insurance fund as measured against standards in the industry for the risks being assumed.

***Adding to or Removing from the System.*** The Water and Sewer System may be sold, mortgaged, leased or otherwise disposed of, in whole or in part, to another political subdivision, public agency, public authority or other public instrumentality in the State authorized by law to own and operate such systems only (i) if there is filed with the Trustee (A) a report prepared by a Financial Consultant satisfactory to the Trustee showing that there is no material adverse effect on the ability of the Water and Sewer System to produce Revenues to satisfy the rate covenant described in "**COVENANTS OF THE CITY--Rate Covenant**" above, (B) written evidence from any rating agency then rating the Bonds that such sale will not adversely affect its rating then in effect on the Bonds (without regard to gradation within category), (C) an opinion of counsel to the City that such disposition has been properly authorized and (D) an opinion of Bond Counsel that such disposition will not adversely affect the federal or state income tax treatment of Interest on the Bonds, and (ii) for a disposition in whole, if such political subdivision, public agency, public authority or other public instrumentality assumes all of the obligations of the City related to such enterprise under the General Indenture.

Any part of the Water and Sewer System constructed on behalf of or with funds provided by another governmental unit may be sold, leased or otherwise disposed of to that governmental unit, if the Trustee receives a certificate from the Financial Consultant which states that the projected Revenues of the Water and Sewer System as it will exist after the proposed disposition for each of the two Fiscal Years subsequent to the year in which the disposition is expected to be completed are equal to the sum of the Current Expenses projected for such period plus 120% of (1.20 times) the Principal and Interest Requirements on the Bonds for such Fiscal Year plus 100% of (1.00 times) the maximum Principal and Interest Requirements on Subordinate Indebtedness plus the maximum Principal and Interest Requirements on General Obligation Indebtedness plus 100% of (1.00 times) the maximum Principal and Interest Requirements for Other Indebtedness due in any Fiscal Year.

Any part of the Water and Sewer System may be sold, mortgaged, leased or otherwise disposed of, in whole or in part to a nongovernmental entity only if (i) the net proceeds to be realized will be sufficient, together with other moneys available therefor, to discharge the lien of the General Indenture as to all Series of Bonds or the portion thereof related thereto and such net proceeds are deposited in a separate segregated account for such purpose and (ii) the Trustee has received (A) an opinion of counsel to the City that such disposition has been properly authorized and is permitted by the law of the State, (B) an opinion of Bond Counsel to the effect that such disposition will not adversely affect the federal and state income tax treatment of the Interest on the Bonds, (C) written evidence from any rating agency then rating the Bonds that such sale will not adversely affect its rating then in effect on the Bonds (without regard to gradation within category) and (D) a certificate from the Finance Officer that the disposition will not materially adversely affect the ability of the City to meet its financial obligations under the General Indenture, including the ability of the City to meet its rate covenant described in “**COVENANTS OF THE CITY--Rate Covenant**” above.

The City reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the Water and Sewer System determined in the manner provided in the General Indenture to be no longer necessary, useful or profitable in the operation thereof. Before any such sale, lease or other disposition of such property, a City Representative will make a finding in writing determining that such property comprising a part of the Water and Sewer System is no longer necessary, useful or profitable in the operation thereof and the Finance Officer will make a finding in writing that the disposition of such property will not materially adversely affect the ability of the City to meet its financial obligations under the General Indenture, including the ability of the City to meet its rate covenant described in “**COVENANTS OF THE CITY--Rate Covenant**” above. Such findings will be approved by resolution of the City if the amount to be received therefor is in excess of .50% of the total assets of the Water and Sewer System net of accumulated depreciation. All proceeds derived from the sale, lease or other disposition of any property comprising a part of the Water and Sewer System as provided above, will be deposited in the Water and Sewer Operating Fund.

If the City acquires a water and/or sewer system, or a portion thereof, the City Council will designate, as soon as practicable, whether or not the acquired assets will constitute a part of the Water and Sewer System for purposes of the General Indenture. If the acquired assets will not be a part of the Water and Sewer System, the City will maintain, operate and account for such assets in a way that the assets can be owned and operated independently of the Water and Sewer System. The City Council may subsequently designate such assets be included as part of the Water and Sewer System.

**Liens or Charges.** The City may create or permit to be created a lien on the Water and Sewer System in order to secure the issuance of Other Indebtedness as long as the Finance Officer certifies at the time of the creation of the lien that (i) loss of the property secured by the lien will not materially adversely

affect the ability of the City to meet its financial obligations under the General Indenture, including the ability of the City to meet its rate covenant described in “**COVENANTS OF THE CITY--Rate Covenant**” above and (ii) the current value of all parts of the Water and Sewer System subject to a lien securing Other Indebtedness, including property which may be added to the Water and Sewer System as a result of issuance of the proposed Other Indebtedness, does not exceed 20% of the current value of the Water and Sewer System’s tangible assets. The City will not otherwise create or permit to be created any lien or charge on the Water and Sewer System. The City will pay or cause to be discharged or make provisions to satisfy and discharge, within 60 days after the same accrues, all claims and demands for labor, materials, supplies or other items which, if unpaid, might by law become a lien on the Water and Sewer System or the Revenues on a parity with the lien of the Bonds, except for the liens permitted by the General Indenture. The City need not pay or cause to be discharged or make provision for any lien or charge as long as the validity thereof is being contested in good faith by appropriate legal proceedings.

#### **SUPPLEMENTAL INDENTURES**

*Supplemental Indentures Effective On Filing With the Trustee.* For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture of the City may be executed and delivered, which, on the filing with the Trustee of a copy thereof certified by a City Representative and execution by the Trustee, will be fully effective in accordance with its terms:

- (1) to close the General Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the General Indenture on, the delivery of Bonds or the issuance of other evidences of indebtedness;
- (2) to add to the covenants and agreements of and the limitations and restrictions on the City in the General Indenture other covenants and agreements or limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the General Indenture as theretofore in effect;
- (3) to surrender any right, power or privilege reserved to or conferred on the City by the terms of the General Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the City contained in the General Indenture;
- (4) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the General Indenture of the Trust Estate, including the Net Revenues or any other revenues or assets;
- (5) to modify any of the provisions of the General Indenture in any respect whatsoever, but only if (i) such modification will be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Indenture cease to be Outstanding and (ii) such Supplemental Indenture will be specifically referred to in the text of all Bonds delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof;
- (6) to provide for the delivery of a Qualified Reserve Fund Substitute;
- (7) to include additional facilities, property or equipment within the definition of “*Water and Sewer System*” and the revenues therefrom within the definition of “*Revenues*”; or

(8) in the event changes to generally accepted accounting principles or changes in law, in each case which become effective after the date of the General Indenture, to modify any definition in the General Indenture so as to perpetuate the meaning and effect of such definition as originally intended at the time of the execution of the General Indenture;

provided that any changes do not, in the opinion of Bond Counsel, adversely affect the interests of the owners of the Bonds.

***Supplemental Indentures Effective On Consent of Trustee.*** For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture may be executed and delivered, which, on (i) the filing with the Trustee of a copy thereof certified by a City Representative, and (ii) the filing with the Trustee and the City of an instrument in writing, made by the Trustee consenting thereto, will be fully effective in accordance with its terms:

- (1) to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision in the General Indenture;
- (2) to insert such provisions clarifying matters or questions arising under the General Indenture as are necessary or desirable and are not contrary to or inconsistent with the General Indenture as theretofore in effect; or
- (3) to effectuate such changes in the General Indenture which do not adversely affect the interests of the Owners.

Any such Supplemental Indenture may also contain one or more of the purposes specified under the caption “**SUPPLEMENTAL INDENTURES--*Effective on Filing with the Trustee***” above and, in that event, the consent of the Trustee required by the General Indenture will be applicable only to those provisions of such Supplemental Indenture as contain one or more of the purposes set forth in (1), (2) and (3) above.

***Supplemental Indentures Effective On Consent of Owners.*** Exclusive of Supplemental Indentures covered above, the written consent of the Owners of not less than a majority in aggregate Principal amount of the Bonds Outstanding, will be required for the execution by the City and the Trustee of any indenture or indentures supplemental to the General Indenture; provided, however, that without the consent of the Owners of all the Bonds Outstanding nothing in the General Indenture contained will permit, or be construed as permitting:

- (1) A change in the terms of redemption or maturity of the Principal amount of or the Interest on any Outstanding Bond, or a reduction in the Principal amount of or premium payable on any redemption of any outstanding Bond or the rate of interest thereon;
- (2) The deprivation of the Owner of any Bond Outstanding of the lien created by Indenture (other than as originally permitted by the General Indenture);
- (3) A privilege or priority of any Bond over any other Bond; or
- (4) A reduction in the aggregate Principal amount of the Bonds required for consent to such Supplemental Indenture.

If at any time the City requests the Trustee to enter into a Supplemental Indenture for any of the

purposes outlined above, the Trustee will, on being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be given by mail to the Owners of the Bonds Outstanding at the address shown on the registration books maintained by the Registrar. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and will state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Owners. If, within 60 days (or such longer period prescribed by the City) following the giving of such notice, the Owners of not less than a majority in aggregate Principal amount of the Bonds Outstanding (and in the case of Supplemental Indentures involving (1) through (4) above, the Owners of all of the Bonds Outstanding) at the time of the execution of any such Supplemental Indenture have consented to and approved the execution thereof as in the General Indenture provided, no Owner will have any right to object to any of the terms and provisions contained therein, or in the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the City from executing the same or from taking any action pursuant to the provisions thereof.

**General Provisions.** Notwithstanding anything in the General Indenture or a Series Indenture to the contrary, (1) any initial purchaser, underwriter or remarketing agent holding any Series of Bonds may, regardless of its intent to sell or distribute such Bonds in the future, consent as the Owner of such Bonds to any amendment or supplemental indenture as required or permitted by the General Indenture, including any amendment or supplemental indenture that adversely affects the interests of other Owners, and (2) any such initial purchaser, underwriter or remarketing agent providing its consent under the General Indenture is not entitled to receive, nor is the City required to provide, any prior notice or other documentation regarding such amendment or supplemental indenture.

## **DEFAULTS AND REMEDIES**

**Events of Default.** If any of the following events occur, the General Indenture defines and deems it an “Event of Default” under the General Indenture:

- (1) A failure to pay the Principal of or premium, if any, on any Bond when the same becomes due and payable, whether at the stated maturity thereof or on proceedings for redemption including sinking fund redemptions;
- (2) A failure to pay any installment of Interest when the same becomes due and payable; and
- (3) A failure by the City to observe and perform any covenant, condition, agreement or provision (other than as described in clauses (1) and (2) above) contained in the Bonds or in the General Indenture on the part of the City to be observed or performed, which failure continues for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Trustee, which may give such notice in its discretion and must give such notice at the written request of Owners of not less than 25% of the aggregate Principal amount of the Bonds, unless the Trustee, or the Trustee and Owners of a Principal amount of Bonds not less than the Principal amount of Bonds the Owners of which requested such notice, as the case may be, agrees in writing to an extension of such period prior to its expiration.

Further events which will constitute “Events of Default” under the General Indenture may be set forth in a Series Indenture.

**Remedies on Default.** Notwithstanding any other provision of the General Indenture, the Bonds are not subject to acceleration.

On the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and on the written direction of registered owners of not less than a majority in aggregate Principal amount of the Bonds Outstanding and receipt of indemnity to its satisfaction, must, in its own name and as the trustee of an express trust:

- (1) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, and require the City to carry out any agreements with or for the benefit of the Owners and to perform its duties under the General Indenture;
- (2) take custody of the Water and Sewer Operating Fund, the Water and Sewer Revenue Bond Fund, the Extension and Replacement Fund and the Surplus Fund; or
- (3) take whatever action at law or in equity may appear necessary or desirable to enforce its rights against the City.

No right or remedy is intended to be exclusive of any other rights or remedies, but each and every such right or remedy will be cumulative and in addition to any other remedy given under the General Indenture or now or subsequently existing at law or in equity or by statute. If any Event of Default has occurred and if requested by the Owners of a majority in aggregate Principal amount of Bonds Outstanding and indemnified as in the General Indenture provided, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the General Indenture as the Trustee, being advised by counsel, deems most expedient in the interests of the Owners.

If the City causes to be deposited with the Trustee a sum sufficient to pay all matured installments of the Principal and of Interest on all Bonds which will have become due (with interest on such overdue installments of Interest, at the rate per annum borne by the respective Bonds) and such amount as is sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee, and all Events of Default hereunder shall otherwise be made good or secured to the satisfaction of the Trustee, the Trustee will relinquish possession and control over all money, securities, funds and Revenues then remaining unexpended in the hands of the Trustee that it took custody under the General Indenture and thereupon all Revenues shall thereafter be applied as otherwise provided in the General Indenture. No such payment over to the City by the Trustee or resumption of the application of Revenues as provided in the General Indenture shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

***Priority of Payments After Default.*** If, on the happening and continuance of any Event of Default, the funds held by the Trustee are insufficient for the payment of the Principal or Redemption Price then due of and Interest then due on the Bonds, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or by redemption) and any other amounts received or collected by the Trustee acting pursuant to the General Indenture, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the General Indenture, will be applied, subject to the restrictions contained under the caption “**DEFAULT AND REMEDIES--*Subordination of Claims for Interest***” below, as follows:

Unless the Principal of all of the Bonds has become or has been declared due and payable:

FIRST: To the payment to the Persons entitled thereto of all installments of Interest then due in the order of the maturity of such installments, and, if the amounts available are not sufficient to

pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

SECOND: To the payment to the Persons entitled thereto of the unpaid Principal or Redemption Price of any Bonds which have become due and, if the amounts available are not sufficient to pay in full all the Bonds due, then to the payment thereof ratably, according to the amounts of Principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

THIRD: To be held for the payment to the Persons entitled thereto, as the same become due, of the Principal or Redemption Price of and Interest on the Bonds which thereafter become due and, if the amounts available are not sufficient to pay in full all the Bonds due on any date, together with such Interest, payment will be made ratably according to the amount of Principal due on such date to the Persons entitled thereto, without any discrimination or preference.

If the Principal of all of the Bonds has become or has been declared due and payable, to the payment of the Principal and Interest then due and unpaid on the Bonds without preference or priority of Principal over Interest or of Interest over Principal, or of any installment of Interest over any other installment of Interest, or of any Bond over any other Bond, ratably, according to the amounts due collectively for Principal and Interest, to the Persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the General Indenture, such moneys will be applied by the Trustee at such times, and from time to time, as the Trustee determines in its prudent discretion, having due regard to the amount of moneys available for such application. The setting aside of such moneys in trust for the proper purpose, will constitute proper application by the Trustee, and the Trustee will incur no liability whatsoever to the City, to any Owner or to any other person for any delay in applying such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the General Indenture. Whenever the Trustee will exercise discretion in applying such moneys, it will fix the date (which must be an Interest Payment Date unless the Trustee deems another date more suitable) on which such application is to be made. The Trustee will not be required to make payment to any Owner unless its Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

***Owners' Right to Direct Proceedings.*** Anything in the General Indenture to the contrary notwithstanding, the Owners of a majority in aggregate Principal amount of the Bonds Outstanding will have the right, at any time, to the extent permitted by law, by instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the General Indenture, or for the appointment of a receiver, and any other proceedings under the General Indenture; provided that such direction may not be otherwise than in accordance with the provisions of the General Indenture. The Trustee will not be required to act on any direction given to it until the indemnity described in the General Indenture is furnished to it by such Owners.

***Limitation on Rights of Owners.*** No Owner will have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the General Indenture, for the protection or enforcement of any right under the General Indenture unless such Owner has given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Owners of not less than 25% in aggregate Principal amount of the Bonds Outstanding have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, has accrued, and has afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in the General Indenture granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there has been offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are by the General Indenture declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the General Indenture or for any other remedy under the General Indenture or by law. It is understood and intended that no one or more Owners will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the General Indenture, or to enforce any right under the General Indenture or under law with respect to the Bonds or the General Indenture, except in the manner in the General Indenture provided, and that all proceedings at law or in equity must be instituted, had and maintained in the manner in the General Indenture provided and for the benefit of all Owners.

Each Owner by its acceptance of a Bond will be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the General Indenture or any Series Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable pre-trial, trial and appellate attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant. The provisions of this paragraph will not apply to any suit instituted by the Trustee, to any suit instituted by Owners of at least 25% in aggregate Principal amount of the Bonds Outstanding, or to any suit instituted by any Owner for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond.

***Subordination of Claims for Interest.*** No claim for interest appertaining to any of the Bonds which in any way at or after maturity has been transferred or pledged separate and apart from the Bond to which it appertains will, unless accompanied by such Bond, be entitled, in case of an Event of Default under the General Indenture, to any benefit by or from the General Indenture, except after the prior payment in full of the Principal of all of the Bonds then due and of all claims for interest then due not so transferred or pledged.

## **DEFEASANCE**

If the City pays or causes to be paid or is deemed to have paid to the Owner of any Bond the Principal of and Interest due and payable, and thereafter to become due and payable on such Bond, or any portion of such Bond in any integral multiple of the authorized denomination thereof, such Bond or portion thereof will cease to be entitled to any lien, benefit or security under the General Indenture. If the City pays or causes to be paid the Principal of, premium, if any, and Interest due and payable on all Outstanding Bonds, pays or causes to be paid all other sums payable by the City, including all fees, expenses and other amounts payable to the Trustee and any Paying Agent and all amounts owing to the provider of a Qualified Reserve Fund Substitute, then the right, title and interest of the Trustee in and to the Trust Estate will thereupon cease, terminate and become void.

Any Bond will be deemed to be paid within the meaning of the General Indenture and for all purposes of the General Indenture when (a) payment of the Principal and premium, if any, of such Bond plus Interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided in the General Indenture) either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for by irrevocably depositing with the Trustee in trust and irrevocably set aside exclusively for such payment and, in either case, the Trustee has received verification from an independent certified public accounting firm or other bona fide verification firm that the moneys or Federal Securities deposited with the Trustee, together with investment earnings thereon, will be sufficient to pay when due the Principal and premium, if any, of and Interest due and to become due on the Bond on and before the redemption date or maturity date thereof, (1) moneys, sufficient to make such payment or (2) non-callable Federal Securities maturing as to principal and interest in such amount and at such time as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any Paying Agent pertaining to the Bonds with respect to which such deposit is made have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such times as a Bond is deemed to be paid under the General Indenture, as aforesaid, such Bond will no longer be secured by or entitled to the benefits of the General Indenture, except for the purposes of any such payment from such moneys or Federal Securities.

Notwithstanding the foregoing paragraph, no deposit under clause (a)(ii) of the immediately preceding paragraph will be deemed a payment of such Bonds as aforesaid until (a) proper notice of redemption of such Bonds has been previously given in accordance with the applicable Series Indenture, or if said Bonds are not to be redeemed within the next 35 days, until the City has given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the Owners of such Bonds in accordance with the applicable Series Indenture, that the deposit required by (a)(ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the General Indenture and stating the maturity or redemption date on which moneys are to be available for the payment of the Principal and premium, if any, of said Bonds plus Interest thereon to the due date thereof, or (b) the maturity of such Bonds.

#### **AMENDMENTS**

The Series Indenture and the rights and obligations of the City and the Owners may be modified or amended at the same times, in the same manner and for the same purposes as the General Indenture, but if the modification or amendment affects only the 2026 Bonds, the percentage to be applied under the General Indenture will be applied only to the Outstanding 2026 Bonds. Before the City and the Trustee enter into any supplemental indenture pursuant to the Series Indenture, there must have been delivered to the Trustee and the City an opinion of Bond Counsel stating that such supplemental indenture is authorized or permitted by the Series Indenture, complies with the terms thereof, will, on the execution and delivery thereof, be valid and binding on the City in accordance with its terms and, if applicable, will not adversely affect the exclusion from the gross income of the recipients thereof of interest on the 2026 Bonds for federal income tax purposes.

Notwithstanding anything in the General Indenture or the Series Indenture to the contrary, (1) any initial purchaser, underwriter or remarketing agent holding any 2026 Bond may, regardless of its intent to sell or distribute such 2026 Bonds in the future, consent as the Owner of such 2026 Bonds to any amendment or supplemental indenture as required or permitted by the Series Indenture or the General Indenture, including any amendment or supplemental indenture that adversely affects the interests of other Owners and (2) any such initial purchaser, underwriter or remarketing agent providing its consent

under the Series Indenture is not entitled to receive, nor is the City required to provide, any prior notice or other documentation regarding such amendment or supplemental indenture.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX C**

**THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION**

[THIS PAGE INTENTIONALLY LEFT BLANK]

The Local Government Commission (the "Commission") is composed of nine members: The State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue and five others by appointment (three by the Governor, one by the General Assembly upon recommendation of the President Pro Tempore of the Senate and one by the General Assembly upon recommendation of the Speaker of the House of Representatives). The State Treasurer serves as Chairman and selects the Secretary of the Commission, who heads the administrative staff serving the Commission.

A major function of the Commission is the approval, sale and delivery of all North Carolina local government bonds and notes. A second key function is monitoring certain fiscal and accounting standards prescribed for units of local government by The Local Government Budget and Fiscal Control Act. In addition, the Commission furnishes, upon request, on-site assistance to units of local government concerning existing financial and accounting systems as well as aid in establishing new systems. Further, educational programs and materials are provided for local officials concerning finance and cash management.

Before any unit of local government can incur bonded indebtedness, the Commission must approve the proposed bond issue. In determining whether to give such approval the Commission may consider, among other things, the unit's debt management procedures and policies, its compliance with The Local Government Budget and Fiscal Control Act, and its ability to service the proposed debt. The Commission maintains records for all units of local government of principal and interest payments coming due on bonded indebtedness in the current and future years and monitors the payment by the units of local government of their debt service through a system of monthly reports.

As a part of its role in assisting and monitoring the fiscal programs of units of local government, the Commission attempts to ensure that the units of local government follow generally accepted accounting principles, systems and practices. The Commission's staff also counsels the units of local government in treasury and cash management, budget preparation, and investment policies and procedures. Educational programs, in the form of seminars or classes, are also provided by the Commission in order to accomplish these tasks. The monitoring of the financial systems of units of local government is accomplished through the examination and analysis of the annual audited financial statements and other required reports. The Local Government Budget and Fiscal Control Act requires each unit of local government to have its accounts audited annually by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A written contract must be submitted to the Secretary of the Commission for his approval prior to the commencement of the audit.

The Commission has the statutory authority to impound the books and records of any unit of local government and assume full control of all its financial affairs (a) when the unit defaults on any debt service payment or, in the Commission's opinion, will default on a future debt service payment if the financial policies and practices of the unit are not improved or (b) when the unit persists, after notice and warning from the Commission, in willfully or negligently failing or refusing to comply with the provisions of The Local Government Finance Act. When the Commission takes action under this authority, the Commission is vested with all of the powers of the governing board of the unit of local government as to the levy of taxes, expenditure of money, adoption of budgets and all other financial powers conferred upon the governing board by law.

In addition, if a unit of local government fails to pay any installment of principal or interest on its outstanding debt on or before its due date and remains in default for 90 days, the Commission may take such action as it deems advisable to investigate the unit's fiscal affairs, consult with its governing board and negotiate with its creditors in order to assist the unit in working out a plan for refinancing, adjusting or compromising such debt. When a plan is developed that the Commission finds to be fair and equitable and reasonably within the ability of the unit of local government to meet, the Commission is authorized to enter

an order finding that the plan is fair, equitable and within the ability of the unit to meet and to advise the unit to take the necessary steps to implement such plan. If the governing board of the unit declines or refuses to do so within 90 days after receiving the Commission's advice, the Commission may enter an order directing the unit to implement such plan and may apply for a court order to enforce such order. When a refinancing plan has been put into effect, the Commission has the authority (a) to require any periodic financial reports on the unit's financial affairs that the Secretary deems necessary and (b) to approve or reject the unit's annual budget ordinance. The power and authority granted to the Commission as described in this paragraph will continue with respect to a defaulting unit of local government until the Commission is satisfied that the unit has performed or will perform the duties required of it in the refinancing plan and until agreements made with the unit's creditors have been performed in accordance with such plan.

**APPENDIX D**

**PROPOSED FORM OF BOND COUNSEL'S OPINION**

[THIS PAGE INTENTIONALLY LEFT BLANK]



June \_\_, 2026

City of Charlotte, North Carolina  
Charlotte, North Carolina

U.S. Bank Trust Company, National Association  
Charlotte, North Carolina

§ \_\_\_\_\_  
**City of Charlotte, North Carolina**  
**Water and Sewer System Revenue Bonds, Series 2026**

Ladies and Gentlemen:

We have acted as bond counsel (“*Bond Counsel*”) in connection with the issuance and delivery by the City of Charlotte, North Carolina (the “*City*”) of \$ \_\_\_\_\_ aggregate principal amount of its Water and Sewer System Revenue Bonds, Series 2026 (the “*2026 Bonds*”). The City is a municipal corporation of the State of North Carolina (the “*State*”) and is empowered to issue the 2026 Bonds pursuant to The State and Local Government Revenue Bond Act, Section 159-80 *et seq.* of the General Statutes of North Carolina, as amended (the “*Act*”), subject to the approval of the Local Government Commission of North Carolina.

The 2026 Bonds are issuable only as fully registered bonds and will be numbered, will bear interest payable at the rates and at the times, and will be subject to redemption, all as provided in the Amended and Restated General Trust Indenture dated as of September 24, 2020 (the “*General Indenture*”) between the City and U.S. Bank National Association, the successor to which is U.S. Bank Trust Company, National Association, as trustee (the “*Trustee*”), and the provisions of Series Indenture, Number 27 dated as of June 1, 2026 (the “*Series Indenture*” and together with the General Indenture, the “*Indentures*”) between the City and the Trustee.

The 2026 Bonds are being issued to (1) prepay in full the City’s Water and Sewer System Revenue Bond Anticipation Note, Series 2024, (2) refund all or a portion of the City’s Water and Sewer System Refunding Revenue Bonds, Series 2015, (3) refund all or a portion of the City’s outstanding Water and Sewer System Refunding Revenue Bonds, Series 2018, the City’s outstanding Water and Sewer System Refunding Revenue Bonds, Series 2019 and the City’s outstanding Water and Sewer System Refunding Revenue Bonds, Series 2020 that are not currently eligible to be called for redemption through the purchase of such bonds upon tender of the owners thereof, and (4) pay the costs of issuing the 2026 Bonds.

In connection with the issuance of the 2026 Bonds, we have examined the following: (a) the Act; (b) executed copies of the Indentures; and (c) such other laws, documents, instruments, proceedings and opinions as we have deemed relevant in rendering this opinion. We have also examined a specimen 2026 Bond.

From such examination, we are of the opinion, under existing law, that:

1. The City is a municipal corporation organized and existing under the constitution and laws of the State. Pursuant to the Act, the City is empowered to issue the 2026 Bonds for the purposes set forth in the General Indenture and to execute, deliver and perform its obligations under the Indentures.

2. The Indentures have been duly authorized, executed and delivered by the City, and, assuming due authorization and execution by the Trustee, are valid, binding and enforceable obligations, respectively, of the City. All right, title and interest of the City in and to the Trust Estate (as defined in the General Indenture) have been validly pledged and assigned to the Trustee and the General Indenture creates a valid security interest in the Trust Estate.

3. The 2026 Bonds have been duly authorized, executed and issued in accordance with applicable law, including the Act, and represent valid, binding and enforceable special obligations of the City. The 2026 Bonds are entitled to the benefits and security of the Indentures for the payment thereof in accordance with the terms of the Indentures.

4. The principal of and interest on the 2026 Bonds are special obligations payable by the City solely from the sources described in the Indentures. The principal of, premium, if any, and interest on the 2026 Bonds are not payable from the general funds of the City, nor do they constitute a legal or equitable pledge, charge, lien or encumbrance on any of its property or on any of its income, receipts or revenues, except the funds which are pledged under the Indentures. Neither the credit nor the taxing power of the State or the City is pledged for the payment of the principal of, premium, if any, or interest on the 2026 Bonds, and no owner of the 2026 Bonds has the right to compel the exercise of the taxing power by the State or the City or the forfeiture of any of its property in connection with any default thereon.

5. Interest on the 2026 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax, however, such interest on the 2026 Bonds is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the purpose of computing the alternative minimum tax imposed on corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2026 Bonds in order that the interest on the 2026 Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the interest on the 2026 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2026 Bonds. We express no opinion regarding other federal tax consequences related to the ownership of or the receipt, accrual or amount of interest on, the 2026 Bonds.

6. Interest on the 2026 Bonds is exempt from all State of North Carolina income taxation.

The rights of the owners of the 2026 Bonds and the enforceability of the 2026 Bonds and the Indentures may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights and remedies generally or by equitable principles, whether considered at law or in equity.

Our services as Bond Counsel in connection with the issuance of the 2026 Bonds have been limited to rendering the opinions expressed above based on our review of such proceedings and documents as we deem necessary to approve the validity of the 2026 Bonds and the tax status of interest with respect thereto. In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents, opinions and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing on such public records and certifications, documents, opinions and other proceedings.

We express no opinion herein as to the adequacy, accuracy or completeness of the Preliminary Official Statement or the Official Statement (collectively, the "*Official Statement*"), or any other offering material relating to the 2026 Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating to the financial resources of the City, or the ability of the City to make the payments required under the Indentures, that may have been relied upon by anyone in making the decision to purchase the 2026 Bonds.

The opinions expressed above are given as of the date hereof, and we assume no obligation to revise or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

**PARKER POE ADAMS & BERNSTEIN LLP**

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX E**  
**BOOK-ENTRY SYSTEM**

[THIS PAGE INTENTIONALLY LEFT BLANK]

THE FOLLOWING DESCRIPTION OF DTC, OF PROCEDURES AND RECORD KEEPING ON BENEFICIAL OWNERSHIP INTERESTS IN THE 2026 BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS ON THE 2026 BONDS TO DTC PARTICIPANTS OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2026 BONDS, AND OR OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

The Depository Trust Company  
a subsidiary of The Depository Trust & Clearing Corporation

1. The Depository Trust Company ("DTC") will act as securities depository for the 2026 Bonds. The 2026 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2026 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2026 BONDS, AS DTC'S PARTNERSHIP NOMINEE, REFERENCE HEREIN TO THE OWNERS OR REGISTERED OWNERS OF THE 2026 BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE 2026 BONDS.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of the 2026 Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2026 Bonds on DTC's records. The ownership interest of each actual purchaser of the 2026 Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2026 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2026 Bonds, except in the event that use of the book-entry system for the 2026 Bonds is discontinued.

4. To facilitate subsequent transfers, all 2026 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2026 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2026 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2026 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2026 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2026 Bonds, such as prepayments, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2026 Bonds may wish to ascertain that the nominee holding the 2026 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Prepayment notices shall be sent to DTC. If less than all of the 2026 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2026 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2026 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

BECAUSE DTC IS TREATED AS THE OWNER OF THE 2026 BONDS FOR SUBSTANTIALLY ALL PURPOSES UNDER THE GENERAL INDENTURE, BENEFICIAL OWNERS MAY HAVE A RESTRICTED ABILITY TO INFLUENCE IN A TIMELY FASHION REMEDIAL ACTION OR THE GIVING OR WITHHOLDING OF REQUESTED CONSENTS OR OTHER DIRECTIONS. IN ADDITION, BECAUSE THE IDENTITY OF BENEFICIAL OWNERS IS UNKNOWN TO THE COMMISSION, TO THE CITY, TO DTC OR TO THE TRUSTEE, IT MAY BE DIFFICULT TO TRANSMIT INFORMATION OF POTENTIAL INTEREST TO BENEFICIAL OWNERS IN AN EFFECTIVE AND TIMELY MANNER. BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS WITH THEIR BROKER OR DEALER REGARDING DISTRIBUTION OF INFORMATION REGARDING THE 2026 BONDS THAT MAY BE TRANSMITTED BY OR THROUGH DTC.

8. Prepayment proceeds, distributions, and dividend payments on the 2026 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the City or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Trustee's responsibility, disbursement of such payments to Direct Participants will be the responsibility of DTC, and

disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. THE COMMISSION AND THE CITY CANNOT AND DO NOT GIVE ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

9. A Beneficial Owner shall give notice to elect to have its 2026 Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such 2026 Bonds by causing the Direct Participant to transfer the Participant's interest in the 2026 Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of 2026 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2026 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2026 Bonds to the Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the 2026 Bonds at any time by giving reasonable notice to the Commission, the City and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

11. The Commission or the City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2026 Bonds will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the Commission and the City believe to be reliable, but the Commission and the City take no responsibility for the accuracy thereof.

THE COMMISSION, THE CITY AND THE TRUSTEE HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE 2026 BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE GENERAL INDENTURE TO BE GIVEN TO OWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS UPON ANY PARTIAL PREPAYMENT OF THE 2026 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2026 BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX F**

**DESCRIPTION OF PURCHASED REFUNDED BONDS**

[THIS PAGE INTENTIONALLY LEFT BLANK]

**DESCRIPTION OF PURCHASED REFUNDED BONDS**

<u>Series</u>	<u>Dated Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>CUSIP</u>	<u>Purchase Date</u>	<u>Purchase Price</u>
---------------	-------------------	-------------------------	----------------------	----------------------	--------------	----------------------	-----------------------

[THIS PAGE INTENTIONALLY LEFT BLANK]





## APPENDIX B

### FORM OF SOLICITATION FEE PAYMENT REQUEST

with respect to the  
**Invitation to Tender for Purchase dated May 18, 2026**  
made by  
**City of Charlotte, North Carolina**

The City of Charlotte, North Carolina (the "City") has agreed to pay or caused to be paid to any commercial bank or trust company having an office, branch or agency in the United States, and any firm which is a member of a registered national securities exchange or of the Financial Industry Regulatory (an "Eligible Institution"), a solicitation fee of \$1.25 per \$1,000 on the principal amount of Target Bonds purchased from each of its Retail Customers by the City pursuant to the Invitation to Tender for Purchase dated May 18, 2026 (the "Invitation"). A "Retail Customer" is an individual who owns less than \$250,000 principal amount of Target Bonds and manages his or her own investments or an individual who owns less than \$250,000 principal amount of Target Bonds whose investments are managed by an investment manager or bank trust department that holds the investments of that individual in a separate account in the name of that individual.

**Eligible Institutions must submit to the Information and Tender Agent requests for payment of solicitation fees on a Solicitation Fee Payment Request Form no later than 5:00 p.m., New York City time, on the next business day following the Expiration Date (the Expiration Date is presently set for June 2, 2026), unless earlier terminated or extended. No solicitation fee will be paid on requests received after this time.**

No solicitation fee will be paid on requests submitted on an improperly completed Solicitation Fee Payment Request Form. Electronic copies of the completed Solicitation Fee Payment Request Forms may be submitted via email to the Information and Tender Agent at [rstevens@globic.com](mailto:rstevens@globic.com). FAILURE TO COMPLETE ALL SECTIONS WILL RESULT IN NONPAYMENT. EACH SOLICITATION FEE PAYMENT REQUEST FORM MUST BE ELECTRONICALLY SIGNED BY A REGISTERED REPRESENTATIVE.

Each completed Solicitation Fee Payment Request Form constitutes a representation that (i) in making solicitations, I and my firm did not use any materials other than the Invitation, (ii) my firm is entitled to this fee under the terms and conditions described above, and (iii) if my firm is a foreign broker or dealer not eligible for membership in the Financial Industry Regulatory Authority ("FINRA"), it has agreed to conform to the FINRA's Rules of Fair Practice in making a solicitation outside the United States to the same extent as though it was a FINRA member.

Each completed Solicitation Fee Payment Request Form constitutes a representation that (i) in making solicitations, I and my firm did not use any materials other than the Invitation, (ii) my firm is entitled to this fee under the terms and conditions described above, and (iii) if my firm is a foreign broker or dealer not eligible for membership in the Financial Industry Regulatory Authority ("FINRA"), it has agreed to conform to the FINRA's Rules of Fair Practice in making a solicitation outside the United States to the same extent as though it was a FINRA member.

All questions as to the validity, form and eligibility (including the time of receipt) of the Solicitation Fee Payment Request Form will be determined by the City, in its sole discretion, which determination will be final, conclusive and binding. None of the City, the Dealer Manager, the Information and Tender Agent or any other person is under any duty to give notification of any defects or irregularities in any Solicitation Fee Payment Request Form or incur any liability for failure to give this notification.

**SOLICITATION FEE PAYMENT REQUEST FORM**

As described in the Invitation, the City will pay **a soliciting dealer fee of \$1.25 per \$1,000** of up to the first \$250,000 par amount of Target Bonds that is validly tendered and accepted for purchase to soliciting dealers that are appropriately designated by their Retail Customer clients to receive this fee. *The soliciting dealer fee will only be paid to each designated soliciting dealer for each Holder that owns and submits Target Bonds with an aggregate principal amount of less than \$250,000.* In order to be eligible to receive the soliciting dealer fee, this form, properly completed, must be received by the Information and Tender Agent no later than 5:00 p.m., New York City time, on the next business day following the Expiration Date of the Invitation. The City reserves the right to audit any soliciting dealer to confirm bona fide submission of this form. The City shall, in its sole discretion, determine whether a soliciting dealer has satisfied the criteria for receiving a soliciting dealer fee (including, without limitation, the submission of the appropriate documentation without defects or irregularities and in respect of bona fide tenders). Such soliciting dealer fee will be paid within a reasonable amount of time after the Settlement Date. The City will not reimburse a soliciting dealer for any expenses it incurs in connection with the Invitation. No brokerage commissions are payable by Holders to the Dealer Manager, the Information and Tender Agent or the City. Capitalized terms used and not defined herein shall have the respective meanings ascribed to them in the Invitation.

Name of Firm: \_\_\_\_\_

DTC Participant Number: \_\_\_\_\_

Authorized Contact: \_\_\_\_\_

Telephone Number of Broker: \_\_\_\_\_

Address of Broker: \_\_\_\_\_

E-Mail: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**MEDALLION STAMP BELOW**

**Deliver this executed Solicitation Fee Payment Request Form to the Information and Tender Agent prior to the next business day following the Expiration Date.**



**SOLICITATION FEE PAYMENT INSTRUCTIONS**

Please choose payment delivery method.

**Delivery Via Check**

Issue Check to: \_\_\_\_\_

Name of Firm: \_\_\_\_\_

Attention: \_\_\_\_\_

Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Taxpayer Identification: \_\_\_\_\_

**Delivery Via Wire**

Bank Name: \_\_\_\_\_

City, State: \_\_\_\_\_

ABA or Bank Number: \_\_\_\_\_

Swift Code: \_\_\_\_\_

Account Name: \_\_\_\_\_

Account Number: \_\_\_\_\_

Re: \_\_\_\_\_

Taxpayer ID Number: \_\_\_\_\_

-----  
The acceptance of compensation by such soliciting dealer will constitute a representation by it that (1) it has complied with applicable requirements of the Securities Exchange Act of 1934, as amended, and the applicable rules and regulations thereunder, in connection with such solicitation; (2) it is entitled to such compensation for such solicitation under the terms and conditions of the Invitation; (3) in soliciting a tender of Target Bonds, it has used no solicitation materials other than the Invitation furnished by the City; (4) it has complied with all instructions from the Dealer Manager in connection with the Invitation; and (5) if it is a foreign broker or dealer not eligible for membership in the Financial Industry Regulatory (the "**FINRA**"), it has agreed to conform to the FINRA's Rules of Fair Practice in making solicitations.