



Agenda

Board of Commissioners Work Session with Budget Workshop

7:00 PM May 27, 2025

Board Meeting Room, Town Hall Annex, 105 E. Corbin St.

1. Opening of the work session

2. Agenda changes and approval

3. Presentations

A. Proclamation Honoring the Life and Legacy of Mayor Horace Johnson Sr.

4. Items for decision - consent agenda

A. Miscellaneous budget amendments and transfers

B. Proclamation – LGBTQ+ Pride Month

C. Proclamation – Gun Violence Awareness Day

D. Final Resolution Approving Financing of the 86 North Facility Renovation

5. In-depth discussion and topics

A. Fiscal Year 2026 Budget Workshop #2

6. Committee updates and reports

7. Adjournment

Interpreter services or special sound equipment for compliance with the American with Disabilities Act is available on request. If you are disabled and need assistance with reasonable accommodations, call the Town Clerk's Office at 919-296-9443 a minimum of two business days in advance of the meeting.

101 E. Orange St., PO Box 429, Hillsborough, NC 27278
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Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: May 27, 2025
Department: Governing Board
Agenda Section: Regular
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Mayor Mark Bell

ITEM TO BE CONSIDERED

Subject: Proclamation Honoring the Life and Legacy of Mayor Horace Johnson Sr.

Attachments:

None.

Summary:

Mayor Mark Bell will present a proclamation to the family of former Hillsborough Mayor Horace Johnson Sr.

Financial impacts:

None.

Staff recommendation and comments:

None.

Action requested:

None.



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: May 27, 2025
Department: Administration
Agenda Section: Consent
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Emily Bradford, Budget Director

ITEM TO BE CONSIDERED

Subject: Miscellaneous budget amendments and transfers

Attachments:

Budget Changes Report

Summary:

To adjust budget revenues and expenditures, where needed, due to changes that have occurred since budget adoption.

Financial impacts:

As indicated by each amendment.

Staff recommendation and comments:

To approve the attached list of budget amendments and transfers.

Action requested:

Consider approving budget amendments and transfers.

FY 2024-2025

TOWN OF HILLSBOROUGH
BUDGET CHANGES REPORT

DATES: 05/27/2025 TO 05/27/2025

	<u>REFERENCE</u>	<u>CHANGE NUMBER</u>	<u>DATE</u>	<u>USER</u>	<u>ORIGINAL BUDGET</u>	<u>BUDGET CHANGE</u>	<u>AMENDED BUDGET</u>
Water Dist.	30-80-8140-5300-080 TRAINING/CONF./CONV. To cover registration for NC Rural Water	46253	05/27/2025	JFernandez	4,000.00	700.00	4,390.00
Water Dist.	30-80-8140-5300-158 MAINTENANCE - EQUIPMENT To cover registration for NC Rural Water	46252	05/27/2025	JFernandez	21,000.00	-700.00	18,805.00
WW Collect.	30-80-8200-5300-080 TRAINING/CONF./CONV. To cover registration for NC Rural Water	46255	05/27/2025	JFernandez	5,000.00	300.00	8,400.00
WW Collect.	30-80-8200-5300-323 SUPPLIES - CHEMICALS To cover registration for NC Rural Water	46254	05/27/2025	JFernandez	500.00	-300.00	200.00
WW Collect.	30-80-8200-5300-326 SUPPLIES - PATCH To cover flowable fill repair of utility cut.	46259	05/27/2025	JFernandez	6,000.00	1,000.00	11,827.00
WW Collect.	30-80-8200-5300-330 SUPPLIES - DEPARTMENTAL For purchase of max adapters.	46257	05/27/2025	JFernandez	70,000.00	15,500.00	66,600.00
WW Collect.	30-80-8200-5300-351 RENTAL - EQUIPMENT To cover flowable fill repair of utility cut.	46258	05/27/2025	JFernandez	5,000.00	-1,000.00	4,000.00
WW Collect.	30-80-8200-5300-416 C.S./ROOT CONTROL SERVICE For purchase of max adapters.	46256	05/27/2025	JFernandez	17,000.00	-15,500.00	0.00
						<u>0.00</u>	



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date:	May 27, 2025
Department:	Governing Body
Agenda Section:	Consent
Public hearing:	No
Date of public hearing:	N/A

PRESENTER/INFORMATION CONTACT

Mayor Mark Bell

ITEM TO BE CONSIDERED

Subject: Proclamation – LGBTQ+ Pride Month

Attachments:

Proclamation

Summary:

Lesbian, Gay, Bisexual, Transgender, Queer/Questioning (LGBTQ+) Pride Month is celebrated nationally each year in the month of June; this month was chosen to commemorate the riots that took place fifty years ago at the Stonewall Inn in Manhattan the morning of June 28, 1969, often viewed as the birth of the modern LGBTQ+ rights movement; we therefore take this time to reflect on the LGBTQ+ rights movement and the struggle for equality.

Mayor Mark Bell will proclaim June 2025 as LGBTQ+ Pride Month in the Town of Hillsborough and call upon each person to work to eliminate prejudice wherever it exists and to celebrate the great diversity of our town, state, and nation.

Financial impacts:

N/A

Staff recommendation and comments:

N/A

Action requested:

To approve proclamation declaring June 2025 as LGBTQ+ Month in Hillsborough.



PROCLAMATION LGBTQ+ Pride Month 2025

WHEREAS, all are welcome in the Town of Hillsborough to live, work, and play, and every family deserves a place to call home where they are safe, happy, accepted and supported; and

WHEREAS, the Town of Hillsborough denounces prejudice and discrimination based on age, gender identity, gender expression, race, religion, marital or familial status, national origin, immigration status, sexual orientation, or physical attributes as an affront to our fundamental principles; and

WHEREAS, Pride Month began in June of 1969 on the one-year anniversary of the Stonewall Uprising in New York City after Lesbian, Gay, Bisexual, Transgender, Queer (LGBTQ+) and allied friends rose and fought against the constant police harassment and discriminatory laws that have since been declared unconstitutional; and

WHEREAS, throughout much of the history of the United States, same-sex relationships were criminalized in many states and many LGBTQ+ people in the United States were forced to hide their LGBTQ+ identities while living in secrecy and fear, including under previous policies such as "Don't Ask, Don't Tell"; and

WHEREAS, LGBTQ+ people in the United States face disparities in employment, healthcare, education, housing, and many other areas central to the pursuit of happiness in the United States; and

WHEREAS, numerous states have no explicit ban on discrimination based on sexual orientation and gender identity in the workplace (16), housing (18), public accommodations (21), and in schools (25); and

WHEREAS, there are members of the North Carolina General Assembly who remain insistent on attempting to pass legislation that prohibits LGBTQ+ people, especially transgender youth, from living authentic, thriving lives; and

WHEREAS, Hillsborough has historically offered support to the LGBTQ+ community by extending same-sex partner benefits to town employees before the legalization of same-sex marriage and officially opposing the 2012 amendment to the North Carolina Constitution defining marriage as being between one man and one woman; and

WHEREAS, Hillsborough first proclaimed LGBTQ+ Pride Month in 2019 at the suggestion of the town's first out member of the Board of Commissioners; and

WHEREAS, Hillsborough became the first municipality in North Carolina to pass a non-discrimination ordinance after the sunset of House Bill 142 to extend vital protections to LGBTQ+ individuals in our town; and

WHEREAS, the Town of Hillsborough appreciates the cultural, civic, and economic contributions of the LGBTQ+ community which strengthens our collective community and social welfare; and

WHEREAS, it is imperative that young people in our community, regardless of sexual orientation, gender identity, and expression, feel valued, safe, empowered, and supported by their community; and

WHEREAS, despite being marginalized, LGBTQ+ people continue to celebrate authenticity, acceptance, and love;

NOW, THEREFORE, I, Mark Bell, mayor of the Town of Hillsborough, do hereby proclaim the month of June 2025 as “LGBTQ+ Pride Month” and urge residents to recognize the contributions made by members of the LGBTQ+ community and to actively promote the principles of equality, liberty, and justice in the Town of Hillsborough.

IN WITNESS WHEREOF, I have hereunto set my hand and caused this seal of the Town of Hillsborough to be affixed this 27th day of May in the year 2025.

Mark Bell Mayor
Town of Hillsborough



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date:	May 27, 2025
Department:	Governing Body
Agenda Section:	Consent
Public hearing:	No
Date of public hearing:	N/A

PRESENTER/INFORMATION CONTACT

Mayor Mark Bell

ITEM TO BE CONSIDERED

Subject: Proclamation – Gun Violence Awareness Day

Attachments:

Proclamation

Summary:

In January 2013, 15-year-old Hadiya Pendleton was shot and killed on a playground in Chicago, Illinois and since 2015, people across the United States have observed National Gun Violence Awareness Day on the first Friday in June in honor of Hadiya Pendleton and other victims of gun violence and their loved ones.

Mayor Mark Bell will proclaim June 6, 2025, as Gun Violence Awareness Day in the Town of Hillsborough and encourages residents to wear orange on Friday, June 6 and participate in local efforts to raise awareness about gun violence.

Financial impacts:

N/A

Staff recommendation and comments:

N/A

Action requested:

To approve proclamation declaring June 6, 2025, as Gun Violence Awareness Day in Hillsborough.



PROCLAMATION

National Gun Violence Awareness Day

WHEREAS, every day, more than 120 Americans are killed by gun violence and more than 200 are shot or wounded; and

WHEREAS, Americans are 26 times more likely to be murdered with guns than people in other developed countries; and

WHEREAS, North Carolina ranks 23rd amongst states for gun deaths in the United States with an average of 1,636 deaths every year with 54% of gun-related deaths by suicide; and

WHEREAS, support for the Second Amendment rights of law-abiding citizens goes hand-in-hand with keeping guns away from dangerous people; and

WHEREAS, together with our neighbors in Orange County, Carrboro, and Chapel Hill, the Town of Hillsborough supports efforts to enact commonsense gun safety laws and educate the community on gun safety; and

WHEREAS, anyone can join this campaign by pledging to wear orange on Friday, June 6th to help raise awareness about gun violence; and

WHEREAS, by wearing orange on June 6th, Americans will raise awareness about gun violence and honor the lives and lost human potential of Americans stolen by gun violence; and

WHEREAS, we renew our commitment to reduce gun violence and pledge to do all we can to keep firearms out of the wrong hands and encourage responsible gun ownership to help keep our children safe;

NOW, THEREFORE, I, Mark Bell, mayor of the Town of Hillsborough, do hereby proclaim June 6, 2025, as "National Gun Violence Awareness Day" in the Town of Hillsborough and encourage everyone to support their local communities' efforts to prevent the tragic effects of gun violence and to honor and value human lives.

IN WITNESS WHEREOF, I have hereunto set my hand and caused this seal of the Town of Hillsborough to be affixed this 27th day of May in the year 2025.

Mark Bell, Mayor
Town of Hillsborough



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: May 27, 2025
Department: Finance
Agenda Section: Consent
Public hearing: Yes
Date of public hearing: May 12, 2025

PRESENTER/INFORMATION CONTACT

Finance Director Dave McCole

ITEM TO BE CONSIDERED

Subject: Final Resolution Approving Financing of the 86 North Facility Renovation

Attachments:

1. Installment financing contract
2. Deed of Trust
3. Final Resolution

Summary:

The town has previously resolved to implement a plan to renovate and improve the 86 North Facility.

Furthermore, the town has decided to fund the project costs through an installment financing method, as authorized under Section 160A-20 of the General Statutes. In this form of financing, the town's repayment obligation is secured by a mortgage-like interest in all or part of the property being financed, without any pledge of the town's taxing power or any specific revenue stream. In this case, the facility will serve as the collateral. The town's finance officer has provided this board with the draft agreements outlined in Exhibit A of the agreement, which pertain to executing the financing plan.

In this resolution, the board formally approves the lender's proposal and other financing terms, endorses substantially final documents, and authorizes town representatives to finalize the financing arrangements.

Financial impacts:

Financing the project rather than utilizing the fund balance will help preserve the town's reserves.

Staff recommendation and comments:

The town has requested competitive proposals from banks and other financial institutions to secure the desired financing. Staff recommends that the town accept the proposal submitted by JPMorgan Chase Bank, N.A.

Action requested:

Approve the final resolution for financing the 86 North Facility renovation.

s☆h draft of May 20

TOWN OF HILLSBOROUGH, NORTH CAROLINA

and

JPMORGAN CHASE BANK, N.A.

INSTALLMENT FINANCING CONTRACT

Dated as of June 24, 2025

Installment Financing Contract

THIS INSTALLMENT FINANCING CONTRACT (the "Contract") is dated as of June 24, 2025, and is between the **TOWN OF HILLSBOROUGH, NORTH CAROLINA**, a municipal corporation of the State of North Carolina (the "Town"), and **JPMORGAN CHASE BANK, N.A.** (the "Lender").

RECITALS:

The Town has previously determined to carry out a plan (the "Project") to renovate and improve the Town's 86 North Facility, and to finance the Project Costs. The Lender has agreed to advance funds to the Town for this purpose.

This Contract provides for the Lender's advance of funds, and the Town's obligation to repay the funds with interest. In accordance with the Town's authority under Section 160A-20 of the North Carolina General Statutes, the Town will secure its obligations under this Contract by granting to the Lender a security interest in the Pledged Facilities and the Pledged Site.

Unless the context clearly requires otherwise, capitalized terms used in this Contract and not otherwise defined have the meanings set forth in Exhibit A.

NOW, THEREFORE, for and in consideration of the mutual promises and covenants contained in this Contract, the parties agree as follows:

ARTICLE I **ADVANCE**

The Lender advances [\$3,600,000] (the "Amount Advanced") to the Town, and the Town accepts the Amount Advanced. The Lender is making the advance by paying the full Amount Advanced to the Town on the Closing Date.

ARTICLE II

CONTRACT PAYMENTS

2.1. Installment Payments. The Town will repay the Amount Advanced by making Installment Payments at the times and in the amounts set forth in Exhibit B. As indicated in Exhibit B, the Installment Payments include designated interest components. The Town will make its payments by Federal Reserve wire transfer, or other transfer of immediately available United States funds acceptable to the Lender, in any case sent on the payable date directly to the Lender to any address or bank account in the United States as the Lender may designate from time to time.

2.2. Additional Payments. The Town will pay all Additional Payments on a timely basis directly to the person or entity to which it owes the payment. If the Town fails to pay any Additional Payment when due, the Lender may (but is not required to) pay the Additional Payment. The Town then agrees to reimburse the Lender for any Additional Payment paid by the Lender, together with interest at an annual rate of 4.00%. All Installment Payments and Additional Payments will be made in lawful money of the United States.

2.3. Late Charges. Should the Town fail to pay any Installment Payment, or any other sum required to be paid to the Lender, within 10 days after the due date, the Town shall pay a late payment charge equal to 4.00% of the delinquent payment. The acceptance or assessment of a late charge shall not constitute a waiver of a default or of an Event of Default, or impair any other Lender rights or remedies.

2.3. Prepayment. (a) The outstanding principal of the Amount Advanced is not subject to prepayment before August 1, 2030.

(b) After August 1, 2030, the Town may prepay the outstanding principal in whole or in part at the Town's option on any on any Payment Date. Any amounts prepaid will be applied first to interest accrued to the payment date and then to principal components of the Installment Payments in inverse order of their maturities. No prepayment affects the Town's obligation to pay any other Installment Payments. The Town must give the Lender at least 45 days' advance notice of any prepayment.

2.4. Interest Rate and Payment Adjustment. (a) "Rate Adjustment Event" means any action by the Internal Revenue Service (including the delivery of a

deficiency notice) or any other federal court or administrative body determining that the interest component of Installment Payments, or any portion thereof, is includable in any counterparty's gross income for federal income tax purposes, in any case as a result of any misrepresentation by the Town or as a result of any action the Town takes or fails to take.

(b) Upon any Rate Adjustment Event, (i) the unpaid principal portion of the Amount Advanced shall continue to be payable on dates and in amounts as set forth in Exhibit B, but (ii) the interest component of the Installment Payments relating to the Amount Advanced shall be adjusted to the Taxable Rate.

(c) The Town shall pay interest at such adjusted rates (subject to credit for interest previously paid) to each affected counterparty, notwithstanding the fact that any particular counterparty may not be the counterparty under this Contract on the date of a Rate Adjustment Event. The Town shall additionally pay to all affected counterparties any interest, penalties or other charges assessed against or payable by such counterparty and attributable to a Rate Adjustment Event notwithstanding the prior repayment of the entire Amount Advanced or any transfer to another counterparty.

(d) The Town represents that (i) it is a governmental unit with general taxing powers, (ii) the obligations represented by this Contract do not constitute private activity bonds within the meaning of the Code, (iii) 95% or more of the net proceeds advanced to the Town under this Contract are to be used for local governmental activities of the Town and (iv) the aggregate face amount of all tax-exempt obligations (not counting private-activity bonds except for qualified 501(c)(3) bonds, as defined in the Code) issued by the Town (and all subordinate entities thereof) during calendar year 2025 has not, and is not expected to (in the absence of circumstances currently unforeseen) exceed \$10,000,000. The Town also represents that it has designated its obligations to make Installment Payments under this Contract as a "qualified tax-exempt obligations" for the purposes of the Code. If the Town breaches either of these representations, the interest rate used to calculate the interest component of Installment Payments under this Contract shall be adjusted to preserve the Lender's after-tax economic yield with respect to the interest component of the Installment Payments, taking into account any interest expense deductions lost by the Lender as a direct or indirect result of the Town's actions. In addition, the Town shall pay to the Lender (i) an amount necessary to reimburse the Lender for any interest, penalties, or other charges assessed by the Internal Revenue

Service and the Department of Revenue by reason of such loss of bank qualification, and (ii) upon request of the Lender, additional interest as a result of the increase in the interest rate on all previous Installment Payments made by the Town since the effective date of the loss of such interest expense deductions. In such event, the Lender shall provide the Town with a new Installment Payment Schedule which reflects the new interest rate which will replace the Installment Payment Schedules set forth in Exhibit B.

(f) After the occurrence of an Event of Default, and so long as such Event of Default is continuing, the interest component of all Installment Payments will be calculated based on the Default Rate.

2.5. No Reduction or Abatement. The Town remains liable for full performance of all its covenants under this Contract and the Deed of Trust (subject to the limitations described in Article ____), notwithstanding the occurrence of any event or circumstances whatsoever, including any of the following:

(a) Any act or omission by the Lender, or the Lender's waiver of any right granted or remedy available to it;

(b) The forbearance or extension of time for payment or performance of any obligation under this Contract or the Deed of Trust, whether granted to the Town or any other person;

(c) The sale or release of all or part of the Mortgaged Property or the release of any party who assumes all or any part of such performance; or

(d) Another party's assumption of any of the Town's obligations under the Contract or this Deed of Trust.

There will be no abatement or reduction of the Installment Payments or Additional Payments by the Town for any reason, including, but not limited to, any defense, recoupment, setoff, counterclaim, or any claim arising out of or related to the Pledged Sites or the Pledged Facilities. The Town assumes and will bear the entire risk of completion, loss and damage to the Mortgaged Property from any cause whatsoever, it being the parties' intention that the Installment Payments will be made in all events unless the Town's obligation to make Installment Payments is terminated as provided in this Contract.

2.6. Appropriations.

(a) The Town will cause the officer who prepares the draft Town budget initially submitted for Town Board consideration to include in the initial proposal each year the amount of all Installment Payments and estimated Additional Payments coming due during the Fiscal Year to which the budget applies. Notwithstanding that the initial proposed budget includes an appropriation for Contract Payments, the Town Board may determine not to include the appropriation (in whole or in part) in the final Town budget for any Fiscal Year, or may amend an adopted budget to reduce or delete an approved appropriation.

(b) (i) If for any Fiscal Year the Town adopts an annual budget that does not appropriate (for that purpose) an amount equal to the Installment Payments and estimated Additional Payments coming due during that Fiscal Year, then the Town will send notice of this failure to the Lender and the LGC within ten days after the adoption of that budget.

(ii) If for any Fiscal Year the Town has not adopted an annual budget that appropriates (for that purpose) an amount equal to the Installment Payments and estimated Additional Payments coming due during that Fiscal Year within 15 days after the beginning of any Fiscal Year, then the Town will send notice of this failure to the Lender and the LGC within an additional ten days.

(iii) Similarly, if at any time the Town amends the annual budget to reduce the amounts appropriated for Contract Payments below the amounts expected to be required for the remainder of that Fiscal Year, then the Town will send notice of this amendment to the Lender and the LGC within ten days.

(iv) The Town shall send notices intended for the LGC to the attention of its Secretary, at 3200 Atlantic Avenue, Longleaf Building, Raleigh NC 27604.

ARTICLE III

TOWN'S RESPONSIBILITIES

3.1. Care and Use. The Town will use and care for the Mortgaged Property in a careful and proper manner. The Town must keep the Mortgaged Property in good condition, repair, appearance and working order for the purposes intended.

3.2. Utilities. The Town will pay all charges for utility services furnished to or used on or in connection with the Pledged Site and the Pledged Facilities.

3.3. Risk of Loss. The Town bears all risk of loss to and condemnation of the Mortgaged Property.

3.4. Lender's Performance of Town's Responsibilities. The Lender may, but is in no event required to, (a) undertake any performance required of the Town or (b) make any payments required to be made by the Town, in either case for the insurance, maintenance or preservation of the Mortgaged Property that the Town fails to make or pay. The Town will then reimburse the Lender for any payments and for any associated costs and expenses, legal or otherwise, together with interest at the annual rate of 4.00%.

3.5. Compliance with Requirements. The Town will promptly and faithfully comply with all requirements of governmental authorities relating to the use or condition of the Mortgaged Property (or be diligently and in good faith contesting the requirements), if the violation of the requirement would adversely affect the use, value or condition of the Mortgaged Property. This compliance (or contest) is required of the Town whether or not any requirement necessitates structural changes or improvements or interferes with the Town's use or enjoyment of the Mortgaged Property.

The Town will in no event use the Mortgaged Property, or any portion, nor allow it to be used, (a) for any unlawful purpose, (b) in violation of any certificate of occupancy or other permit or certificate, or (c) in violation of any law, ordinance or regulation.

3.6. Use and Operation of Pledged Facilities. The Town will use and operate the Pledged Facilities for their intended public purposes. The Town will be solely responsible for the operation of the Pledged Facilities, and will not contract with any other person or entity for that operation. Unless required by applicable law or unless the Lender has otherwise agreed in writing, the Town will not use the Mortgaged Property for any purposes other than those for which the property was intended as of the Closing Date.

3.7. Modification of Pledged Facilities; Installation of Equipment and Machinery. The Town has the right to remodel the Pledged Facilities or make substitutions, additions, modifications and improvements to the Pledged Facilities, at its own cost and expense. These changes, however, must not damage the Pledged Facilities or result in the use of the Pledged Facilities for purposes substantially different from those contemplated on the Closing Date. Further, the Pledged Facilities, upon completion of the changes, must be of a value not less than the value of the Pledged Facilities immediately prior to making the changes. All additions, modifications and improvements within the boundaries of the Pledged Site become a part of the Mortgaged Property and subject to the lien of the Deed of Trust.

The Town may also, from time to time in its sole discretion and at its own expense, install machinery, equipment and other tangible property in or on the Pledged Facilities. Neither the Lender nor any assignee will have any interest in any property that is not a “Fixture” as defined in Section ____ of the Deed of Trust.

3.8. Taxes and Other Governmental Charges. If the Mortgaged Property (or any portion) is, for any reason, deemed subject to taxation, assessments or charges lawfully made by any government, the Town will, during the Contract term, pay the amount of all those taxes, assessments and governmental charges as Additional Payments. With respect to special assessments or other charges which may be lawfully paid in installments over a period of years, the Town is obligated under this Contract only to provide for the installments that are required to be paid during the Contract term. The Town must not allow any liens for taxes, assessments or governmental charges with respect to the Mortgaged Property (or any portion) to become delinquent, including any taxes levied upon the Lender’s interest in the Mortgaged Property, or on any rentals or other revenues derived from the Mortgaged Property.

The Town may, at its own expense and in its own name, in good faith contest any taxes, assessments and other charges. In the event of a contest, the Town may permit the charges to remain unpaid during the period of the contest and any appeal. If, however, the Lender notifies the Town that, in the opinion of independent counsel selected by the Lender, the security afforded pursuant to this Contract or the Deed of Trust will be materially endangered by nonpayment of any items, then the Town must promptly pay those items (but the payment will not in itself constitute a waiver of the right to continue to contest the charges).

3.9. Town's Insurance.

(a) Property Damage Insurance – The Town shall, at its own expense, acquire, carry and maintain broad-form extended coverage property damage insurance with respect to the Pledged Facilities in an amount equal to the estimated replacement cost. This insurance must include standard mortgagee coverage in favor of the Lender. Any Net Proceeds of the insurance required by this subsection (a) shall be payable as provided in Section ____.

(b) General Liability Insurance – To the extent permitted by law, the Town agrees that it will, at its own expense, acquire, carry and maintain comprehensive general liability insurance in an amount not less than \$2,000,000 for personal injury or death and \$2,000,000 for property damage, and that it will include the Lender as an additional insured with respect to occurrences related to the Facilities.

(c) Worker's Compensation Insurance – The Town will, at its own expense, acquire, carry and maintain worker's compensation insurance in the manner required by law.

(d) Additional Provisions --

(i) The Town must maintain the insurance required by this Section with generally recognized responsible insurers. The insurance may carry reasonable deductible or risk-retention amounts. The Town must provide copies of all such policies to the Lender upon request.

(ii) In the alternative, the Town may maintain the insurance required by subsections (a) and (b) above (A) by one or more blanket or umbrella insurance policies or (B) by means of an adequate self-insurance fund or risk-retention program, or by participation in a group risk pool or similar program.

(iii) If the Town obtains blanket or umbrella coverage, the Town must provide to the Lender, upon the Lender's request, a certificate or certificates of the respective insurers evidencing the coverage and, with respect to property insurance, stating the amount of coverage provided with respect to the Pledged Facilities (or any covered portion). If the Town provides for any alternative risk management programs, the Town's risk manager or an independent insurance consultant must review the pro-

grams annually for sufficiency. The Town must provide to the Lender evidence as to the sufficiency of any alternative program as the Lender may reasonably request.

(iv) The Town may settle or adjust insurance claims in its discretion, except that no Town agent or employee will have the power to adjust or settle any property damage loss greater than \$100,000 with respect to the Mortgaged Property, whether or not covered by insurance, without the Lender's prior written consent. The Lender and the Town will cooperate fully with each other in filing any claim or proof of loss with respect to any insurance policy described in this Contract.

(v) The Lender will not be responsible for the sufficiency or adequacy of any required insurance.

ARTICLE IV **CONSTRUCTION**

4.1. Construction; Changes. (a) The Town will comply with the provisions of the North Carolina General Statutes and enter into the Construction Contracts. The Town will cause the construction of the Pledged Facilities to be carried on continuously in accordance with the Construction Contracts and all applicable State and local laws and regulations.

(b) The Town will provide for the Pledged Facilities to be constructed on the Pledged Site and will insure (i) that no portion of the Pledged Facilities encroaches upon nor overhangs any easement or right-of-way, (ii) that the Pledged Facilities will be wholly within any applicable building restriction lines, however established, and (iii) that the Pledged Facilities will not violate applicable use or other restrictions, whether imposed by law or rule or by prior conveyances.

(c) The Town may approve changes to the Construction Contracts in its discretion except that the Town may not, without the Lender's consent, approve any changes which (i) increase total estimated Project Costs above the amounts previously identified and designated therefor, or (ii) result in the use of the Mortgaged Property for purposes substantially different from the use intended as of the Closing Date.

4.2. Contractors' Performance and Payment Bonds. The Town shall require each contractor entering into a Construction Contract to furnish a performance bond and a separate labor and material payment bond as required by State law. The Town shall provide copies of all such bonds to the Lender at the Lender's request.

Upon any material default by a contractor under any Construction Contract, or upon any material breach of warranty with respect to any materials, workmanship or performance, the Town shall promptly proceed, either separately or in conjunction with others, to pursue diligently its remedies against the contractor or against the surety of any bond securing the performance of the applicable Construction Contract.

4.3. Contractors' General Public Liability and Property Damage Insurance. The Town shall require each contractor entering into a Construction Agreement to procure and maintain standard form (a) comprehensive general public liability and property damage insurance, at such contractor's own cost and expense, during the duration of such contractor's construction contract, in the amount of at least \$2,000,000, and (b) comprehensive automobile liability insurance on owned, hired and non-owned vehicles for not less than \$2,000,000. Such policies shall include the Lender as an additional named insured. The Town shall provide to the Lender a certificate of insurance in a form acceptable to the Lender with respect to each contractor. Such insurance shall provide protection from all claims for bodily injury, including death, property damage and contractual liability, products/completed operations, broad form property damage and XCU (explosive, collapse and underground damage), where applicable.

4.4. Contractors' Builder's Risk Completed Value Insurance. The Town shall require each contractor entering into a Construction Agreement to purchase and maintain property insurance (builder's risk) upon all construction, acquisition, installation and equipping of the Pledged Facilities (excluding contractor's tools and equipment) at the Pledged Site thereof at the full insurable value thereof. This insurance shall include a lender's loss payable endorsement in favor of the Lender, and shall insure against "all risk" subject to standard policy conditions and exclusions. The contractor shall purchase and maintain similar property insurance for portions of the work stored off the Pledged Site or in transit when such portions of the work are to be included in an application for payment. The contractor shall be

responsible for the payment of any deductible amounts associated with this insurance.

4.5. Contractors' Workers' Compensation Insurance. The Town shall require each contractor entering into a Construction Agreement to procure and maintain workers' compensation insurance during the term of such Construction Agreement, covering his or her employees working thereunder. A certificate of insurance evidencing such coverage, in form acceptable to the Lender, shall be provided to the Town with respect to each contractor entering into a Construction Agreement. Each Construction Agreement shall also provide that each subcontractor of any contractor who is a party to such Construction Agreement shall be required to furnish similar workers' compensation insurance.

4.6. Right of Entry and Inspection. The Lender and its representatives and agents, upon reasonable notice to the Town, have the right to enter upon the Pledged Site and inspect the Pledged Facilities from time to time during construction and at any other time during the Contract term. The Town will cause any contractor or subcontractor to cooperate with any of those parties and agents during any inspection. Any inspection under this Section is made only for the Lender's benefit.

4.7. Completion of Construction. When the construction of the Pledged Facilities has been substantially completed to the Town's satisfaction, the Town will promptly prepare and deliver a certificate to that effect to the Lender. The Town may then use any remaining portion of the Amount Advanced not needed to pay remaining Project Costs for any lawful purpose not in conflict with the Town's obligations under Section ____.

4.8. Cooperation. The Lender and the Town will cooperate fully with each other in filing any claim or proof of loss with respect to any bond or insurance policy described in this Contract. So long as no Event of Default has occurred and is continuing under this Contract, neither the Lender nor the Town may voluntarily settle, or consent to the settlement of, any proceeding arising out of any claim with respect to the Project or the Pledged Facilities without the other's written consent.

ARTICLE V
TITLE: LIENS

5.1. Title. Title to the Mortgaged Property and any and all additions, repairs, replacements or modifications thereto will at all times be in the Town, subject to the lien of the Deed of Trust and to the Permitted Encumbrances. Simultaneously with the execution and delivery of this Contract, the Town will deliver to the Lender the Deed of Trust in form mutually satisfactory to the Lender and the Town, and will cause the Deed of Trust to be recorded in the Office of the Register of Deeds of Orange County, North Carolina.

5.2. Encumbrance, Mortgage or Pledge of Mortgaged Property.

(a) The Town will not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Mortgaged Property (or any portion), except Permitted Encumbrances. The Town will promptly, at its own expense, take such action as may be appropriate to discharge any such mortgage, pledge, lien, charge, encumbrance or claim not excepted above which it has created, incurred or suffered to exist.

(b) The Town may, at its own expense and in its own name, in good faith contest any lien or claim as described in (a) above. In the event of a contest, the Town may permit the lien or claim to remain unpaid during the period of the contest and any appeal. If, however, the Lender notifies the Town that, in the opinion of independent counsel selected by the Lender, the security afforded pursuant to this Contract or the Deed of Trust will be materially endangered by nonpayment of the lien or claim, then the Town must promptly pay those items (but the payment will not in itself constitute a waiver of the right to continue to contest the charges). The Lender will cooperate fully with the Town in any contest, upon the request and at the expense of the Town.

(c) The Town will reimburse the Lender for any expense incurred by it in order to discharge or remove any lien or claim, together with interest thereon at the annual rate of 4.00%.

**ARTICLE VI
CONDEMNATION OR LOSS OF TITLE;
USE OF NET PROCEEDS**

6.1. Damage, Destruction or Condemnation. The Town will promptly notify the Lender if

(a) the Mortgaged Property (or any portion) is destroyed or damaged by fire or other casualty;

(b) any governmental authority takes, or notifies the Town of any intent to take, title to, or the temporary or permanent use of the Mortgaged Property (or any portion), or the estate of the Town or the Lender in the Mortgaged Property (or any portion), under the power of eminent domain;

(c) a material defect in the construction of the Pledged Facility becomes apparent; or

(d) title to or the use of all or any portion of the Mortgaged Property is lost by reason of a defect in title;

and if the Town estimates that any loss or casualty as described in this Section will either cost \$100,000 or more to remedy or will result in a remedial payment to the Town of \$100,000 or more, as the case may be.

Each notice must describe generally the nature and extent of such damage, destruction or taking. The Town will provide any additional information concerning such matter as the Lender may reasonably request.

The Town will file its claims under insurance coverages and claims for awards or payments in the nature of condemnation awards resulting from any such damage, destruction or taking. The Town will prosecute all such claims for such awards or payments in good faith and with due diligence. Any Net Proceeds received by the Town will be used as provided in Section 6.2.

6.2. Security Interest in Net Proceeds; Deposit and Disbursement.

(a) If the Net Proceeds arising from any single event, or any single series of related events, is not more than \$100,000, then the Town has no obligation to account to the Lender or any other person or entity with respect to the use of those Net Proceeds. The Town, however, acknowledges that its use of such funds may be

constrained by the requirements of the Code and the Town's obligations under Section 7.1(i).

(b) If the amount of Net Proceeds received by the Town from any single event or any single series of related events is more than \$100,000, then the Town grants a security interest in the Net Proceeds to the Lender to secure the Town's obligations under this Contract, subject to the further provisions of this Section. This Contract is intended as and constitutes a security agreement with respect to this security interest. All Net Proceeds remain subject to the security interest provided for in this subsection until expended in compliance with this Contract.

(c) If the amount of Net Proceeds received by the Town from any single event or any single series of related events is more than \$100,000 but less than \$1,000,000, the Town will retain the Net Proceeds and promptly apply those amounts to repair or restore the Mortgaged Property, to the extent that can be accomplished with those amounts.

(d) If the amount of Net Proceeds received by the Town from any single event or any single series of related events is at least \$1,000,000, the Town will, at the Lender's request, cause those Net Proceeds to be paid to an escrow agent (which must be a bank, trust company or similar entity exercising fiduciary responsibilities and reasonably acceptable to the Lender) for deposit in a special escrow fund to be held by the escrow agent and disbursed by the escrow agent pursuant to requisitions in form and substance reasonably acceptable to the Lender. The Town will then promptly apply those amounts to repair or restore the Mortgaged Property, to the extent that can be accomplished with those amounts.

(e) In the case of any use of Net Proceeds for repair or restoration, the Town must act with due diligence and in a commercially reasonable manner to provide for the repair and restoration. After the Town has finished applying Net Proceeds to repair or restoration, the Town will promptly report to the Lender regarding the use of those Net Proceeds.

(f) In any event, the Town may apply any Net Proceeds toward the prepayment of the Amount Advanced subject to the terms of Section ____.

(g) The Town is not entitled to any reimbursement of any supplemental funds it provides under this subsection, nor is the Town entitled to any postpone-

ment or diminution of its obligation to make Contract Payments as a result of any contribution. Any repair or replacement paid for in whole or in part out of Net Proceeds will be the Town's property and will be part of the Mortgaged Property.

ARTICLE VII

TOWN'S WARRANTIES, REPRESENTATIONS AND COVENANTS

7.1. By the Town, Generally. The Town makes the following statements of fact, with the understanding and intent that the Lender will rely on these statements in making its decision to enter into this Contract:

(a) The Town is a duly organized and validly existing municipal corporation of the State. The Town has all powers necessary to enter into the transactions contemplated by this Contract and the Deed of Trust, and to carry out its obligations under those instruments.

(b) The Town will take no action that would adversely affect its existence as a municipal corporation in good standing in the State.

(c) The Town has duly and validly authorized, executed and delivered this Contract and the Deed of Trust. Assuming due authorization, execution and delivery thereof by the other parties, this Contract and the Deed of Trust constitute valid, legal and binding obligations of the Town, enforceable (in the case of the Deed of Trust, by the Deed of Trust Trustee and the Lender) in accordance with their respective terms, subject to bankruptcy, insolvency and other similar laws affecting the enforcement of creditors' rights generally and such principals of equity as a court having jurisdiction may impose.

(d) The Town requires no further approval or consent from any governmental authority with respect to the Town's entering into or performing under this Contract or the Deed of Trust.

(e) No Town representation, covenant or warranty in this Contract is false or misleading in any material respect.

(f) The Town Board resolutions relating to the Town's authorization and performance of this Contract, the Deed of Trust, and the transactions contemplated

in those documents have been duly adopted, are in full force and effect, and have not been in any material respect modified, revoked or rescinded.

(g) The Town reasonably expects that the Project can be completed for a total price within the total amount of funds to be available from the Amount Advanced, income anticipated to be derived from the investment of those funds, and other funds expected to be available for the intended purpose. The Town will pay any excess costs, with no resulting reduction or offset in the amounts otherwise payable by the Town.

(h) The Town reasonably believes funds will be available to satisfy all its obligations under this Contract.

(i) The Pledged Facilities have been designed and constructed so as to comply with all applicable subdivision, building and zoning ordinances and regulations, if any, and any and all applicable federal and State standards and requirements relating to the Pledged Facilities. The Town has complied with all required public bidding and related procedures regarding the acquisition and construction of the Pledged Facilities.

(j) The Pledged Facilities have not been and will not be used in any private business or put to any private business use.

(k) The Town will not take or permit, or omit to take or cause to be taken, any action that would cause its obligations under this Contract to be "arbitrage bonds" or "private activity bonds" within the meaning of the Code, or otherwise adversely affect the exclusion from gross income for federal income tax purposes of the designated interest component of Installment Payments to which those components would otherwise be entitled and, if it should take or permit, or omit to take or cause to be taken, any such action, the Town will take or cause to be taken all lawful actions within its power necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof.

(l) The Town has determined to undertake the Project after extensive consideration of the Town's needs and responsibilities, and consideration of alternative means of carrying out those responsibilities.

(m) The Lender has not acted as a financial adviser to the Town, and the Town has not relied on the Lender for any financial advice. The Town acknowledges and agrees that (i) the transaction contemplated under this Contract is an arm's length commercial transaction between the Town and the Lender and its affiliates, (ii) in connection with such transaction, the Lender and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), agent or a fiduciary of the Town, (iii) the Lender and its affiliates are relying on the bank exemption in the Municipal Advisor Rules, (iv) the Lender and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the Town with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (whether or not the Lender, or any affiliate of the Lender, has provided other services or advised, or is currently providing other services or advising the Town on other matters), (v) the Lender and its affiliates have financial and other interests that differ from those of the Town, and (vi) the Town has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

(n) The Town will furnish to the Lender, or post to the Electronic Municipal Market Access ("EMMA") website, its audited financial statements prepared by an independent Certified Public Accountant, within 270 days after the end of each Fiscal Year. Additionally, the Town will provide the Lender with a copy of its annual budget, as adopted, within 30 days of adoption. The Town agrees that the Lender may provide any information or knowledge the Lender may have about the Town or about any matter relating to this Contract or the Pledged Facilities to the Lender or any of its subsidiaries or affiliates or their successors, or to any one or more participants or assignees of this Contract.

7.2. Town's Undertakings as to Environmental Matters.

(a) The Town makes the following statements of fact, with the understanding and intent that the Lender will rely on these statements in making its decision to enter into this Contract.

(i) The Town has no knowledge (A) that any industrial use has been made of the Mortgaged Property, (B) that the Mortgaged Property has been used for the storage, treatment or disposal of chemicals or any wastes or materials that are clas-

sified by federal, State or local laws as hazardous or toxic substances, (C) that any manufacturing, landfilling or chemical production has occurred on the Mortgaged Property, or (D) that there is any asbestos or other contaminant on, in or under the Mortgaged Property.

(ii) To the Town's knowledge, the Mortgaged Property is in compliance with all federal, State and local environmental laws and regulations. The Town will keep the Mortgaged Property, and the activities at the Mortgaged Property, in compliance with all environmental laws, rules, and regulations. The Town will, in a timely manner, take all lawful action necessary to maintain such compliance or to remedy any lack of compliance.

(iii) The Town will use and maintain hazardous materials or substances on the Mortgaged Property only for the routine maintenance and operation of the Mortgaged Property. The Town will maintain these materials or substances only in appropriate quantities for these purposes, and will use them only in substantial compliance with label instructions and all State and federal environmental laws, rules and regulations. The Town will not use the Mortgaged Property (A) for the manufacture, transport, process, storage, treatment or disposal of chemicals or any wastes or materials that are classified by federal, State or local laws as hazardous or toxic substances, or (B) for any industrial, manufacturing or landfilling use or for any chemical production.

(iii) The Town will promptly notify the Lender of any change in the nature or extent of any hazardous materials, substances or wastes maintained on, in or under the Mortgaged Property or used in connection therewith. The Town will promptly send to the Lender copies of any citations, orders, notices or other material governmental or other communication received with respect to any other hazardous materials, substances, wastes or other environmentally regulated substances affecting the Mortgaged Property.

(b) To the extent permitted by law, the Town will indemnify and hold the Lender and the Deed of Trust Trustee harmless from and against (i) any and all damages, penalties, fines, claims, liens, suits, liabilities, costs (including cleanup costs), judgments and expenses (including attorneys', consultants' or experts' fees and expenses) of every kind and nature suffered by or asserted against the Lender or the Deed of Trust Trustee as a direct or indirect result of any warranty or representation made by the Town in subsection (a) being false or untrue in any material

respect, or (ii) any requirement under any law or regulation which requires the elimination or removal of any hazardous materials, substances, wastes or other environmentally regulated substances by the Lender, the Town or any transferee or assignee of the Town or the Lender.

(c) The Town's obligations under this Section will continue in effect notwithstanding satisfaction of the Obligations (as defined in the Deed of Trust), foreclosure under the Deed of Trust, or delivery of a deed in lieu of foreclosure.

ARTICLE VIII

INDEMNIFICATION

To the extent permitted by law, the Town will indemnify, protect and save

- (a) the Deed of Trust Trustee,
- (b) the Lender and its officers, employees, and directors, and
- (c) the LGC's members and employees,

in all cases harmless from all liability and losses, including expenses and legal fees, expenses and costs, arising out of, connected with, or resulting directly or indirectly

(A) from or relating to the Mortgaged Property or the transactions contemplated by this Agreement, including without limitation the possession, condition, installation, construction or use of the Mortgaged Property.

(B) as a result of any warranty or representation made by the Town in Section ____ *[environmental]* being false or untrue in any material respect, or any requirement under any law or regulation which requires the elimination or removal of any hazardous materials, substances, wastes or other environmentally regulated substances by the Lender, the Town or any transferee or assignee of the Town or the Lender.

The Town has no obligation to indemnify any indemnified party for the gross negligence or intentional misconduct of the indemnified party or any of its employees or representatives. The Town's obligation to provide indemnification under this Ar-

ticle continues even after there is no longer any outstanding principal balance of the Amount Advanced and extends to any successor to the Lender. The parties intend that the LGC is a third-party beneficiary of the Town's obligations under this Article ____.

ARTICLE IX

DISCLAIMER OF WARRANTIES

The Town acknowledges as follows:

- (a) that the Lender has not designed the Pledged Facilities;
- (b) that the Lender has not supplied any plans or specifications with respect to the Pledged Facilities;
- (c) that the Lender is not a manufacturer of, nor a dealer in, any of the component parts of the Pledged Facilities or similar facilities;
- (d) that the Lender has not made any recommendation, given any advice nor taken any other action with respect to (i) the choice of any supplier, vendor or designer of, or any other contractor with respect to, the Pledged Facilities or any component part thereof or any property or rights relating thereto, or (ii) any action taken or to be taken with respect to the Pledged Facilities or any component part thereof or any property or rights relating thereto at any stage of the construction thereof;
- (e) that the Lender has not at any time had physical possession of the Pledged Facilities or any component part thereof or made any inspection thereof or any property or rights relating thereto;
- (f) that the Lender has not made any warranty or other representation, express or implied, that the Pledged Facilities or any component part thereof or any property or rights relating thereto (i) will not result in or cause injury or damage to persons or property, (ii) has been or will be properly designed, or will accomplish the results which the Town intends therefor, or (iii) is safe in any manner or respect.

THE LENDER MAKES NO EXPRESS OR IMPLIED WARRANTY OR REPRESENTATION OF ANY KIND WHATSOEVER WITH RESPECT TO THE MORTGAGED PROPERTY OR THE PLEDGED FACILITIES OR ANY COMPONENT PART THEREOF, INCLUDING BUT NOT LIMITED TO ANY WARRANTY OR REPRESENTATION WITH RESPECT TO THE MERCHANTABILITY OR THE FITNESS OR SUITABILITY THEREOF FOR ANY PURPOSE, and further including the design or condition thereof; the safety, workmanship, quality or capacity thereof; compliance thereof with the requirements of any law, rule, specification or contract pertaining thereto; any latent defect; the ability of the Pledged Facilities to perform any function; that the Amount Advanced will be sufficient to pay all Project Costs; or any other characteristic of the Pledged Facilities; it being agreed that the Town is to bear all risks relating to the Pledged Facilities, the completion thereof or the transactions contemplated by this Contract or by the Deed of Trust, and the Town waives the benefits of any and all implied warranties and representations of the Lender.

The provisions of this Article will survive the Contract's termination.

ARTICLE X

DEFAULT AND REMEDIES

10.1. Events of Default. An "Event of Default" is any of the following:

- (a) The Town fails to make any Installment Payment when due.
- (b) The occurrence of an Event of Nonappropriation.

(c) The Town breaches or fails to perform or observe any term, condition or covenant of this Contract or the Deed of Trust on its part to be observed or performed, other than as referred to in subsections (a) or (b) above, including payment of any Additional Payment, for a period of 90 days after written notice specifying such failure and requesting that it be remedied has been given to the Town (by any person or entity), unless the Lender agrees in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot reasonably be corrected within the applicable period and the Town institutes corrective action within the applicable period, no Event of Default will be deemed to have occurred so long as the Town diligently pursues the corrective action.

(d) Proceedings under any bankruptcy, insolvency, reorganization or similar law are instituted by or against the Town as a debtor, or a receiver, custodian or similar officer is appointed for the Town or any of its property.

(e) Any lien, charge or encumbrance (other than Permitted Encumbrances) prior to or affecting the validity of the Deed of Trust is found to exist, or proceedings are instituted to enforce any lien, charge or encumbrance against the Mortgaged Property and such lien, charge or encumbrance would be prior to the lien of the Deed of Trust.

10.2. Remedies on Default. Upon the occurrence and during the continuation of any Event of Default, the Lender may, without any further demand or notice, exercise any one or more of the following remedies:

(a) Declare the unpaid principal components of the Installment Payments, and the accrued interest thereon, immediately due and payable;

(b) Proceed by appropriate court action to enforce performance by the Town of the applicable covenants of this Contract or the Deed of Trust or to recover for the breach thereof; and

(c) Avail itself of all available remedies under the Deed of Trust, including foreclosure on the Mortgaged Property and recovery of legal fees and other expenses, and of all other remedies available at law or in equity.

The Lender's exercise of remedies is subject to the limitations set forth in Article X.

10.3. No Remedy Exclusive; Delay Not Waiver. All remedies under this Contract are cumulative and may be exercised concurrently or separately. The exercise of any one remedy will not be deemed an election of such remedy or preclude the exercise of any other remedy. If any Event of Default occurs and is thereafter waived, that waiver will be limited to the particular breach so waived and will not be deemed a waiver of any other breach under this Contract.

ARTICLE XI

ASSIGNMENTS

11.1. Town's Assignments. The Town may not sell or assign any interest in this Contract without the Lender's prior written consent.

11.2. Lender's Assignment. The Lender may, at any time and from time to time, assign all or any part of its interest in the Mortgaged Property or this Contract, including, without limitation, the Lender's rights to receive Installment Payments. Any assignment made by the Lender or any subsequent assignee must not purport to convey any greater interest or rights than those held by the Lender pursuant to this Contract.

The Town agrees that this Contract may become part of a pool of obligations at the Lender's or its assignee's option. The Lender or its assignees may assign or reassign all or any part of this Contract, including the assignment or reassignment of any partial interest through the use of certificates evidencing participation interests in this Contract. Any assignment by the Lender may be only to a Lender, insurance company, or similar financial institution or any other entity approved by the LGC. Notwithstanding the foregoing, no assignment or reassignment of the Lender's interest in the Mortgaged Property or this Contract will be effective unless and until the Town receives a duplicate original counterpart of the document by which such assignment or reassignment is made disclosing the name and address of each such assignee.

The Town further agrees that the Lender's interest in this Contract may be assigned in whole or in part upon terms which provide in effect that the assignor or assignee will act as a collection and paying agent for any holders of certificates of participation in this Contract, provided (a) the Town receives a copy of the agency contract, and (b) the collection and paying agent agrees to maintain for the full remaining term of this Contract a written record of each assignment and reassignment of the certificates of participation.

The Lender covenants that any disclosure document circulated by it or an assignee in connection with the sale of the Lender's rights under this Contract will contain a statement to the effect that the Town has not reviewed and is not responsible for the disclosure document. The Lender covenants to defend, indemnify and hold harmless the Town and its officers, employees and agents against any losses, claims, damages or liabilities, joint or several, including fees and expenses incurred in connection therewith, to which such indemnified party may become subject on account of any statement included in a disclosure document, or that fails to be in-

cluded in a disclosure document, unless the Town has expressly approved the use of such disclosure document.

The Town agrees to execute any document reasonably required in connection with any assignment. Any assignor must provide notice of any assignment to the Town, and the Town will keep a complete and accurate record of all assignments as required by the Code. After the giving of any notice, the Town will thereafter make all payments in accordance with the notice to the assignee named therein and will, if so requested, acknowledge the assignment in writing, but the acknowledgment will in no way be deemed necessary to make the assignment effective.

Notwithstanding any of the foregoing, in no event will the Town ever be required to make Installment Payments to more than one person or entity on any payment date.

ARTICLE XII

TOWN'S LIMITED OBLIGATION

Notwithstanding any other provision of this Contract, the parties intend that this transaction comply with North Carolina General Statutes Section 160A-20. No deficiency judgment may be entered against the Town in violation of such Section 160A-20.

No provision of this Contract should be construed or interpreted as creating a pledge of the Town's faith and credit within the meaning of any constitutional debt limitation. No provision of this Contract should be construed or interpreted as an illegal delegation of governmental powers or as an improper donation or lending of the Town's credit within the meaning of the North Carolina constitution. The Town's taxing power is not and may not be pledged directly or indirectly or contingently to secure any moneys due under this Contract.

No provision of this Contract will be construed to pledge or to create a lien on any class or source of the Town's moneys (other than the Amount Advanced and any Net Proceeds), nor will any provision of this Contract restrict the Town's future issuance of any of its bonds or other obligations payable from any class or source of the Town's moneys (except to the extent the this Contract and the Deed of Trust restrict the incurrence of additional obligations secured by the Mortgaged Property).

To the extent of any conflict between this Article and any other provision of this Contract, this Article takes priority. Nothing in this Article is intended to impair or prohibit foreclosure of the Deed of Trust upon occurrence of an Event of Default under this Contract or the Deed of Trust.

ARTICLE XIII

ADDITIONAL PROVISIONS

13.1. Notices.

(a) Any communication provided for in this Contract must be in English and must be in writing. "Writing" includes electronic mail, but does not include facsimile transmission.

(b) For the purposes of this Contract, any communication sent by electronic mail will be deemed to have been given on the date the communication is similarly acknowledged by a Town Representative (in the case of the Town) or other authorized representative (in the case of any other party). No such communication will be deemed given or effective without such an acknowledgment.

(c) Any other communication under this Contract will be deemed given on the delivery date shown on a United States Postal Service certified mail receipt, or a delivery receipt (or similar evidence) from a national commercial package delivery service, if addressed as follows:

(i) if to the Town, to Town Manager, Town of Hillsborough, Attention: Notice under 2025 86 North Financing Contract, Town Hall, 101 East Orange Street, Hillsborough, NC 27278

(ii) if to the Lender, to _____

(d) Any addressee may designate additional or different addresses for communications by notice given under this Section to each of the others.

(e) Whenever this Contract requires the giving of a notice, the person entitled to receive the notice may waive the notice, in writing. The giving or receipt of

the notice will then not be a condition to the validity of any action taken in reliance upon the waiver.

13.2. Non-Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right is not a Business Day, such payment may be made or act performed or right exercised on or before the next succeeding Business Day. For this Contract and the Deed of Trust, a “Business Day” is any day on which banks in the State are not by law authorized or required to remain closed.

13.3. Governing Law. The parties intend that North Carolina law will govern this Contract and all matters of its interpretation. To the extent permitted by law, the parties agree that any action brought with respect to this Deed of Trust must be brought (a) in the North Carolina General Court of Justice in Orange County, North Carolina, or (b) if an action by law may be brought only in the United States federal courts, the action must be brought in the United States District Court for the Middle District of North Carolina.

13.4. Severability. If any provision of this Contract is determined to be unenforceable, that will not affect any other provision of this Contract.

13.5. Amendments. This Contract may not be modified or amended unless the amendment is in writing and signed by the Town and the Lender and approved by the LGC.

13.6. Binding Effect. Subject to the specific provisions of this Contract, this Contract will be binding upon and inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

13.7. Third-Party Beneficiaries. The Deed of Trust Trustee and the LGC are the only parties intended as third-party beneficiaries of this Contract.

13.8. Time. Time is of the essence of this Contract and each and all of its provisions.

13.9. Limitation on Liability of Officers and Agents. No officer, agent or employee of the Town, of the LGC or the Lender will be subject to any personal liability or accountability because of the execution of this Contract or any other docu-

ments related to the transactions contemplated by this Contract. Such officers, agents or employees will be deemed to execute such documents in their official capacities only, and not in their individual capacities. This Section will not relieve any officer, agent or employee from the performance of any official duty provided by law.

13.10. Counterparts. This Contract may be executed in several counterparts, including separate counterparts. Each will be an original, but all of them together constitute the same instrument.

13.11. Definitions. Unless the context clearly requires otherwise, capitalized terms used in this Contract and not otherwise defined have the meanings set forth in Exhibit A.

13.12. Entire Agreement. This Contract, together with the Deed of Trust, constitutes the Town's entire agreement with the Lender with respect to its general subject matter.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, the Town and the Lender have caused this instrument to be executed as of the day and year first above written by duly authorized officers.

ATTEST: (SEAL)

**TOWN OF HILLSBOROUGH,
NORTH CAROLINA**

Sarah Kimrey
Town Clerk

By: _____
Eric Peterson
Town Manager

JPMORGAN CHASE BANK, N.A.

By: _____
[name/title]

This contract has been approved under the provisions of Article 8, Chapter 159 of the General Statutes of North Carolina.

Jennifer Wimmer
Assistant Secretary, North Carolina
Local Government Commission

By _____
[Jennifer Wimmer
or Designated Assistant]

[Installment Financing Contract dated as of June 24, 2025]

Exhibits –

- A - Definitions
- B - Payment schedule

EXHIBIT A – Definitions

For all purposes of this Contract, unless the context requires otherwise, the following terms have the following meanings:

“Additional Payments” means any amounts payable by the Town as a result of its obligations under this Contract or the Deed of Trust (other than the Town’s obligation to pay Installment Payments). This includes any of the Lender’s expenses (including attorneys’ fees) in prosecuting or defending any action or proceeding in connection with this Contract and any taxes or any other expenses, including, but not limited to, the Lender’s administrative or legal costs, licenses, permits, state and local sales and use or ownership taxes or property taxes that the Lender is required to pay as a result of this Contract (together with interest that may accrue on any of the above if the Town fails to pay the same, as set forth in this Contract).

"Amount Advanced" has the meaning assigned in Article I.

"Closing Date" means the date on which this Contract is first executed and delivered by the parties, which the parties expect to be on or about June ____, 2025.

"Code" means the Internal Revenue Code of 1986, as amended, including regulations, rulings and revenue procedures promulgated thereunder or under the Internal Revenue Code of 1954, as amended, as applicable to the Town's obligations under this Contract. Reference to any specific Code provision will be deemed to include any successor provisions thereto.

“Construction Agreement” means any agreement between the Town and any other person or entity related to any part of the construction of the Pledged Facilities, including contracts for site preparation and related work.

"Contract Payments" means Installment Payments and Additional Payments.

"Deed of Trust" means the Deed of Trust and Security Agreement, dated as of June 24, 2025, from the Town to a deed of trust trustee for the benefit of the Lender and its assigns, as it may be duly amended or supplemented.

"Default Rate" means, at any time, the interest rate then payable on the Obligations plus 3.00% (300 basis points).

"Event of Default" means one or more events of default as defined in Section 9.1.

"Event of Nonappropriation" means a failure or refusal by the Town Board to include funds for Contract Payments in the Town's budget for any Fiscal Year, or any reduction or elimination of an appropriation for Contract Payments, all as further described in Section ____.

"Fiscal Year" means the Town's fiscal year beginning July 1, or such other fiscal year as the Town may later lawfully establish, and also includes the period between the Closing Date and June 30, 2025.

"Installment Payments" means the payments payable by the Town pursuant to Section ____.

"LGC" means the North Carolina Local Government Commission, or any successor to its functions.

"Mortgaged Property" has the meaning assigned in the Deed of Trust, and generally includes the Pledged Site and the Pledged Facilities.

"Net Proceeds" means all payments and proceeds derived from claims made on account of insurance coverages required under this Agreement, any condemnation award arising out of the condemnation of all or any portion of the Mortgaged Property, payments on any bonds required by Section ____, any amounts recovered from any contractor on an action for default or breach, as described in Section ____, proceeds of title insurance related to the Mortgaged Property, or any sale of the Facilities, or any amounts received in lieu or in settlement of any of the foregoing, in any case reduced by the sum of all amounts expended by the Town, the Company or the Trustee (including legal fees and costs) (i) to collect the gross proceeds or (ii) to remedy the event giving rise to the proceeds, all of which amounts will be paid or reimbursed from the gross proceeds.

"Permitted Encumbrances" means, as of any particular time, (a) the encumbrances on the Town's title to the Mortgaged Property that are stated on Exhibit B to

the Deed of Trust, (b) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pursuant to Sections ____ or ____, (c) the Deed of Trust, (d) any lien or encumbrance which is made by its terms expressly subordinate to the lien of the Deed of Trust, and (e) easements and rights-of-way granted by the Town pursuant to Section ____ of the Deed of Trust.

"Pledged Facilities" has the meaning ascribed to that term in the Deed of Trust, and generally includes the Town's 86 North Facility, located at 890 NC Hwy 86 North, Hillsborough.

"Pledged Site" has the meaning ascribed to that term in the Deed of Trust, and generally includes the real property upon which the Pledged Facilities are located.

"Project" has the meaning ascribed to that term in the recitals to this Contract.

"Project Costs" means all capital costs of the Project as determined in accordance with generally accepted accounting principles and that will not adversely affect the exclusion from gross income for federal income tax purposes of the designated interest component of Installment Payments payable under this Contract, including (a) sums required to reimburse the Town or its agents for advances made for any such costs, and (b) all costs related to the financing of the Project through this Contract and all related transactions.

"State" means the State of North Carolina.

"Taxable Rate," at any time, means the interest rate then payable with respect to the Obligations divided by the difference between 1 and "HMR," as defined below (that is, 1-HMR). "HMR" means the highest marginal tax rate that could be applied to a calendar year corporate taxpayer at the time of a given interest payment, adding together both the highest federal and, for any corporate taxpayer (or that taxpayer's amounts) subject to income taxation by the State, the highest State marginal corporate tax rates.

"Town Board" means the Town's Board of Commissioners, or any successor to its functions, as from time to time constituted.

"Town Representative" means the Town Manager, Town finance officer or any other person or persons at the time designated, by a written certificate fur-

nished to the Lender and signed on the Town's behalf by the Town Manager or the Town's Mayor, to act on the Town's behalf for the purpose of performing any act (or any specified act) under this Contract.

All references in this Contract to designated "Sections" and other subdivisions are to the designated sections and other subdivisions of this Contract. The words "hereof" and "hereunder" and other words of similar import refer to this Contract as a whole and not to any particular Section or other subdivision unless the context indicates otherwise. Words importing the singular number will include the plural number and vice versa. The use of the term "including" should be understood to mean "including, but not limited to." For any referenced interest rate for which a convention is not otherwise prescribed, that interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

EXHIBIT B – Schedule of Installment Payments

Principal is payable in the amounts and on the dates as shown below, subject to prepayment as provided in this Contract. Interest is payable on each June 1 and December 1, beginning December 1, 2025. The scheduled final payment date on the financing is June 1, 2040.

Each portion of the Amount Advanced will bear interest from the Closing Date until paid. Interest is calculated at the annual rate of 4.12%, subject to adjustment as provided in this Contract. Interest will be calculated based on a 360-day year consisting of twelve 30-day months. The schedule below shows the expected interest payment amounts.

[To come.]

s☆h draft of May 20

Prepared by and return after recording to:

Robert M. Jessup Jr.
Emily S. Jessup
Sanford Holshouser LLP
209 Lloyd St., Suite 350
Carrboro, NC 27510

PIN: _____

STATE OF NORTH CAROLINA))	The collateral is or includes fixtures.
ORANGE COUNTY)	This Deed of Trust secures future advances.

Brief description: 86 North Facility, 890 NC Hwy 86 North, Hillsborough.

THIS DEED OF TRUST AND SECURITY AGREEMENT (this "Deed of Trust") is dated as of June 24, 2025, and is granted by the **TOWN OF HILLSBOROUGH, NORTH CAROLINA**, a municipal corporation of the State of North Carolina (the "Town"), to _____, as trustee (the "Deed of Trust Trustee"), for the benefit of **JPMORGAN CHASE BANK, N.A.** (the "Lender").

Introduction

The Lender is advancing [\$3,600,000] to the Town under an Installment Financing Contract dated as of June 24, 2025 (the "Financing Contract"), between the Town and the Lender. The Town will use these funds, together with other available funds, to carry out a plan to design, construct and finance renovations and improvements to the Town's 86 North Facility.

The Lender requires the Town to secure its obligations under the Financing Contract by this conveyance of the 86 North Facility. and its related real property, as described in Exhibit A, and the other "Mortgaged Property," as defined below.

The Mortgaged Property includes the property described in Exhibit A. The Town is the record owner of the property described in Exhibit A.

This Deed of Trust is given to secure current advances under the Financing Contract of [\$3,600,000].

NOW, THEREFORE,

(1) in consideration of the execution and delivery of the Financing Contract and other good and valuable consideration, the receipt and sufficiency of which the parties acknowledge,

(2) to secure the Town's performance of all its covenants under this Deed of Trust and under the Financing Contract, including the repayment of amounts advanced under the Financing Contract, and

(3) to charge the Mortgaged Property with this payment and performance, the Town sells, grants and conveys to the Deed of Trust Trustee, [its] successors and assigns forever, in trust, with power of sale, the following (collectively, the "Mortgaged Property"):

(a) the property described in Exhibit A and any real property later acquired by the Town in exchange for, or in consideration of the exchange of, or with the proceeds from any disposition of, all or any part of any property described in this paragraph, and in all cases together with all easements, rights, rights-of-way and appurtenances belonging to any of that property (collectively, the "Pledged Site"); and

(b) all buildings and other improvements and fixtures (including any "Fixtures," as defined in Section 1-4) now or later attached to or used in or on those improvements or the Pledged Site, including (i) all renewals, replacements, and

additions, (ii) all articles in substitution, (iii) all building materials for construction, improvement, modification or repair of improvements upon their delivery to the Pledged Site, and (iv) all proceeds of all the foregoing in whatever form resulting from the loss or disposition of the foregoing, including all proceeds of and unearned premiums for any insurance policies covering the Pledged Site and the improvements, proceeds of title insurance and payments related to the exercise of condemnation or eminent domain authority, and all judgments or settlements in lieu of any of the foregoing (collectively, the "Pledged Facilities");

TO HAVE AND TO HOLD the Mortgaged Property with all privileges and appurtenances belonging thereto, to the Deed of Trust Trustee, [its] successors and assigns forever, upon the trusts, terms and conditions and for the purposes set out below, in fee simple in trust;

SUBJECT, HOWEVER, to the encumbrances described in Exhibit B;

BUT THIS CONVEYANCE IS MADE UPON THIS SPECIAL TRUST: if the Town pays and satisfies its "Obligations," as defined below, in full in accordance with the Financing Contract and this Deed of Trust, and the Town complies with all the terms, covenants and conditions of the Financing Contract and this Deed of Trust, this conveyance will be null and void and the Lender will cancel it of record, and title will revert as provided by law;

BUT IF, HOWEVER, THERE OCCURS AN EVENT OF DEFAULT UNDER THE FINANCING CONTRACT, then the Lender will have the remedies provided for in this Deed of Trust, including directing the Deed of Trust Trustee to sell the Mortgaged Property under power of sale.

THE TOWN COVENANTS AND AGREES with the Deed of Trust Trustee and the Lender (and their respective heirs, successors and assigns), in consideration of the foregoing, as follows:

1. Warranties of Title: Security Provided by this Deed of Trust

1-1 Warranties of Title. The Town covenants with the Deed of Trust Trustee and the Lender that the Town is seized of and has the right to convey the Mortgaged Property in fee simple, that the Mortgaged Property is free and clear of all liens and encumbrances other than Permitted Encumbrances (as defined in the

Financing Contract), that title to the Mortgaged Property is marketable, and that the Town will forever warrant and defend title to the Mortgaged Property (subject to the Permitted Encumbrances) against the claims of all persons.

1-2 Security for Payment and Performance. This Town is delivering this Deed of Trust to secure all the Town's obligations to the Lender related to the Mortgaged Property (the "Obligations"), including (a) the payment when due of all amounts payable under the Financing Contract and this Deed of Trust (the "Payment Obligations"), and (b) the Town's timely compliance with all terms, covenants and conditions of the Financing Contract and this Deed of Trust.

1-3 Amount Advanced. The principal amount of the Payment Obligations secured by this Deed of Trust at the time of its execution and delivery is [\$3,600,000].

1-4 Security Interest in Fixtures. This Deed of Trust is intended to be a security agreement pursuant to the Uniform Commercial Code as in effect in North Carolina for the "Fixtures," as defined below. The Town grants to the Lender and the Deed of Trust Trustee a security interest in the Fixtures to secure the Obligations.

Upon the occurrence of an Event of Default under this Deed of Trust or the Financing Contract, the Lender or the Deed of Trust Trustee is entitled to exercise all rights and remedies of a secured party under the Uniform Commercial Code as in effect in North Carolina and may proceed as to the Fixtures in the same manner as provided in this Deed of Trust for the real property.

The "Fixtures" are all items of personal property attached or affixed to the Pledged Facilities in such a manner that removing the items would cause damage to the Pledged Facilities. The Fixtures may include plumbing, heating, lighting, electrical, laundry, ventilating, refrigerating, incinerating, air-conditioning, fire and theft protection and sprinkler equipment, including all renewals and replacements and all additions, and all articles in substitution of any such property, and all proceeds of all the foregoing in whatever form.

The Town is not obliged to renew, repair or replace any undesirable or unnecessary Fixture. If the Town determines that any Fixture has become undesirable or unnecessary, the Town may remove that Fixture from the Pledged Facilities and sell, trade-in, exchange or otherwise dispose of it (as a whole or in part), with an amount equivalent to the fair market value of the Fixture as removed

becoming Net Proceeds and subject to the provisions of Section ____ of the Financing Contract.

With respect to those items of the Mortgaged Property that are or are to become Fixtures, this Deed of Trust constitutes a financing statement filed as a fixture filing. The Town agrees that the security interest in the Fixtures granted in this Section 1-4 is in addition to, and not in lieu of, any security interest in the Fixtures acquired by real property law. The fixtures are located on the land described on Exhibit A, and the Town is the record owner of that land. The name and address of the Town, as debtor, and the Lender, as secured party, are set forth in Section 5-1. The Town agrees to execute, deliver and file, or cause to be filed, in such place or places as may be requested by the Lender or the Deed of Trust Trustee, financing statements (including any continuation statements) in whatever form either party may reasonably request to evidence the security interest provided for in this Section.

1-5 Town's Obligation Limited. Notwithstanding any other provision of this Deed of Trust, the parties intend that this transaction will comply with North Carolina General Statutes Section 160A-20. No deficiency judgment may be entered against the Town in violation of Section 160A-20.

No provision of this Deed of Trust is to be construed or interpreted as creating a pledge of the Town's faith and credit within the meaning of any constitutional debt limitation. No provision of this Deed of Trust should be construed or interpreted as an illegal delegation of governmental powers, nor as an improper donation or lending of the Town's credit within the meaning of the North Carolina constitution. The Town's taxing power is not and may not be pledged, directly or indirectly contingently, to secure any moneys due under this Deed of Trust.

No provision of this Deed of Trust restricts the Town's future issuance of any of its bonds or other obligations payable from any class or source of the Town's moneys (except to the extent the Financing Contract and this Deed of Trust restrict the incurrence of additional obligations secured by the Mortgaged Property).

Nothing in this Section is intended to impair or prohibit foreclosure on this Deed of Trust if the Payment Obligations are not paid when due or otherwise upon the occurrence of an Event of Default under this Deed of Trust or the Financing Contract.

To the extent of any conflict between this Section and any other provision of this Deed of Trust, this Section takes priority.

1-6 Construction Mortgage. The security interest evidenced by this Deed of Trust is a "construction mortgage" with respect to the Pledged Facilities within the meaning of Section 25-9-334 of the North Carolina General Statutes.

2. No Transfers; Provision for Releases; Grants of Easements and Similar Interests

2-1 No Transfers; Due on Sale Clause. The Town shall not sell, transfer or encumber any interest in any Mortgaged Property, except as otherwise permitted by the Financing Contract or this Deed of Trust. This prohibition applies whether the sale, transfer, or encumbrance is of a legal or an equitable interest, is voluntary, involuntary, by operation of law, or otherwise, and includes any encumbrance that is not a Permitted Encumbrance. The Lender and the Deed of Trust Trustee may take any action either deems appropriate to prevent or rescind any unauthorized sale, transfer or encumbrance. The Lender may, at its option, require the immediate payment in full of the Payment Obligations upon the sale, transfer, conveyance or encumbrance of all or any part of the Mortgaged Property, or any legal or beneficial interest in the Mortgaged Property, without the Lender's prior written consent

2-2 Provision for Releases. (a) The Lender is required, upon the Town's direction and at any time, to execute and deliver all documents necessary to effect the release of all or any portion of the Mortgaged Property from the lien of this Deed of Trust upon the Town's compliance with the requirements of this Section. No consent or acknowledgment by the Deed of Trust Trustee is required for any release under this Section. The Lender is not, however, required to release any property under this Section during the continuation of an Event of Default.

(b) To obtain a release, the Town must file with the Lender the following items:

- (i) a Town Certificate stating that (A) no Event of Default is continuing, (B) the release will not materially impair the intended use of the property remaining subject to this Deed of Trust, and (C) the release complies with the requirements of this Section;

- (ii) a copy of the proposed instrument of release;
- (iii) a direction to the Lender to execute and deliver the instrument; and
- (iv) evidence of compliance with (c) or (d) below.

(c) In the case of a proposed release of all the Mortgaged Property, the Town must proceed as provided in Section ____ of the Financing Contract.

(d) In the case of a proposed release of a portion (but less than all) of the Mortgaged Property, the Town must provide evidence to the Lender that the appraised, taxable or insured value (and the Town may provide different evidence for different portions) of that portion of the Mortgaged Property that is proposed to remain subject to the lien of this Deed of Trust will not be less than 50% of the aggregate principal component of the Payment Obligations outstanding at the time the release is effected.

2-3 Grants of Easements and Similar Interests. The Town may make the following grants and dispositions, so long as the grant or disposition will not materially impair the Town's intended use of the Pledged Facilities, and without regard to Section 2-1 or 2-2.

(a) The Town may from time-to-time grant easements, licenses, rights-of-way and other similar rights with respect to any part of the Mortgaged Property, and the Town may release similar interests, with or without consideration.

(b) The Town may dispose of any undesirable or unnecessary Fixture as provided in Section 1-4.

(c) The Town may dispose of any portion of the Mortgaged Property that constitutes property used or useful for public utility purposes, with or without consideration and in the Town's discretion, but only to a public operator of utility systems that will use the transferred property in providing service to any Town property. For a disposition under this subsection, the Town must first notify the Lender of the planned transfer and certify to the Lender that the transfer will not materially impair the Town's intended use of the Pledged Facilities.

2-4 Full Release upon Defeasance. The Lender will release the lien of this Deed of Trust completely upon the Town's compliance with the requirements of this Section. No consent or acknowledgment by the Deed of Trust Trustee is required for any release under this Section.

(a) To obtain a release, the Town must pay to some fiduciary reasonably acceptable to Lender, an amount (i) that is sufficient to provide for the full and timely payment of the outstanding Amount Advanced (but only to the extent and at the times permitted by the Financing Contract) and (ii) that is required to be used for that payment. This payment may rely for its sufficiency on earnings from United States government securities provided to the fiduciary at the time of the deposit. The sufficiency of the deposit must be evidenced or verified by a certificate or other writing, in form and substance reasonably satisfactory to the Lender, of a person or entity experienced in making these calculations as the Town may select.

(b) The Town must also provide the Lender with an opinion of counsel reasonably satisfactory to the Lender to the effect that the payment or deposit of cash or securities will not cause the Town's obligations to pay principal or interest to become "arbitrage bonds" within the meaning of the Code and that the release will not adversely affect the exclusion from gross income for federal income tax purposes of the interest component of Installment Payments.

3. Town's Payment Obligation; Lender's Advances

3-1 Satisfaction of Obligations; Compliance with Covenants. The Town will pay the Payment Obligations as and when the same become due and payable in the manner set forth in this Deed of Trust and in the Financing Contract, and will comply in all respects with all the terms of this Deed of Trust and the Financing Contract so as to satisfy all of its other Obligations.

3-2 Payment of Fees and Costs. (a) If the Deed of Trust Trustee or the Lender employs an attorney to assist in the enforcement or collection of any Obligations, or if the Deed of Trust Trustee or the Lender voluntarily or otherwise becomes a party to any suit or legal proceeding (including a proceeding conducted under any state or federal bankruptcy or insolvency statute) to protect the Mortgaged Property, to protect the lien of this Deed of Trust, or to enforce or collect any Obligations, then the Town will pay all reasonable legal fees and costs incurred by the Lender or the Deed of Trust Trustee, as the case may be (whether or not any

suit or proceeding is commenced). All those fees and costs (together with interest at the annual rate of 4.00%) are secured as Obligations under this Deed of Trust.

(b) If any suit or proceeding described in subsection (a) is adverse to the Town, however, then the Town has this liability only if the Deed of Trust Trustee or the Lender, as the case may be, is a prevailing party in the suit or proceeding.

3-3 Advances for Performance of Town's Obligations. If the Town fails to perform any of its obligations under the Financing Contract or this Deed of Trust, then the Deed of Trust Trustee and the Lender are authorized, but not obligated, to perform the obligation or cause it to be performed. The Town must repay any amounts paid for any such purpose. All those fees and costs, together with interest at the annual rate of 4.00%, are secured as Obligations under this Deed of Trust.

4. The Deed of Trust Trustee

4-1 No Liability for Deed of Trust Trustee. The Deed of Trust Trustee will suffer no liability by virtue of [its] acceptance of this trust except as may be incurred because of any failure on [its] part to account for the proceeds of any sale under this Deed of Trust.

4-2 Substitute Trustees. If any Deed of Trust Trustee dies, becomes incapable of acting or renounces the trust, or if for any reason the Lender desires to replace any Deed of Trust Trustee, then the Lender has the unqualified right to appoint one or more substitute or successor Deed of Trust Trustees by instruments filed for registration in the office of the Register of Deeds where this Deed of Trust is recorded. The Lender may make any removal or appointment at any time without notice, without specifying any reason, and without any court approval. Any appointee becomes vested with title to the Mortgaged Property and with all rights, powers, and duties conferred upon the Deed of Trust Trustee by this Deed of Trust in the same manner and to the same effect as if that Deed of Trust Trustee were named as the original Deed of Trust Trustee.

5. Defaults and Remedies; Foreclosure

5-1 Defaults and Remedies. During the continuation of an Event of Default under the Financing Contract or the Deed of Trust, the Lender may pursue

its rights and remedies as provided under the Financing Contract and this Deed of Trust.

5-2 Foreclosure; Sale under Power of Sale.

(a) *Right to foreclosure or sale.* During the continuation of an Event of Default, at the Lender's request, the Deed of Trust Trustee must foreclose this Deed of Trust by judicial proceedings or, at the Lender's option, the Deed of Trust Trustee must sell (and is empowered to sell) all or any part of the Mortgaged Property at public sale to the last and highest bidder for cash (free of any equity of redemption, homestead, dower, curtesy or other exemption, all of which the Town expressly waives to the extent permitted by law) after compliance with applicable State laws relating to foreclosure sales under power of sale. The Deed of Trust Trustee will execute and deliver a proper deed or deeds to the successful purchaser at the sale. If only a part of the Mortgaged Property is sold, the partial sale in no way adversely affects the lien created by this Deed of Trust against the remainder.

(b) *Lender's Bid.* The Lender may bid and become the purchaser at any sale under this Deed of Trust. Instead of paying cash, the Lender may make settlement for the purchase price by crediting against the Payment Obligations the bid price net of sale expenses, including the Deed of Trust Trustee's commission, and after payment of any taxes and assessments as may be a lien on the Mortgaged Property superior to the lien of this Deed of Trust (unless the Mortgaged Property is sold subject to those liens and assessments, as provided by law).

(c) *Town's Bid.* The Town may bid for all or any part or parts of the Mortgaged Property at any foreclosure sale. The Town, however, may not bid less than an amount sufficient to provide for full payment of the Payment Obligations, unless the Lender consents in writing.

(d) *Successful bidder's deposit.* At any sale, the Deed of Trust Trustee may, at [its] option, require any successful bidder (other than the Lender) immediately to make a deposit with the Deed of Trust Trustee against the successful bid in the form of cash or a certified check in an amount of up to 5% of the sale price. The advertised notice of sale need not include notice of this requirement.

(e) *Application of sale proceeds.* The Deed of Trust Trustee must apply the proceeds of any foreclosure sale in the manner and in the order prescribed by State

law. The parties agree (i) that the sale expenses will include a commission to the Deed of Trust Trustee equal to one-half of one percent of the gross sales price (but not exceeding a total of \$25,000) for all services performed by the Deed of Trust Trustee under this Deed of Trust, and (ii) that any sale proceeds remaining after the payment of all obligations and the prior application of the proceeds in accordance with State law will be paid to the Town.

5-3 Possession of Mortgaged Property during Default. During the continuation of an Event of Default, upon the Lender's demand the Town must deliver possession of the Mortgaged Property to the Lender. In addition, the Town must surrender possession of the Mortgaged Property to the purchaser of the Mortgaged Property at any judicial or foreclosure sale under this Deed of Trust.

During the continuation of an Event of Default, the Lender, to the extent permitted by law, is also authorized to (a) take possession of the Mortgaged Property, with or without legal action, (b) lease the Mortgaged Property, (c) collect all rents and profits from the Mortgaged Property, with or without taking possession of the Mortgaged Property, and (d) after deducting all costs of collection and administration expenses, apply the net rents and profits to the payment of necessary maintenance and insurance costs, and then apply all remaining amounts to the Town's account and in reduction of the Payment Obligations. The Lender will be liable to account only for rents and profits it actually receives.

5-4 No Remedy Exclusive; Delay not Waiver. All remedies under this Deed of Trust are cumulative and may be exercised concurrently or separately. The exercise of any one remedy is not an election of that remedy as an exclusive remedy, nor does the exercise of one remedy preclude the exercise of any other remedy. If any Event of Default occurs and is later waived by the other party or parties, that waiver is limited to the particular default waived and does not constitute a waiver of any other default. The Deed of Trust Trustee and the Lender may exercise every power or remedy given by this Deed of Trust from time to time as often as either of them may deem expedient.

6. Additional Provisions

6-1 Notices.

(a) Any communication provided for in this Deed of Trust must be in English and must be in writing. "Writing" for this purpose includes electronic mail but does not include facsimile transmission.

(b) For the purposes of this Deed of Trust, any communication sent by electronic mail will be deemed to have been given on the date the communication is similarly acknowledged by a Town Representative (in the case of the Town) or other authorized representative (in the case of any other party). No communication will be deemed given or effective without that acknowledgment.

(c) Any other communication under this Deed of Trust will be deemed given on the delivery date shown on a United States Postal Service certified mail receipt, or a delivery receipt (or similar evidence) from a national commercial package delivery service, if addressed as follows:

(i) if to the Town, to Town Manager, Town of Hillsborough, Attention: Notice under 2025 86 North Financing Contract, Town Hall, 101 East Orange Street, Hillsborough, NC 27278

(ii) if to the Deed of Trust Trustee, to _____

(iii) if to the Lender, to _____

(c) Any addressee may designate additional or different addresses for communications by notice given under this Section to each of the others. The Town must send copies of any notices it sends to the Deed of Trust Trustee also to the Lender.

6-2 Successors. This Deed of Trust is binding upon, will inure to the benefit of, and is enforceable by the Town, the Deed of Trust Trustee and the Lender, and their respective successors and assigns.

6-3 No Marshalling. The Town waives all rights to require marshalling of assets in connection with the exercise of any remedies provided in this Deed of Trust or as permitted by law.

6-4 Definitions; Interpretation. All capitalized terms used in this Deed of Trust and not otherwise defined have the meanings ascribed to them in the

Financing Contract. The rules for interpretation set out in Exhibit A to the Financing Contract also apply to this Deed of Trust.

6-5 Governing Law; Forum. The Town, the Lender and the Deed of Trust Trustee intend that North Carolina law will govern this Deed of Trust and all matters of its interpretation. To the extent permitted by law, the Town, the Lender and the Deed of Trust Trustee agree that any action brought with respect to this Deed of Trust must be brought (a) in the North Carolina General Court of Justice in Orange County, North Carolina, or (b) if an action by law may be brought only in the United States federal courts, the action must be brought in the United States District Court for the Middle District of North Carolina.

6-6 Limitation of Liability of Officers and Agents. No officer, agent or employee of the Town, the Lender or the Deed of Trust Trustee will be subject to any personal liability or accountability by reason of the execution of this Deed of Trust or any other documents related to the transactions contemplated by this Deed of Trust. Those officers or agents are deemed to execute documents in their official capacities only, and not in their individual capacities. This Section does not relieve any officer, agent or employee from the performance of any official duty provided by law.

6-7 Covenants Run with the Land. All covenants contained in this Deed of Trust run with the real estate encumbered by this Deed of Trust.

6-8 Further Instruments. Upon the request of the Lender or the Deed of Trust Trustee, the Town will execute, acknowledge and deliver any further instruments reasonably necessary or desired by the Lender or the Deed of Trust Trustee to carry out more effectively the purposes of this Deed of Trust or any other document related to the transactions contemplated by this Deed of Trust, and to subject to the liens and security interests of this Deed of Trust all or any part of the Mortgaged Property intended to be given or conveyed, whether now given or conveyed or acquired and conveyed subsequent to the date of this Deed of Trust.

6-9 Severability. If any provision of this Deed of Trust is determined to be unenforceable, that will not affect any other provision of this Deed of Trust.

6-10 Non-Business Days. If the date for making any payment, or the last day for performance of any act or the exercising of any right, is not a Business Day,

that payment may be made, or act performed or right exercised, on or before the next succeeding Business Day.

6-11 Entire Agreement; Amendments. This Deed of Trust, together with the Financing Contract, constitutes the Town's entire agreement with the Lender and the Deed of Trust Trustee with respect to its general subject matter. This Deed of Trust may not be changed without the written consent of the Town and the Lender, but the consent of the Deed of Trust Trustee is not required.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, the Town has caused this instrument to be signed, sealed and delivered by duly authorized officers, all as of June ____, 2025.

ATTEST: (SEAL)

**TOWN OF HILLSBOROUGH,
NORTH CAROLINA**

Sarah Kimrey
Town Clerk

By: _____
Eric Peterson
Town Manager

* * * * *

**STATE OF NORTH CAROLINA;
ORANGE COUNTY**

I, a Notary Public of such Town and State, certify that Eric Peterson and Sarah Kimrey personally came before me this day and acknowledged that they are the Town Manager and the Town Clerk, respectively, of the Town of Hillsborough, North Carolina, and that by authority duly given and as the act of such Town, the foregoing instrument was signed in the Town's name by such Town Manager, sealed with its corporate seal and attested by such Clerk.

WITNESS my hand and official stamp or seal, this ____ day of June, 2025.

[SEAL]

Notary Public

My commission expires: _____

[Deed of Trust and Security Agreement
for the benefit of JPMorgan Chase Bank, N.A.,
dated as of June ____, 2025]

EXHIBIT A - Pledged Site Description

EXHIBIT B -- Existing Encumbrances



FINAL RESOLUTION

Approving Financing of the 86 North Facility Renovation

WHEREAS, the town has previously resolved to implement a plan to renovate and improve the 86 North Facility; and

WHEREAS, the town has decided to fund the project costs through an installment financing method, as authorized under Section 160A-20 of the General Statutes; and

WHEREAS, in this form of financing, the town's repayment obligation is secured by a mortgage-like interest in all or part of the property being financed, without any pledge of the town's taxing power or any specific revenue stream; the facility will serve as the collateral; and

WHEREAS, the town's finance officer has provided this board with the draft agreements outlined in Exhibit A of the agreement, which pertain to executing the financing plan; and

WHEREAS, the town has requested competitive proposals from banks and other financial institutions to secure the desired financing and staff recommends that the town accept the proposal submitted by JPMorgan Chase Bank, N.A.; and

WHEREAS, in this resolution, the board formally approves the lender's proposal and other financing terms, endorses substantially final documents, and authorizes town representatives to finalize the financing arrangements;

NOW, THEREFORE, be it resolved by the Hillsborough Board of Commissioners as follows:

1. **Determination To Proceed with Financing** – The town confirms its plans to undertake the project. The town will carry out the project with financing from the lender substantially in accordance with a financing proposal dated May 12, 2025.

Under the financing plan, the lender will make funds available to the town for use on project costs. The town will repay the amount advanced, with interest, over time. The town will grant to the lender a mortgage-type interest in the facility (and its associated real property) to secure the town's repayment obligation.

2. **Approval of Agreements** – Direction to Execute Agreements:
 - a) The board approves the forms of the agreements submitted to this meeting. The board authorizes the mayor and the town manager, or either of them, to execute and deliver the agreements in their final forms. The agreements in their respective final forms must be in substantially the forms presented, with such changes as the mayor or the town manager may approve. The execution and delivery of any agreement by an authorized town officer will be conclusive evidence of that officer's approval of any changes.
 - b) The agreements in final form, however, must be consistent with the financing plan described in this resolution and must provide:
 - For the amount financed by the town not to exceed \$3,600,000.

- For an annual interest rate not to exceed 4.12% (in the absence of default, or a change in tax status, as described in the draft agreements).
- For a financing term not to extend beyond August 1, 2040.

3. **Officers To Complete Closing** – The board authorizes the town manager, the finance officer and all other town officers and employees to take all proper steps to complete the financing in cooperation with the lender and in accordance with this resolution.

The board authorizes the town manager to hold executed copies of all financing documents authorized or permitted by this resolution in escrow on the town's behalf until the conditions for their delivery have been completed to that officer's satisfaction, and then to release the executed copies of the documents for delivery to the appropriate persons or organizations.

Without limiting the generality of the foregoing, the board authorizes the town manager to approve changes to any documents previously signed by town officers or employees, provided that the changes do not conflict with this resolution or substantially alter the intent from that expressed in the form originally signed. The town manager's authorization of the release of any document for delivery will constitute conclusive evidence of that officer's approval of any changes.

In addition, the board authorizes the town manager and the finance officer to take all appropriate steps for the efficient and convenient carrying out of the town's on-going responsibilities with respect to this financing. This authorization includes, without limitation, contracting with third parties for reports and calculations that may be required under this resolution or otherwise with respect to the financing, and making appropriate payments prior to the loan closing for costs related to the financing.

4. **Resolutions as to Tax Matters** – The town will not take or omit to take any action the taking or omission of which will cause its obligations to pay principal and interest under the agreements to be "arbitrage bonds," within the meaning of Section 148 of the "Code" (as defined below), or "private activity bonds" within the meaning of Code Section 141, or otherwise cause interest components of the installment payments to be includable in gross income for federal income tax purposes. Without limiting the generality of the foregoing, the town will comply with any code provision that may require the town at any time to pay to the United States any part of the earnings derived from the investment of the financing proceeds. In this resolution, "Code" means the United States Internal Revenue Code of 1986, as amended, and includes applicable Treasury regulations.
5. **Obligations are "Bank-Qualified"** – The town designates its payment obligations as "qualified tax-exempt obligations" for the purpose of Code Section 265(b)(3), which provides certain tax advantages for financial institutions providing financing to the town.
6. **Additional Provisions** – The board authorizes all town officers and employees to take all further action as they may consider necessary or desirable in furtherance of the purposes of this resolution. The board ratifies all prior actions of town officers and employees to this end. Upon the absence, unavailability or refusal to act of the town manager, the mayor or the finance officer, any other of those officers may assume any responsibility or carry out any function assigned in this resolution. The board authorizes the town clerk to apply the town's seal, and to attest to the seal, on any document related to the purposes of this resolution. The mayor pro tem or any deputy or assistant town clerk may in any event assume any responsibility or carry out any function assigned to the mayor or the town clerk, respectively, in this resolution. All other board proceedings, or parts thereof, in conflict with this resolution are repealed, to the extent of the conflict. This resolution takes effect immediately.

Exhibit A -- draft Agreements

- a) A draft dated May 20, 2025, of an Installment Financing Contract to be dated on or about June 24, 2025, between the town and the lender. The financing contract provides for the advance of funds to the town for the town's use on the project, sets out the town's repayment obligation, and sets out the town's obligations regarding care for the collateral and other matters.
- b) A draft dated May 20, 2025, of a Deed of Trust and Security Agreement to be dated on or about June 24, 2025, from the town to a deed of trust trustee for the lender's benefit. The Deed of Trust provides for a security interest in the 86 North Facility and its associated real property to the lender to secure the town's repayment obligation.

Approved this 27th day of May of the year 2025.

Mark Bell, Mayor
Town of Hillsborough

Attestation:

Sarah Kimrey, Town Clerk



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: May 27, 2025
Department: Administration
Agenda Section: Regular
Public hearing: Yes
Date of public hearing: May 19, 2025

PRESENTER/INFORMATION CONTACT

Budget Director Emily Bradford

ITEM TO BE CONSIDERED

Subject: Fiscal Year 2026 Budget Workshop #2

Attachments:

1. Proposed Fee Schedule Adjustments
2. Community Re-Investment Program Funding Options
3. Affordable Housing Funding Options

Summary:

This is a continuation of discussions started at the May 19, 2025 budget workshop.

Fees & Charges Schedule

Review proposed fee adjustments and let staff know if you have any questions, comments, requested modifications, etc.

- Planning: continue discussion of fee adjustments proposed by staff and Commissioner Ferguson from Budget Workshop #1.
- Engineering Services: review fee adjustments proposed by staff for consideration not included in the FY26 Budget & Financial Plan Workbook.

Community Re-Investment

Continue discussion regarding applications for Community Re-Investment funding. To inform the discussion, the original funding requests, as well as the funding options discussed during Budget Workshop # 1, are attached.

Affordable Housing

Continue discussion regarding the town's affordable housing funding strategy. To inform the discussion, the original funding proposal, modified per discussion at the Budget Workshop #1, as well as alternative options proposed by Commissioners Darab and Hughes are attached.

Budget Timeline

May 19 – Public Hearing and Budget Workshop
May 27 – Budget Workshop #2
June 9 – Consider Budget Adoption

Financial impacts:

The FY26 Budget & Financial Plan Workbook includes the projected revenues and expenditures, funded and unfunded requests, and any changes to rates for each of the three major funds: General, Water & Sewer, and Stormwater.

Staff recommendation and comments:

Ask staff budget related questions.

Action requested:

Ask staff budget-related questions and provide direction on any desired changes.



TOWN OF HILLSBOROUGH

Proposed Fee Schedule Adjustments

Budget Workshop #2

May 27, 2025

Planning Fees

The following information is intended to inform the Board of Commissioners' discussion at Budget Workshop #2 regarding proposed adjustments to certain planning-related fees in the FY26 Fees & Charges schedule. The included chart only includes the fee categories for which a monetary adjustment was recommended and does not include those for which only the description or application was proposed for modification. During Budget Workshop #1, some specific modifications were suggested by Commissioner Ferguson, and the chart below reflects either the dollar amount suggested or reflective of a suggested increase.

Staff Feedback

In addition to the comments shared by Planning and Economic Development Manager Shannan Campbell during Budget Workshop #1, there are additional staff comments related to the proposed changes.

- There was a suggestion to increase the proposed After the Fact Zoning Compliance Permit from \$200 to \$500, and the After the Fact Certificate of Appropriateness from \$300 to \$1,000. Staff is supportive of some moderate adjustments to these fees but would also propose alternatively more public education on zoning requirements and Historic District standards before instituting much larger fees. There are a lot of new residents in town who may not be familiar with those standards and while there are certainly some cases where people are deliberately avoiding compliance, many cases involve residents that genuinely do not know about the requirements and staff does not recommend that their first interaction with the town be a very large fine.
- There was a suggestion to increase the Sidewalk Fee-in-Lieu amount from the current 125% of a sealed engineer's estimate. Staff has concerns that pushing that amount too high would run afoul of the legal requirements that fees have a "rational nexus" to the regulated activity and be "roughly proportional" to the cost required for compliance, and as such would recommend keeping this fee at 125%.

Comparison Chart

The chart that follows includes the current, proposed, and modified proposed amounts for certain planning-related fees. Staff will go through the chart during Budget Workshop #2 to confirm board consensus on the fees in preparation for finalizing the budget document for the proposed June 9th adoption. Please feel free to reach out to staff for any additional information or to suggest additional modifications. A live version of this chart will be available at the workshop to be edited in real time to reflect the final consensus version.

Fee Category	Fee Type	FY25 Adopted	FY26 Proposed	Ferguson Proposal	Board Approved
Zoning	Change of Use	\$0	\$20		
Zoning	Major Site Change	\$0	\$75		
Zoning	After the Fact Zoning Compliance Permit	\$0	\$200	\$500	
Zoning	Zoning Compliance/Verification Letter	\$40	\$50		
Zoning	Final Site Re-Inspection	\$0	\$50		
Zoning	New Detached Residential	Based on Value	\$350		
Zoning	New Attached Residential (per bldg)	Based on Value	\$400		
Zoning	New Commercial	Based on Value	\$500		
Zoning	Free-standing sign	\$75	\$150		
Zoning	Sandwich Board	\$10	\$15	\$50	
Zoning	Wall Mounted	\$40	\$75		
Zoning	Special Event Permit - Private Property	\$25	\$30		
Zoning	Special Event Permit - Public Property	\$40	\$50		
Zoning	Special Event Permit - Street or Greenway	\$65	\$75		
Construction & Site Plan	Site Plan Review (First 3)	\$600	\$800		
Construction & Site Plan	Additional Site Plan Review	\$200	\$300		
Construction & Site Plan	Construction Drawing Plan Review	\$600/\$1000 based on value	\$1,000		
Subdivisions and Plats	Additional Plat Review (starting with 4th)	\$150	\$200		
Subdivisions and Plats	Exempt Subdivision Review	\$0	\$50		
Subdivisions and Plats	Easement and ROW Plats	\$0	\$100		
Subdivisions and Plats	Final Plat Review	\$0	\$100		
Subdivisions and Plats	Minor Subdivision	\$300	\$300 + \$100/lot		
Subdivisions and Plats	Major Subdivision	\$600	\$600 + \$100/lot		
Map, Plan, UDO Amendments	FLUP or CSA Amendment	\$300	\$500	\$750	
Map, Plan, UDO Amendments	Master Plan or PD Amendment	\$500	\$600	\$800	
Map, Plan, UDO Amendments	UDO Text Amendment	\$400	\$1,000		
Map, Plan, UDO Amendments	Zoning Map Amendment - General Use or Overlay District	Based on Size	\$1,000 + \$50/acre		
Map, Plan, UDO Amendments	Zoning Map Amendment - PD	Based on Size	\$2,500 + \$50/acre		
Board of Adjustment	Appeals	\$300	\$400		
Board of Adjustment	Special Use Permit	Greater of \$1,000 or \$200/acre	\$1,500 + \$200/acre		
Board of Adjustment	SUP Modification	\$300/\$500	\$1,000		
Board of Adjustment	Variance	\$300	\$400	\$600	
Historic District	Minor Work (Staff Approval)	Greater of \$25 or \$1/\$1,000 construction costs	\$1/\$1,000 construction costs, minimum \$25		
Historic District	Major Work (HDC Approval)	Greater of \$150 or \$1/\$1,000 construction costs	\$1/\$1,000 construction costs, minimum \$150		
Historic District	Demolition Request Review	\$0	\$50		
Historic District	After the Fact COA	\$300	\$300	\$1,000	
Other Requests & Fees	Annexation	\$0	\$75		
Other Requests & Fees	Development Agreement Review	\$0	\$400		
Other Requests & Fees	Sidewalk Fee-in-Lieu	125% of sealed engineer's estimate	125% of sealed engineer's estimate	Increase	
Other Requests & Fees	Street or ROW Closing	\$150	\$350		
Other Requests & Fees	Street Renaming	\$200	\$350		

Engineering Services Fees

The following proposed fee adjustments were not included in the FY26 Budget & Financial Plan Workbook. They are being added for consideration during FY26 budget adoption. Please let staff know if you have any questions, comments or proposed modifications.

Engineering Services

Description	Rate	Basis
Water / Sewer Availability Review		
< 2 hours of effort	No charge and then rounded to next dollar hourly rate of involved staff	
Outside Engineering or Legal Costs (includes legal assistance in drafting easements, water and sewer extension contracts and other legal matters)	Actual Cost to Town	
Entitlement Change Utilities Review Fee	\$ 500.00	per project for pre-site plan submittal evaluations for capacity and identification of necessary improvements per annexation application and/or rezoning application. Fee is charged per application, annexation interest letters are excluded.
Engineering Construction Drawing Review		
Site Plan Review Fee	\$ 150.00	per review
Non-Residential Construction Drawings without Extensions ¹	\$ 1,200.00	per review
Multi-Family Construction Drawing Review Fee¹		
Water Main Extension Review ¹	\$ 3.50	
Water, Sewer and Stormwater Construction Drawing Review Fee (≤ 20 lots) ¹	\$ 1,500.00	per linear foot per review
Sewer Main Extension Review ¹	\$ 3.50	
Water, Sewer and Stormwater Construction Drawing Review (> 20 lots) ¹	\$ 3,000.00	per linear foot per review
Pumping Stations (engineering review, inspection, start-up and acceptance)	\$ 8,000.00	for up to two reviews and comments
Preliminary and Final Plat Reviews (Each)	\$ 60.00	per review

¹ This includes up to two reviews of plans, specifications, and permit and encroachment applications plus ability to serve documents. Plan changes and significant spec edits or additions after two full reviews will be \$300 each. A change in project scope or design after plan approval will restart the process. Review fees will be charged upon intake of plans. This fee applies to any set of construction drawings where any street, water line, sewer line or stormwater conveyance is proposed for construction and donation to the town, as well as any project where a new water meter and sewer tap are proposed. The fee must be included with each review submittal and will be assessed per set of drawings received. Reviews will begin once the fee is paid. Construction drawings are not required for individual lots with single family homes, duplexes, triplexes, or ADUs unless a public street, subdivision of the lot, or permitted water/sewer extension is proposed. All assets to be donated to the town must go through As-Built review and will be billed per submittal at the above rate.



TOWN OF HILLSBOROUGH

Community Re-Investment Funding Options

Budget Workshop #2

May 27, 2025

The following information is intended to inform the Board of Commissioners' discussion at Budget Workshop #2 regarding the town's Community Re-Investment Program. The charts below include the original funding requests, as well as funding options discussed during the workshop.

The FY26 Financial Plan includes \$48,599 for the Community Re-Investment program.

Funding considerations:

- Each organization noted in their application the minimum funding amount needed to make their request viable (i.e. administrative requirements including contracting with the town and performance reporting, implementation of funded programs, etc.)
- Discussions from Budget Workshop #1 included the possibility of not allocating all the budgeted funds. If there are remaining unallocated funds, staff recommendations include the following:
 - Return unallocated funds to fund balance to reduce the FY26 deficit
 - Bank/reserve the funds for allocation during future funding cycles

Original Funding Requests

Organization	FY25 Allocation	FY26 Request	+/-
Disabilities Awareness Council	\$0	\$15,000	\$15,000
Exchange Club Park	\$7,599	\$11,562	\$3,963
Fairview Community Watch*	\$10,000	\$10,000	\$0
Hillsborough Arts Council	\$21,000	\$15,800	(\$5,200)
Orange Congregations in Mission	\$10,000	\$10,000	\$0
TABLE	\$0	\$15,000	\$15,000
Total	\$48,599	\$77,362	\$28,763

*Excludes one-time funding for building improvements of \$45,000 in FY25.

Funding Option – 1

Organization	Minimum Funding Level	Requested Funding Request	FY26 Allocation
Disabilities Awareness Council	\$0	\$15,000	\$0
Exchange Club Park	\$7,599	\$11,562	\$10,189
Fairview Community Watch	\$10,000	\$10,000	\$10,000
Hillsborough Arts Council	\$21,000	\$15,800	\$15,800
Orange Congregations in Mission	\$10,000	\$10,000	\$10,000
TABLE	\$0	\$15,000	\$0
Total	\$48,599	\$77,362	\$45,989
Remaining Funding			\$2,610

Option 1 Notes:

- Exchange Club Park – fully funded minus request for liability insurance (\$1,373)
- Not funded:
 - Disabilities Awareness Council
 - TABLE

Funding Option – 2

Organization	Minimum Funding Level	Requested Funding Request	FY26 Allocation
Disabilities Awareness Council	\$0	\$15,000	\$0
Exchange Club Park	\$7,599	\$11,562	\$7,599
Fairview Community Watch	\$10,000	\$10,000	\$10,000
Hillsborough Arts Council	\$21,000	\$15,800	\$15,800
Orange Congregations in Mission	\$10,000	\$10,000	\$10,000
TABLE	\$0	\$15,000	\$0
Total	\$48,599	\$77,362	\$43,399
Remaining Funding			\$5,200

Option 2 Notes

- Exchange Club Park – fund at FY25 funding level of \$7,599
- Not funded:
 - Disabilities Awareness Council
 - TABLE



Affordable Housing Funding Options

Budget Workshop #2

May 27, 2025

The following information is intended to inform the Board of Commissioners' discussion at Budget Workshop #2 regarding the FY26-FY28 funding strategy for the town's affordable housing efforts. The proposals below include the original proposed budget, modified as discussed during Budget Workshop #1, an alternate proposal submitted by Commissioner Hughes during the workshop, and a second alternative proposal developed based on subsequent feedback from Commissioner Darab. At Budget Workshop #2, a live version of the chart will be available to edit and respond to additional alternative proposals if needed.

- How to read the charts
 - For all the charts below, the following color schemes are used:
 - Yellow highlight – this is the amount of historical and proposed “ramp up funds” or “Annual Affordable Housing Funding” (AAHF)¹ to be contributed to the Affordable Housing Reserve
 - Light Blue highlight – this is the amount of historical and proposed funding remaining from the AAHF after deducting the current commitments for Community Home Trust, HOME funds match and Orange County Partnership to End Homelessness (OCPEH) that are available for use or reservation
 - Orange highlight – this is the running balance in the Affordable Housing Reserve after adding each year's AAHF and deducting the current commitments and any proposed expansion funding
 - Red Text – this represents a number that has changed since the original proposed budget was presented to the board
 - Green highlight – this represents the tax rate equivalent (based on the post-revaluation value) attributable to the AAHF
 - Purple highlight – only used in Alternate C to denote AAHF being redirected for use related to Fire Department ramp ups. See further discussion below.
- Common Elements
 - All three alternatives include the following baseline assumptions:
 - The funding for current commitments is unchanged from the proposed budget

¹ As the proposed funding no longer represents 2 cents on the tax rate, staff will refer to the “Annual Affordable Housing Funding” or AAHF to reduce confusion.

- Auman Village support is included at a total of \$300,000 during the FY26-FY28 budget window, with a note that the total commitment is to be \$400,000 through FY29.
- \$50,000 in funding is allocated for the completion of an Affordable Housing Strategy in FY26. Based on a draft scope of work received from Central Pines Regional Council (CPRC), this funding is adequate, and the strategy document can be completed in FY26

Baseline – Original Proposed Budget

Annual Affordable Housing Funding - Original Proposed Budget (V1)							
	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Community Home Trust	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
HOME Funds Match	\$4,200	\$6,486	\$6,281	\$6,281	\$6,281	\$6,281	\$6,281
OC Partnership to End Homelessness	\$15,788	\$59,080	\$61,128	\$51,910	\$59,640	\$59,640	\$59,640
Subtotal, Current Commitments	\$22,488	\$68,066	\$69,909	\$60,691	\$68,421	\$68,421	\$68,421
Annual Affordable Housing Funding	\$22,488	\$68,066	\$102,793	\$175,000	\$250,000	\$320,000	\$320,000
Remaining Balance	\$0	\$0	\$32,884	\$114,309	\$181,579	\$251,579	\$251,579
OCPEH Expansion Request					\$7,753	\$7,753	\$7,753
FY26 Pilot Programs (Repair and EHA)					\$200,000		
Auman Village Support							
Affordable Housing Strategy							
Remaining Funds for Housing (New and Preservation)	\$0	\$0	\$32,884	\$114,309	(\$26,174)	\$243,826	\$243,826
Cumulative Housing Funds	\$0	\$0	\$32,884	\$147,193	\$121,019	\$364,845	\$608,671
Tax Rate Equivalent					1.12	1.43	1.43

This is the chart representing the original proposal received by the board at budget workshop #1, modified only to add the tax rate equivalent (green highlight).

Alternative A – Modified Proposed Budget

Annual Affordable Housing Funding - Modified Proposed Budget (A)							
	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Community Home Trust	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
HOME Funds Match	\$4,200	\$6,486	\$6,281	\$6,281	\$6,281	\$6,281	\$6,281
OC Partnership to End Homelessness	\$15,788	\$59,080	\$61,128	\$51,910	\$59,640	\$59,640	\$59,640
Subtotal, Current Commitments	\$22,488	\$68,066	\$69,909	\$60,691	\$68,421	\$68,421	\$68,421
Annual Affordable Housing Funding	\$22,488	\$68,066	\$102,793	\$175,000	\$250,000	\$320,000	\$320,000
Remaining Balance	\$0	\$0	\$32,884	\$114,309	\$181,579	\$251,579	\$251,579
OCPEH Expansion Request					\$7,753	\$7,753	\$7,753
FY26 Pilot Programs (Repair and EHA)					\$200,000	\$100,000	\$100,000
Auman Village Support					\$70,000	\$130,000	\$100,000
Affordable Housing Strategy					\$50,000		
Remaining Funds for Housing (New and Preservation)	\$0	\$0	\$32,884	\$114,309	(\$146,174)	\$13,826	\$43,826
Cumulative Housing Funds	\$0	\$0	\$32,884	\$147,193	\$1,019	\$14,845	\$58,671
Tax Rate Equivalent					1.12	1.43	1.43

This version of the chart represents the original proposed budget, modified to include the following adjustments made during the workshop:

- Adds continuation funding for pilot programs in FY27 and FY28
- Adds \$300k total funding in budget window for Auman Village project (note additional \$100k in FY29)
- Adds \$50k in year 1 for affordable housing strategy
- Reduces cumulative available housing funds (orange highlight) to \$58k through FY28
- Added tax rate equivalent for AAHF (green highlight)
- Alternative A keeps AAHF consistent with the FY25 financial plan and reaches the previously established “2 Cent Equivalent” amount of \$320,000 in FY27 and beyond

Alternative B – Hughes Proposal

Annual Affordable Housing Funding - Hughes Proposal (B)							
	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Community Home Trust	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
HOME Funds Match	\$4,200	\$6,486	\$6,281	\$6,281	\$6,281	\$6,281	\$6,281
OC Partnership to End Homelessness	\$15,788	\$59,080	\$61,128	\$51,910	\$59,640	\$59,640	\$59,640
Subtotal, Current Commitments	\$22,488	\$68,066	\$69,909	\$60,691	\$68,421	\$68,421	\$68,421
Annual Affordable Housing Funding	\$22,488	\$68,066	\$102,793	\$175,000	\$175,000	\$175,000	\$175,000
Remaining Balance	\$0	\$0	\$32,884	\$114,309	\$106,579	\$106,579	\$106,579
OCPEH Expansion Request					\$3,900	\$3,900	\$3,900
FY26 Pilot Programs (Repair and EHA)							
Auman Village Support					\$100,000	\$100,000	\$100,000
Affordable Housing Strategy					\$50,000		
Remaining Funds for Housing (New and Preservation)	\$0	\$0	\$32,884	\$114,309	(\$47,321)	\$2,679	\$2,679
Cumulative Housing Funds	\$0	\$0	\$32,884	\$147,193	\$99,872	\$102,551	\$105,230
Tax Rate Equivalent					0.78	0.78	0.78
Difference from Proposed Budget					-0.33	-0.65	-0.65

This version of the chart represents the proposal received from Commissioner Hughes during Budget Workshop #1. In comparison with the original proposed budget, this version is modified as follows:

- Reduces AAHF to \$175k in all 3 budget years (yellow highlight)
- Reduces OCPEH Expansion request to \$3,900
- Eliminates pilot program funding
- Adds \$300k total funding in budget window for Auman Village project (note additional \$100k in FY29)
- Adds \$50k in year 1 for affordable housing strategy
- Increases cumulative available housing funds (orange highlight) to \$105k through FY28
- Added tax rate equivalent for AAHF (green highlight) and comparison to proposed budget

Alternative C – Darab Proposal

Annual Affordable Housing Funding - Darab Proposal (C)							
	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Community Home Trust	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
HOME Funds Match	\$4,200	\$6,486	\$6,281	\$6,281	\$6,281	\$6,281	\$6,281
OC Partnership to End Homelessness	\$15,788	\$59,080	\$61,128	\$51,910	\$59,640	\$59,640	\$59,640
Subtotal, Current Commitments	\$22,488	\$68,066	\$69,909	\$60,691	\$68,421	\$68,421	\$68,421
Annual Affordable Housing Funding	\$22,488	\$68,066	\$102,793	\$175,000	\$175,000	\$175,000	\$175,000
Re-Direct Ramp Up to FD					\$75,000	\$145,000	\$145,000
Remaining Balance	\$0	\$0	\$32,884	\$114,309	\$106,579	\$106,579	\$106,579
OCPEH Expansion Request					\$7,753	\$7,753	\$7,753
FY26 Pilot Programs (Repair and EHA)					\$50,000	\$40,000	
Auman Village Support					\$100,000	\$100,000	\$100,000
Affordable Housing Strategy					\$50,000		
Remaining Funds for Housing (New and Preservation)	\$0	\$0	\$32,884	\$114,309	(\$101,174)	(\$41,174)	(\$1,174)
Cumulative Housing Funds	\$0	\$0	\$32,884	\$147,193	\$46,019	\$4,845	\$3,671
Tax Rate Equivalent (AH + FD)					1.12	1.43	1.43
Difference from Proposed Budget					0.00	0.00	0.00

This version of the chart represents an alternative proposal based on feedback received by staff from Commissioner Darab. This alternative is modified from the proposed budget as follows:

- Reduces AAHF to \$175k in all 3 budget years (yellow highlight)
- Redirects additional ramp-up funds to Fire Department needs (proposed for fire truck ramp up, staff recommends Fire Station ramp up as it will impact the budget earlier) – purple highlight
- Funds OCPEH Expansion request
- Reduces pilot funding to \$50k in year 1, \$40k in year 2 (based on available capacity)
- Adds \$300k total funding in budget window for Auman Village project (note additional \$100k in FY29)
- Adds \$50k in year 1 for affordable housing strategy
- Decreases cumulative available housing funds (orange highlight) to \$3.6k through FY28
- Added tax rate equivalent for AAHF (both AH and FD) (green highlight) and comparison to proposed budget
- Based on the capacity for the pilot programs and depending on the split, the potential impact of the programs would be as follows:
 - Repair/Preservation
 - \$90k (all funding, both years) – approximately 10 projects
 - \$40k/\$50k (all funding, one year) – approximately 2-4 projects
 - \$45k (even split) – approximately 2-4 projects

- Emergency Housing Assistance (EHA)
 - \$90k (all funding, both years) – up to 20 households
 - \$40k/\$50k (all funding, one year) – between 8-11 households
 - \$45k (even split) – up to 10 households

Board Decision Points

In order to complete the budget preparations for the proposed June 9th adoption, staff needs direction from the board as to which alternative is desired for inclusion in the budget document. The board will also be able to craft an additional alternative during Budget Workshop #2, however there needs to be consensus by the end of the meeting as to which version will be included in the final budget. The specific decision points are as follows:

- At what level should the AAHF be set?
 - Is there a desire to increase funding for Fire Department ramp ups (either station or truck), and is there desire to fund that via increased general fund allocation or redirection of affordable housing ramp up funds?
- Does the board support either or both proposed pilot programs, and at what level?
- Does the board support the \$400k total allocation (\$300k in budget window) for support of the Auman Village project?
- Does the board support the proposed \$50k in funding for an Affordable Housing Strategy to be completed in FY26?

Staff is happy to provide any additional information needed by the board, and additional Alternatives can either be prepared in advance of Budget Workshop #2 or created during the meeting using a live edit version of the chart.