BUDGET KICKOFF WORK SESSION
OF THE
LEE COUNTY BOARD OF COMMISSIONERS
GORDON WICKER ROOM
106 HILLCREST DRIVE
SANFORD, NORTH CAROLINA 27330

FEBRUARY 9, 2015
5:00 P.M.

A G E N D A

CALL TO ORDER – Amy Dalrymple, Chair

INVOCATION – Commissioner Tim Sloan

PLEDGE OF ALLEGIANCE

I. CCCC Construction Discussion –CCCC Board of Trustees (pages 1-32)
   a. Construction Timeline
   b. Innovations Center/Summit Building

II. Debt Discussion – Lisa Minter (pages 33-68)

III. Five Year Facilities Master Plan – Russell Spivey (pages 69-111)

IV. External Compensation Study – Joyce McGehee (pages 112-149)

V. Budget Goals for FY 15-16 – John Crumpton (pages 150-153)

ADJOURN

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

LEE COUNTY BOARD OF COMMISSIONERS

ITEM ABSTRACT	ITEM NO. I.
Meeting Date: 2/9/2015	x_ Information __ Action Item __ Consent Agenda

SUBJECT CCCC Construction Discussion

DEPARTMENT: CCCC Board of Trustees

CONTACT PERSON: Chair Dalrymple/Chairman Philpot

REQUEST: N/A-Information only

SUMMARY: A joint meeting of the Board of Commissioners and the CCCC Board of Trustees was requested to discuss the plans for the projects to be financed by the bonds that were recently approved. The boards need to consider the traditional building concept, as well as exploring construction management at risk contracts and/or design-build contracts. The boards also need to discuss the Innovations Center and the Summit Building.

BUDGET IMPACT: To be determined

ATTACHMENT(S):
1 – CCCC Draft Bond Project Schedule
2 – General Statutes related to requirements for certain building contracts
3 – Other articles related to construction management at risk contracts and design-build contracts

PUBLIC HEARING: No

PRIOR BOARD ACTION: N/A

RECOMMENDATION: N/A

CCCC DRAFT BOND PROJECT SCHEDULE

	2015				2016									2017											2018		
Project	Mar	Jun	Jul	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Dec	Jan	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Health Sciences ($9,000,000)																											
Design	X	X	X	X	X	X	X																				
Bid								X	X	X																	
Construction											X	X	X	X	X	X	X	X	X								
Veterinary Medical Technology																											
($5,000,000)																											
Phase 1 - Addition																											
Design	X	X	X	X	X	X	X																				
Bid								X	X	X																	
Construction											X	X	X	X	X												
Phase 2 - Renovation																											
Design	X	X	X	X	X	X	X																				
Bid								X	X	X																	
Construction																X	X	X									
Dennis A. Wicker Civic Center																											
($4,000,000)																											
Phase 1 - Addition																											
Design	X	X	X	X	X	X	X																				
Bid								X	X	X																	
Construction											X	X	X	X	X	X	X	X									
Phase 2 - Renovation																											
Design	X	X	X	X	X	X	X																				
Bid								X	X	X																	
Construction																			X	X	X	X	X	X			
Small Business Incubator																											
($1,000,000)																											
Design													X	X	X	X											
Bid																	X	X	X								
Construction																				X	X	X	X	X	X		
Emergency Services Training Center																											
($2,000,000)																											
Design	X	X	X	X	X	X	X																				
Bid								X	X	X																	
Construction											X	X	X	X	X	X	X	X	X	X	X	X					
Renovation Projects																											
($2,000,000)																											
Re-Roofing Projects																											
Design					X	X	X																				
Bid								X	X	X																	
Construction											X	X															
Renovation Projects																											
Design													X	X	X	X											
Bid																	X	X	X								
Construction																				X	X	X	X	X	X	X	X

This draft bond schedule will be finalized once an architect is selected and in consultation with Lee County and the College's Board of Trustees.
This draft contains the assumption that more than one construction contract can be signed for some of the projects.

Article 8.

Public Contracts.

§ 143-128. Requirements for certain building contracts.

(a) Preparation of specifications. - Every officer, board, department, commission or commissions charged with responsibility of preparation of specifications or awarding or entering into contracts for the erection, construction, alteration or repair of any buildings for the State, or for any county, municipality, or other public body, shall have prepared separate specifications for each of the following subdivisions or branches of work to be performed:

(1) Heating, ventilating, air conditioning and accessories (separately or combined into one conductive system), refrigeration for cold storage (where the cold storage cooling load is 15 tons or more of refrigeration), and all related work.
(2) Plumbing and gas fittings and accessories, and all related work.
(3) Electrical wiring and installations, and all related work.
(4) General work not included in subdivisions (1), (2), and (3) of this subsection relating to the erection, construction, alteration, or repair of any building.

Specifications for contracts that will be bid under the separate-prime system or dual bidding system shall be drawn as to permit separate and independent bidding upon each of the subdivisions of work enumerated in this subsection. The above enumeration of subdivisions or branches of work shall not be construed to prevent any officer, board, department, commission or commissions from preparing additional separate specifications for any other category of work.

(a1) Construction methods. - The State, a county, municipality, or other public body shall award contracts to erect, construct, alter, or repair buildings pursuant to any of the following methods:

(1) Separate-prime bidding.
(2) Single-prime bidding.
(3) Dual bidding pursuant to subsection (d1) of this section.
(4) Construction management at risk contracts pursuant to G.S. 143-128.1.
(5) Alternative contracting methods authorized pursuant to G.S. 143-135.26(9).
(6) Design-build contracts pursuant to G.S. 143-128.1A.
(7) Design-build bridging contracts pursuant to G.S. 143-128.1B.
(8) Public-private partnership construction contracts pursuant to G.S. 143-128.1C.

(a2) Repealed by Session Laws 2012-142, s. 9.4(g), effective July 1, 2012.

(b) Separate-prime contracts. - When the State, county, municipality, or other public body uses the separate-prime contract system, it shall accept bids for each subdivision of work for which specifications are required to be prepared under subsection (a) of this section and shall award the respective work specified separately to responsible and reliable persons, firms or corporations regularly engaged in their respective lines of work. When the estimated cost of work to be performed in any single subdivision or branch for which separate bids are required by this subsection is less than twenty-five thousand dollars ($25,000), the same may be included in the contract for one of the other subdivisions or branches of the work, irrespective of total project cost. The contracts shall be awarded to the lowest responsible, responsive bidders, taking into consideration quality, performance, the time specified in the bids for performance of the contract, and compliance with G.S. 143-128.2. Bids may also be accepted from and awards made to separate contractors for other categories of work.

Each separate contractor shall be directly liable to the State of North Carolina, or to the county, municipality, or other public body and to the other separate contractors for the full performance of all duties and obligations due respectively under the terms of the separate contracts and in accordance with the plans and specifications, which shall specifically set forth the duties and obligations of each separate contractor. For the purpose of this section, "separate contractor" means any person, firm or corporation who shall enter into a contract with the State, or with any county, municipality, or other public entity to erect, construct, alter or repair any building or buildings, or parts of any building or buildings.

(c) Repealed by Session Laws 2001-496, s. 3, effective January 1, 2001.

(d) Single-prime contracts. - All bidders in a single-prime project shall identify on their bid the contractors they have selected for the subdivisions or branches of work for:

(1) Heating, ventilating, and air conditioning;
(2) Plumbing;
(3) Electrical; and
(4) General.

The contract shall be awarded to the lowest responsible, responsive bidder, taking into consideration quality, performance, the time specified in the bids for performance of the contract, and compliance with G.S. 143-128.2. A contractor whose bid is accepted shall not substitute any person as subcontractor in the place of the subcontractor listed in the original bid, except (i) if the listed subcontractor's bid is later determined by the contractor to be nonresponsible or nonresponsive or the listed subcontractor refuses to enter into a contract for the complete performance of the bid work, or (ii) with the approval of the awarding authority for good cause shown by the contractor. The terms, conditions, and requirements of each contract between the contractor and a subcontractor performing work under a subdivision or branch of work listed in this subsection shall incorporate by reference the terms, conditions, and requirements of the contract between the contractor and the State, county, municipality, or other public body.

When contracts are awarded pursuant to this section, the public body shall make available to subcontractors the dispute resolution process as provided for in subsection (f1) of this section.

(d1) Dual bidding. - The State, a county, municipality, or other public entity may accept bids to erect, construct, alter, or repair a building under both the single-prime and separate-prime contracting systems and shall award the contract to the lowest responsible, responsive bidder under the single-prime system or to the lowest responsible, responsive bidder under the separate-prime system, taking into consideration quality, performance, compliance with G.S. 143-128.2, and time specified in the bids to perform the contract. In determining the system under which the contract will be awarded to the lowest responsible, responsive bidder, the public entity may consider cost of construction oversight, time for completion, and other factors it considers appropriate. The bids received as separate-prime bids shall be received, but not opened, one hour prior to the deadline for the submission of single-prime bids. The amount of a bid submitted by a subcontractor to the general contractor under the single-prime system shall not exceed the amount bid, if any, for the same work by that subcontractor to the public entity under the separate-prime system. The provisions of subsection (b) of this section shall apply to separate-prime contracts awarded pursuant to this section and the provisions of subsection (d) of this section shall apply to single-prime contracts awarded pursuant to this section.

(e) Project expediter; scheduling; public body to resolve project disputes. - The State, county, municipality, or other public body may, if specified in the bid documents, provide for assignment of responsibility for expediting the work on a project to a single responsible and reliable person, firm or corporation, which may be a prime contractor. In executing this responsibility, the designated project expediter may recommend to the State, county, municipality, or other public body whether payment to a contractor should be approved. The project expediter, if required by the contract documents, shall be responsible for preparing the project schedule and shall allow all contractors and subcontractors performing any of the branches of work listed in subsection (d) of this section equal input into the preparation of the initial schedule. Whenever separate contracts are awarded and separate contractors engaged for a project pursuant to this section, the public body may provide in the contract documents for resolution of project disputes through alternative dispute resolution processes as provided for in subsection (f1) of this section.

(f) Repealed by Session Laws 2001-496, s. 3, effective January 1, 2001.

(f1) Dispute resolution. - A public entity shall use the dispute resolution process adopted by the State Building Commission pursuant to G.S. 143-135.26(11), or shall adopt another dispute resolution process, which shall include mediation, to be used as an alterative to the dispute resolution process adopted by the State Building Commission. This dispute resolution process will be available to all the parties involved in the public entity's construction project including the public entity, the architect, the construction manager, the contractors, and the first-tier and lower-tier subcontractors and shall be available for any issues arising out of the contract or construction process. The public entity may set a reasonable threshold, not to exceed fifteen thousand dollars ($15,000), concerning the amount in controversy that must be at issue before a party may require other parties to participate in the dispute resolution process. The public entity may require that the costs of the process be divided between the parties to the dispute with at least one-third of the cost to be paid by the public entity, if the public entity is a party to the dispute. The public entity may require in its contracts that a party participate in mediation concerning a dispute as a precondition to initiating litigation concerning the dispute.

(g) Exceptions. - This section shall not apply to:

(1) The purchase and erection of prefabricated or relocatable buildings or portions thereof, except that portion of the work which must be performed at the construction site.

(2) The erection, construction, alteration, or repair of a building when the cost thereof is three hundred thousand dollars ($300,000) or less.

(3) The erection, construction, alteration, or repair of a building by The University of North Carolina or its constituent institutions when the cost thereof is five hundred thousand dollars ($500,000) or less.

Notwithstanding the other provisions of this subsection, subsection (f1) of this section shall apply to any erection, construction, alteration, or repair of a building by a public entity. (1925, c. 141, s. 2; 1929, c. 339, s. 2; 1931, c. 46; 1943, c. 387; 1945, c. 851; 1949, c. 1137, s. 1; 1963, c. 406, ss. 2-7; 1967, c. 860; 1973, c. 1419; 1977, c. 620; 1987 (Reg. Sess., 1988), c. 1108, ss. 4, 5; 1989, c. 480, s. 1; 1995, c. 358, s. 4; c. 367, ss. 1, 4, 5; c. 509, s. 79; 1998-137, s. 1; 1998-193, s. 1; 2001-496, ss. 3, 13; 2002-159, s. 42; 2007-322, s. 3; 2012-142, s. 9.4(g); 2013-401, s. 3.)

§ 143-128.1. Construction management at risk contracts.

(a) For purposes of this section and G.S. 143-64.31:

(1) "Construction management services" means services provided by a construction manager, which may include preparation and coordination of bid packages, scheduling, cost control, value engineering, evaluation, preconstruction services, and construction administration.

(2) "Construction management at risk services" means services provided by a person, corporation, or entity that (i) provides construction management services for a project throughout the preconstruction and construction phases, (ii) who is licensed as a general contractor, and (iii) who guarantees the cost of the project.

(3) "Construction manager at risk" means a person, corporation, or entity that provides construction management at risk services.

(4) "First-tier subcontractor" means a subcontractor who contracts directly with the construction manager at risk.

(b) The construction manager at risk shall be selected in accordance with Article 3D of this Chapter. Design services for a project shall be performed by a licensed architect or engineer. The public owner shall contract directly with the architect or engineer. The public owner shall make a good-faith effort to comply with G.S. 143-128.2, G.S. 143-128.4, and to recruit and select small business entities when selecting a construction manager at risk.

(c) The construction manager at risk shall contract directly with the public entity for all construction; shall publicly advertise as prescribed in G.S. 143-129; and shall prequalify and accept bids from first-tier subcontractors for all construction work under this section. The construction manager at risk shall use the prequalification process determined by the public entity in accordance with G.S. 143-135.8, provided that public entity and the construction manager at risk shall jointly develop the assessment tool and criteria for that specific project, which must include the prequalification scoring values and minimum required score for prequalification on that project. The public entity shall require the construction manager at risk to submit its plan for compliance with G.S. 143-128.2 for approval by the public entity prior to soliciting bids for the project's first-tier subcontractors. A construction manager at risk and first-tier subcontractors shall make a good faith effort to comply with G.S. 143-128.2, G.S. 143-128.4, and to recruit and select small business entities. A construction manager at risk may perform a portion of the work only if (i) bidding produces no responsible, responsive bidder for that portion of the work, the lowest responsible, responsive bidder will not execute a contract for the bid portion of the work, or the subcontractor defaults and a prequalified replacement cannot be obtained in a timely manner, and (ii) the public entity approves of the construction manager at risk's performance of the work. All bids shall be opened publicly, and once they are opened, shall be public records under Chapter 132 of the General Statutes. The construction manager at risk shall act as the fiduciary of the public entity in handling and opening bids. The construction manager at risk shall award the contract to the lowest responsible, responsive bidder, taking into consideration quality, performance, the time specified in the bids for performance of the contract, the cost of construction oversight, time for completion, compliance with G.S. 143-128.2, and other factors deemed appropriate by the public entity and advertised as part of the bid solicitation. The public entity may require the selection of a different first-tier subcontractor for any portion of the work, consistent with this section, provided that the construction manager at risk is compensated for any additional cost incurred.

When contracts are awarded pursuant to this section, the public entity shall provide for a dispute resolution procedure as provided in G.S. 143-128(f1).

(d) The construction manager at risk shall provide a performance and payment bond to the public entity in accordance with the provisions of Article 3 of Chapter 44A of the General Statutes.

(e) Construction management at risk services may be used by the public entity only after the public entity has concluded that construction management at risk services is in the best interest of the project, and the public entity has compared the advantages and disadvantages of using the construction management at risk method for a given project in lieu of the delivery methods identified in G.S. 143-128 (a1)(1) through G.S. 143-128(a1)(3). The public entity may not delegate this determination. (2001-496, s. 2; 2013-401, s. 5; 2014-42, s. 2.)

§ 143-128.1A. Design-build contracts.

(a) Definitions for purposes of this section:

(1) Design-builder. - As defined in G.S. 143-128.1B.

(2) Governmental entity. - As defined in G.S. 143-128.1B.

(b) A governmental entity shall establish in writing the criteria used for determining the circumstances under which the design-build method is appropriate for a project, and such criteria shall, at a minimum, address all of the following:

(1) The extent to which the governmental entity can adequately and thoroughly define the project requirements prior to the issuance of the request for qualifications for a design-builder.

(2) The time constraints for the delivery of the project.

(3) The ability to ensure that a quality project can be delivered.

(4) The capability of the governmental entity to manage and oversee the project, including the availability of experienced staff or outside consultants who are experienced with the design-build method of project delivery.

(5) A good-faith effort to comply with G.S. 143-128.2, G.S. 143-128.4, and to recruit and select small business entities. The governmental entity shall not limit or otherwise preclude any respondent from submitting a response so long as the respondent, itself or through its proposed team, is properly licensed and qualified to perform the work defined by the public notice issued under subsection (c) of this section.

(6) The criteria utilized by the governmental entity, including a comparison of the advantages and disadvantages of using the design-build delivery method for a given project in lieu of the delivery methods identified in subdivisions (1), (2), and (4) of G.S. 143-128(a1).

(c) A governmental entity shall issue a public notice of the request for qualifications that includes, at a minimum, general information on each of the following:

(1) The project site.
(2) The project scope.
(3) The anticipated project budget.
(4) The project schedule.
(5) The criteria to be considered for selection and the weighting of the qualifications criteria.
(6) Notice of any rules, ordinances, or goals established by the governmental entity, including goals for minority- and women-owned business participation and small business participation.
(7) Other information provided by the owner to potential design-builders in submitting qualifications for the project.
(8) A statement providing that each design-builder shall submit in its response to the request for qualifications an explanation of its project team selection, which shall consist of either of the following:
   a. A list of the licensed contractors, licensed subcontractors, and licensed design professionals whom the design-builder proposes to use for the project's design and construction.
   b. An outline of the strategy the design-builder plans to use for open contractor and subcontractor selection based upon the provisions of Article 8 of Chapter 143 of the General Statutes.

(d) Following evaluation of the qualifications of the design-builders, the three most highly qualified design-builders shall be ranked. If after the solicitation for design-builders not as many as three responses have been received from qualified design-builders, the governmental entity shall again solicit for design-builders. If as a result of such second solicitation not as many as three responses are received, the governmental entity may then begin negotiations with the highest-ranked design-builder under G.S. 143-64.31 even though fewer than three responses were received. If the governmental entity deems it appropriate, the governmental entity may invite some or all responders to interview with the governmental entity.

(e) The design-builder shall be selected in accordance with Article 3D of this Chapter. Each design-builder shall certify to the governmental entity that each licensed design professional who is a member of the design-build team, including subconsultants, was selected based upon demonstrated competence and qualifications in the manner provided by G.S. 143-64.31.

(f) The design-builder shall provide a performance and payment bond to the governmental entity in accordance with the provisions of Article 3 of Chapter 44A of the General Statutes. The design-builder shall obtain written approval from the governmental entity prior to changing key personnel as listed in sub-subdivision (c)(8)a. of this section after the contract has been awarded. (2013-401, s. 4; 2014-42, s. 7.)

§ 143-128.1B. Design-build bridging contracts.

(a) Definitions for purposes of this section:

(1) Design-build bridging. - A design and construction delivery process whereby a governmental entity contracts for design criteria services under a separate agreement from the construction phase services of the design-builder.
(2) Design-builder. - An appropriately licensed person, corporation, or entity that, under a single contract, offers to provide or provides design services and general contracting services where services within the scope of the practice of professional engineering or architecture are performed respectively by a licensed engineer or licensed architect and where services within the scope of the practice of general contracting are performed by a licensed general contractor.

(3) Design criteria. - The requirements for a public project expressed in drawings and specifications sufficient to allow the design-builder to make a responsive bid proposal.
(4) Design professional. - Any professional licensed under Chapters 83A, 89A, or 89C of the General Statutes.
(5) First-tier subcontractor. - A subcontractor who contracts directly with the design-builder, excluding design professionals.
(6) Governmental entity. - Every officer, board, department, commission, or commissions charged with responsibility of preparation of specifications or awarding or entering into contracts for the erection, construction, alteration, or repair of any buildings for the State or for any county, municipality, or other public body.

(b) A governmental entity shall establish in writing the criteria used for determining the circumstances under which engaging a design criteria design professional is appropriate for a project, and such criteria shall, at a minimum, address all of the following:
(1) The extent to which the governmental entity can adequately and thoroughly define the project requirements prior to the issuance of the request for proposals for a design-builder.
(2) The time constraints for the delivery of the project.
(3) The ability to ensure that a quality project can be delivered.
(4) The capability of the governmental entity to manage and oversee the project, including the availability of experienced staff or outside consultants who are experienced with the design-build method of project delivery.
(5) A good-faith effort to comply with G.S. 143-128.2, G.S. 143-128.4, and to recruit and select small business entities. The governmental entity shall not limit or otherwise preclude any respondent from submitting a response so long as the respondent, itself or through its proposed team, is properly licensed and qualified to perform the work defined by the public notice issued under subsection (d) of this section.
(6) The criteria utilized by the governmental entity, including a comparison of the advantages and disadvantages of using the design-build delivery method for a given project in lieu of the delivery methods identified in subdivisions (1), (2), and (4) of G.S. 143-128(a1).

(c) On or before entering into a contract for design-build services under this section, the governmental entity shall select or designate a staff design professional, or a design professional who is independent of the design-builder, to act as its design criteria design professional as its representative for the procurement process and for the duration of the design and construction. If the design professional is not a full-time employee of the governmental entity, the governmental entity shall select the design professional on the basis of demonstrated competence and qualifications as provided by G.S. 143-64.31. The design criteria design professional shall develop design criteria in consultation with the governmental entity. The design criteria design professional shall not be eligible to submit a response to the request for proposals nor provide design input to a design-build response to the request for proposals. The design criteria design professional shall prepare a design criteria package equal to thirty-five percent (35%) of the completed design documentation for the entire construction project. The design criteria package shall include all of the following:
(1) Programmatic needs, interior space requirements, intended space utilization, and other capacity requirements.
(2) Information on the physical characteristics of the site, such as a topographic survey.
(3) Material quality standards or performance criteria.
(4) Special material requirements.
(5) Provisions for utilities.
(6) Parking requirements.

(7) The type, size, and location of adjacent structures.
(8) Preliminary or conceptual drawings and specifications sufficient in detail to allow the design-builder to make a proposal which is responsive to the request for proposals.
(9) Notice of any ordinances, rules, or goals adopted by the governmental entity.

(d) A governmental entity shall issue a public notice of the request for proposals that includes, at a minimum, general information on each of the following:

(1) The project site.
(2) The project scope.
(3) The anticipated project budget.
(4) The project schedule.
(5) The criteria to be considered for selection and the weighting of the selection criteria.
(6) Notice of any rules, ordinances, or goals established by the governmental entity, including goals for minority- and women-owned business participation and small business entities.
(7) The thirty-five percent (35%) design criteria package prepared by the design criteria design professional.
(8) Other information provided by the owner to design-builders in submitting responses to the request for proposals for the project.
(9) A statement providing that each design-builder shall submit in its request for proposal response an explanation of its project team selection, which shall consist of a list of the licensed contractor and licensed design professionals whom the design-builder proposes to use for the project's design and construction.
(10) A statement providing that each design-builder shall submit in its request for proposal a sealed envelope with all of the following:
    a. The design-builder's price for providing the general conditions of the contract.
    b. The design-builder's proposed fee for general construction services.
    c. The design-builder's fee for design services.

(e) Following evaluation of the qualifications of the design-builders, the governmental entity shall rank the design-builders who have provided responses, grouping the top three without ordinal ranking. If after the solicitation for design-builders not as many as three responses have been received from qualified design-builders, the governmental entity shall again solicit for design-builders. If as a result of such second solicitation not as many as three responses are received, the governmental entity may then make its selection. From the grouping of the top three design-builders, the governmental entity shall select the design-builder who is the lowest responsive, responsible bidder based on the cumulative amount of fees provided in accordance with subdivision (d)(10) of this section and taking into consideration quality, performance, and the time specified in the proposals for the performance of the contract. Each design-builder shall certify to the governmental entity that each licensed design professional who is a member of the design-build team, including subconsultants, was selected based upon demonstrated competence and qualifications in the manner provided by G.S. 143-64.31.

(f) The design-builder shall accept bids based upon the provisions of this Article from first-tier subcontractors for all construction work under this section.

(g) The design-builder shall provide a performance and payment bond to the governmental entity in accordance with the provisions of Article 3 of Chapter 44A of the General Statutes. The design-builder shall obtain written approval from the governmental entity prior to changing key personnel, as listed under subdivision (d)(9) of this section, after the contract has been awarded. (2013-401, s. 4; 2014-42, s. 6.)

§ 143-128.1C. Public-private partnership construction contracts.

(a) Definitions for purposes of this section:

(1) Construction contract. - Any contract entered into between a private developer and a contractor for the design, construction, reconstruction, alteration, or repair of any

building or other work or improvement required for a private developer to satisfy its obligations under a development contract.

(2) Contractor. - Any person who has entered into a construction contract with a private developer under this section.

(3) Design-builder. - Defined in G.S. 143-128.1B.

(4) Development contract. - Any contract between a governmental entity and a private developer under this section and, as part of the contract, the private developer is required to provide at least fifty percent (50%) of the financing for the total cost necessary to deliver the capital improvement project, whether through lease or ownership, for the governmental entity.

(5) Governmental entity. - Defined in G.S. 143-128.1B.

(6) Labor or materials. - Includes all materials furnished or labor performed in the performance of the work required by a construction contract whether or not the labor or materials enter into or become a component part of the improvement and shall include gas, power, light, heat, oil, gasoline, telephone services, and rental of equipment or the reasonable value of the use of equipment directly utilized in the performance of the work required by a construction contract.

(7) Private developer. - Any person who has entered into a development contract with a governmental entity under this section.

(8) Public-private project. - A capital improvement project undertaken for the benefit of a governmental entity and a private developer pursuant to a development contract that includes construction of a public facility or other improvements, including paving, grading, utilities, infrastructure, reconstruction, or repair, and may include both public and private facilities.

(9) State entity. - The State and every agency, authority, institution, board, commission, bureau, council, department, division, officer, or employee of the State. The term does not include a unit of local government as defined in G.S. 159-7.

(10) State-supported financing arrangement. - Any installment financing arrangement, lease-purchase arrangement, arrangement under which funds are to be paid in the future based upon the availability of an asset or funds for payment, or any similar arrangement in the nature of a financing, under which a State entity agrees to make payments to acquire or obtain a capital asset for the State entity or any other State entity for a term, including renewal options, of greater than one year. Any arrangement that results in the identification of a portion of a lease payment, installment payment, or similar scheduled payment thereunder by a State entity as "interest" for purposes of federal income taxation shall automatically be a State-supported financing arrangement for purposes of this section.

(11) Subcontractor. - Any person who has contracted to furnish labor, services, or materials to, or who has performed labor or services for, a contractor or another subcontractor in connection with a development contract.

(b) If the governmental entity determines in writing that it has a critical need for a capital improvement project, the governmental entity may acquire, construct, own, lease as lessor or lessee, and operate or participate in the acquisition, construction, ownership, leasing, and operation of a public-private project, or of specific facilities within such a project, including the making of loans and grants from funds available to the governmental entity for these purposes. If the governmental entity is a public body under Article 33C of this Chapter, the determination shall occur during an open meeting of that public body. The governmental entity may enter into development contracts with private developers with respect to acquiring, constructing, owning, leasing, or operating a project under this section. The development contract shall specify the following:

(1) The property interest of the governmental entity and all other participants in the development of the project.

(2) The responsibilities of the governmental entity and all other participants in the development of the project.
(3) The responsibilities of the governmental entity and all other participants with respect to financing of the project.
(4) The responsibilities to put forth a good-faith effort to comply with G.S. 143-128.2, G.S. 143-128.4, and to recruit and select small business entities.

(c) The development contract may provide that the private developer shall be responsible for any or all of the following:
(1) Construction of the entire public-private project.
(2) Reconstruction or repair of the public-private project or any part thereof subsequent to construction of the project.
(3) Construction of any addition to the public-private project.
(4) Renovation of the public-private project or any part thereof.
(5) Purchase of apparatus, supplies, materials, or equipment for the public-private project whether during or subsequent to the initial equipping of the project.
(6) A good-faith effort to comply with G.S. 143-128.2, G.S. 143-128.4, and to recruit and select small business entities.

(d) The development contract may also provide that the governmental entity and private developer shall use the same contractor or contractors in constructing a portion of or the entire public-private project. If the development contract provides that the governmental entity and private developer shall use the same contractor, the development contract shall include provisions deemed appropriate by the governmental entity to assure that the public facility or facilities included in or added to the public-private project are constructed, reconstructed, repaired, or renovated at a reasonable price and that the apparatus, supplies, materials, and equipment purchased for the public facility or facilities included in the public-private project are purchased at a reasonable price. For public-private partnerships using the design-build project delivery method, the provisions of G.S. 143-128.1A shall apply.

(e) A private developer and its contractors shall make a good-faith effort to comply with G.S. 143-128.2, G.S. 143-128.4, and to recruit and select small business entities.

(f) A private developer may perform a portion of the construction or design work only if both of the following criteria apply:
(1) A previously engaged contractor defaults, and a qualified replacement cannot be obtained after a good-faith effort has been made in a timely manner.
(2) The governmental entity approves the private developer to perform the work.

(g) The following bonding provisions apply to any development contract entered into under this section:
(1) A payment bond shall be required for any development contract as follows: A payment bond in the amount of one hundred percent (100%) of the total anticipated amount of the construction contracts to be entered into between the private developer and the contractors to design or construct the improvements required by the development contract. The payment bond shall be conditioned upon the prompt payment for all labor or materials for which the private developer or one or more of its contractors or those contractors' subcontractors are liable. The payment bond shall be solely for the protection of the persons furnishing materials or performing labor or services for which the private developer or its contractors or subcontractors are liable. The total anticipated amount of the construction contracts shall be stated in the development contract and certified by the private developer as being a good-faith projection of its total costs for designing and constructing the improvements required by the development contract. The payment bond shall be executed by one or more surety companies legally authorized to do business in the State of North Carolina and shall become effective upon the awarding of the development contract. The development contract may provide for the requirement of a performance bond.

(2) a. Subject to the provisions of this subsection, any claimant who has performed labor or furnished materials in the prosecution of the work required by any contract for which a payment bond has been given pursuant to the provisions of this subsection, and who has not been paid in full therefor before the expiration of 90 days after the day on which the claimant performed the last labor or furnished the last materials for which that claimant claims payment, may bring an action on the payment bond in that claimant's own name to recover any amount due to that claimant for the labor or materials and may prosecute the action to final judgment and have execution on the judgment.

b. Any claimant who has a direct contractual relationship with any contractor or any subcontractor but has no contractual relationship, express or implied, with the private developer may bring an action on the payment bond only if that claimant has given written notice of claim on the payment bond to the private developer within 120 days from the date on which the claimant performed the last of the labor or furnished the last of the materials for which that claimant claims payment, in which that claimant states with substantial accuracy the amount claimed and the name of the person for whom the work was performed or to whom the material was furnished.

c. The notice required by sub-subdivision b. of this subdivision shall be served by certified mail or by signature confirmation as provided by the United States Postal Service, postage prepaid, in an envelope addressed to the private developer at any place where that private developer's office is regularly maintained for the transaction of business or in any manner provided by law for the service of summons. The claimants' service of a claim of lien on real property or a claim of lien on funds as funds as allowed by Article 2 of Chapter 44A of the General Statutes on the private developer shall be deemed, nonexclusively, as adequate notice under this section.

(3) Every action on a payment bond as provided in this subsection shall be brought in a court of appropriate jurisdiction in a county where the development contract or any part thereof is to be or has been performed. Except as provided in G.S. 44A-16(c), no action on a payment bond shall be commenced after one year from the day on which the last of the labor was performed or material was furnished by the claimant.

(4) No surety shall be liable under a payment bond for a total amount greater than the face amount of the payment bond. A judgment against any surety may be reduced or set aside upon motion by the surety and a showing that the total amount of claims paid and judgments previously rendered under the payment bond, together with the amount of the judgment to be reduced or set aside, exceeds the face amount of the bond.

(5) No act of or agreement between the governmental entity, a private developer, or a surety shall reduce the period of time for giving notice under sub-subdivision (2)b. of this subsection or commencing action under subdivision (3) of this subsection or otherwise reduce or limit the liability of the private developer or surety as prescribed in this subsection. Every bond given by a private developer pursuant to this subsection shall be conclusively presumed to have been given in accordance with the provisions of this subsection, whether or not the bond is drawn as to conform to this subsection. The provisions of this subsection shall be conclusively presumed to have been written into every bond given pursuant to this subsection.

(6) Any person entitled to bring an action or any defendant in an action on a payment bond shall have a right to require the governmental entity or the private developer to certify and furnish a copy of the payment bond, the development contract, and any construction contracts covered by the bond. It shall be the duty of the private

developer or the governmental entity to give any such person a certified copy of the payment bond and the construction contract upon not less than 10 days' notice and request. The governmental entity or private developer may require a reasonable payment for the actual cost of furnishing the certified copy. A copy of any payment bond, development contract, and any construction contracts covered by the bond certified by the governmental entity or private developer shall constitute prima facie evidence of the contents, execution, and delivery of the bond, development contract, and construction contracts.

(7) A payment bond form containing the following provisions shall comply with this subsection:

a. The date the bond is executed.
b. The name of the principal.
c. The name of the surety.
d. The governmental entity.
e. The development contract number.
f. All of the following:
   1. "KNOW ALL MEN BY THESE PRESENTS, That we, the PRINCIPAL and SURETY above named, are held and firmly bound unto the above named [governmental entity], hereinafter called [governmental entity], in the penal sum of the amount stated above, for the payment of which sum well and truly to be made, we bind ourselves, our heirs, executors, administrators, and successors, jointly and severally, firmly by these presents."
   2. "THE CONDITION OF THIS OBLIGATION IS SUCH, that whereas the Principal entered into a certain development contract with [governmental entity], numbered as shown above and hereto attached."
   3. "NOW THEREFORE, if the Principal shall promptly make payment to all persons supplying labor and material in the prosecution of the construction or design work provided for in the development contract, and any and all duly authorized modifications of the contract that may hereafter be made, notice of which modifications to the surety being hereby waived, then this obligation to be void; otherwise to remain in full force and virtue."
   4. "IN WITNESS WHEREOF, the above bounden parties have executed this instrument under their several seals on the date indicated above, the name and corporate seal of each corporate party being hereto affixed and these presents duly signed by its undersigned representative, pursuant to authority of its governing body." Appropriate places for execution by the surety and principal shall be provided.

(8) In any suit brought or defended under the provisions of this subsection, the presiding judge may allow reasonable attorneys' fees to the attorney representing the prevailing party. Attorneys' fees under this subdivision are to be taxed as part of the court costs and shall be payable by the losing party upon a finding that there was an unreasonable refusal by the losing party to fully resolve the matter which constituted the basis of the suit or the basis of the defense. For purposes of this subdivision, the term "prevailing party" means a party plaintiff or third-party plaintiff who obtains a judgment of at least fifty percent (50%) of the monetary amount sought in a claim or a party defendant or third-party defendant against whom a claim is asserted which results in a judgment of less than fifty percent (50%) of the amount sought in the claim defended. Notwithstanding the provisions of this subdivision, if an offer of

judgment is served in accordance with G.S. 1A-1, Rule 68, a "prevailing party" is an offeree who obtains judgment in an amount more favorable than the last offer or is an offeror against whom judgment is rendered in an amount less favorable than the last offer.

(9) The obligations and lien rights set forth in Article 2 of Chapter 44A of the General Statutes shall apply to a project awarded under this section to the extent of any property interests held by the private developer in the project. For purposes of applying the provisions of Article 2 of Chapter 44A of the General Statutes, the private developer shall be deemed the owner to the extent of that private developer's ownership interest. This subdivision shall not be construed as making the provisions of Article 2 of Chapter 44A of the General Statutes apply to governmental entities or public buildings to the extent of any property interest held by the governmental entity in the building.

(h) The governmental entity shall determine its programming requirements for facilities to be constructed under this section and shall determine the form in which private developers may submit their qualifications. The governmental entity shall advertise a notice for interested private developers to submit qualifications in a newspaper having general circulation within the county in which the governmental entity is located. Prior to the submission of qualifications, the governmental entity shall make available, in whatever form it deems appropriate, the programming requirements for facilities included in the public-private project. Any private developer submitting qualifications shall include the following:

(1) Evidence of financial stability. However, "trade secrets" as that term is defined in G.S. 66-152(3) shall be exempt from disclosure under Chapter 132 of the General Statutes.

(2) Experience with similar projects.

(3) Explanation of project team selection by either listing of licensed contractors, licensed subcontractors, and licensed design professionals whom the private developer proposes to use for the project's design and construction or a statement outlining a strategy for open contractor and subcontractor selection based upon the provisions of this Article.

(4) Statement of availability to undertake the public-private project and projected time line for project completion.

(5) Any other information required by the governmental entity.

(i) Based upon the qualifications package submitted by the private developers and any other information required by the governmental entity, the governmental entity may select one or more private developers with whom to negotiate the terms and conditions of a contract to perform the public-private project. The governmental entity shall advertise the terms of the proposed contract to be entered into by the governmental entity in a newspaper having general circulation within the county in which the governmental entity is located at least 30 days prior to entering into the development contract. If the governmental entity is a public body under Article 33C of this Chapter, the development contract shall be considered in an open meeting of that public body following a public hearing on the proposed development contract. Notice of the public hearing shall be published in the same notice as the advertisement of the terms under this subsection.

(j) The governmental entity shall make available a summary of the development contract terms which shall include a statement of how to obtain a copy of the complete development contract.

(k) Leases entered into under this section are subject to approval as follows:

(1) If a capital lease or operating lease is entered into by a unit of local government as defined in G.S. 159-7, that capital lease or operating lease is subject to approval by the local government commission under Article 8 of Chapter 159 of the General Statutes if it meets the standards set out in G.S. 159-148(a)(1), 159-148(a)(2), and 159-148(a)(3), 159-148(a)(4) or 159-153. For purposes of determining whether the standards set out in G.S. 159-148(a)(3) have been met, only the five hundred

CONSTRUCTION MANAGEMENT AT RISK
A NEW CONSTRUCTION DELIVERY METHOD
For
PUBLIC SCHOOLS

Senate Bill 914, ratified by the General Assembly December 6, 2001, made more changes to the public bidding and construction laws than at any time in recent history. Among the items affected were the construction methods authorized in the delivery of projects for public entities, including public school systems. The five (5) methods authorized are as follows:

1. Separate / Multi-Prime Contracting: Separate drawings / specifications and prime contracts for each work division (G, P, H, E, etc.). (The traditional method everyone grew up with)
2. Single-Prime Contracting: Separate drawings / specifications for each work division (G, P, H, E, etc.) but only one prime contract.
3. Dual Bidding: Bids received under both single and separate prime methods; award at the discretion of the Board of Education.
4. Construction Management-at-Risk: The "new kid on the block" (Discussed in detail below)
5. Alternative Contracting Methods: Upon approval of the State Building Commission, Design Build and other methods will be considered on a project-by-project basis. Must be competitively bid. A local act by The N.C. Legislature can authorize alternative methods, as well.

CONSTRUCTION MANAGEMENT AT RISK (CM@R)

DEFINITION:

N.C. General Statute 143-128.1 defines "construction management at risk services" as services provided by a person, corporation, or entity that

1. Provides construction management services for a project throughout the preconstruction and construction phases. These services may include preparation and coordination of bid packages, scheduling, cost control, value engineering, evaluation, other preconstruction services and construction administration.
2. Is a licensed general contractor.
3. Guarantees the cost of the project. (Guaranteed maximum price, or G.M.P.)

General Statute 143-128.1 further states:

- CM@R: selected in accordance with General Statute 143-64.31
- Design services shall be performed by licensed Architect or Engineer
- Public Owner shall contract directly with Architect or Engineer
- CM@R shall contract directly with Public Owner for all construction
    - CM@R may self-perform a portion of the work only if :
        1. Bidding produces no responsible, responsive bidder for that portion of the work, or
        2. Subcontractor defaults and a pre-qualified replacement cannot be obtained in a timely manner, and
        3. Public Owner approves of the CM@R's performance of the work
- All bids shall be opened publicly and, once opened, become public record
- CM@R shall act as the fiduciary of the Public Owner in handling and opening bids
- CM@R shall award the contract to the lowest responsible, responsive bidder taking into consideration:
    - Quality
    - Performance
    - Time specified for performance of the contract
    - Cost of construction oversight
    - Time for completion
- Public Owner may change a first-tier subcontractor for any portion of the work provided the CM@R is compensated for any cost increase
- G.S. 143-128(f), Minority Business Enterprises (MBE) program requirements shall be met.
- G.S. 143-128(g), Dispute Resolution, shall be complied with
- CM@R: Performance and Payment bond to the Owner is required

SELECTION OF CM@R

- Qualifications-based selection process per General Statute 143-64.31 similar to that process used for designer (Architect or Engineer) selection:
- Selection not based on fee but on qualifications
- Suggested Selection Criteria:
    1. Workload that is able to accommodate the addition of this project.
    2. Record of successfully completed projects of similar scope without legal or technical problems.
    3. Previous experience with the Public Owner, a good working relationship with owner representatives, projects completed in a timely manner and an acceptable quality of work.
    4. Key personnel that have appropriate contract experience and qualifications.
    5. Relevant and easily understood graphic or tabular presentations.
    6. Completion of Construction Manager-at-Risk projects, in which there were few differences between the guaranteed maximum price and final cost.
    7. Projects that were completed on or ahead of schedule.
    8. Recent experience with project costs and schedules.
    9. Construction administration capabilities.
    10. Proximity to and familiarly with the area where the project is located.
    11. Quality of compliance plan for minority business participation as required by G.S. 143-128.2.
- Fee to be negotiated after selection
- The designer (licensed Architect or Engineer) will be selected separately
- CM@R contracts directly with the Owner
- Designer (Architect or Engineer) contracts directly with the Owner
- No contract exists between the CM@R and the Designer

"PRIMER ON PROJECT DELIVERY" by AIA and AGC (joint publication) says the following:

- CM@R: Oversees project management and building technology issues:
  - Advice on time and cost consequences of design and construction decisions
  - Scheduling
  - Cost control
  - Advertising for and opening of bids
  - Coordination of construction activities
  - Contract negotiations and awards
  - Timely purchasing of critical materials and long-lead-time items
- CM@R provides a guaranteed maximum price, but the timing is flexible and depends on:
  - Evaluation of the amount of design information available
  - Amount of contingency included
  - Owner's willingness to share in the risk of cost overruns
- Defining characteristics of CM@R:
  - Three prime players: Owner, Designer, CM@R
  - Two separate contracts: Owner to Designer, Owner to CM@R
  - Final provider selection based on aspects other than total cost
- Typical characteristics of CM@R approach include the following:
  - Overlapping phases: design and build (fast track)
  - Hiring of construction manager during the design phase
  - Preconstruction services offered by the CM@R:
    - Constructability review
    - Bid management
  - Specific contractual arrangement determines the role of the players
- Advantages:
  - Construction firm selected by interview based on quality rather than low bid
  - Early CM@R involvement in estimates and constructability
  - Owner selects architect and CM@R separately and may be involved in selection of subcontractors
  - All work except CM@R fee is bid
  - Single point of accountability: CM@R signs contracts with all sub-contractors.
  - Guaranteed maximum price
  - Enables fast-tract delivery (construction begins before design is complete), saving time
  - Good for large, complex projects
- Disadvantages:
  - Negotiated CM@R fee is not competitively bid
  - Not suited for small projects

CONTINGENCIES:

- As a part of the overall project costs, and to cover unexpected expenses, the following contingencies should be included:
  - Owner's Contingency: To cover:
    - Costs due to Owner's change in scope
  - CM@R – GMP Contingency: To cover:
    - Scope gaps between trade contractors
    - Contract default by trade contractors
    - Unforeseen field conditions
    - Costs of corrective work not provided elsewhere
    - Design omissions which a prudent CM@R could not have reasonably detected during the pre-construction phase
    - Note: Any cost overruns in excess of this CM@R-GMP Contingency will be borne by the CM@R.

MISCELLANEOUS:

- The Architect/Engineer works directly for the Owner and owes no allegiance to, nor derives any benefit from, work of the CM@R, prime contractors, subcontractors, or manufacturers.
- The CM@R receives proposals from and awards contracts to first-tier subcontractors who have been pre-qualified.
- The contracts are between the CM@R and the prime or subcontractors. (not between the subcontractors and the owner)
- The final construction price is the CM@R's fee and the subcontractors' bids
- The CM@R provides a guaranteed maximum price (GPM). The owner will not pay more than the GMP and will retain any savings. There is sometimes an agreement between the owner and the CM@R to share any savings in a predetermined ratio.
- It is feasible to establish a guaranteed maximum price (GPM) at the conclusion of the Design Development Phase, provided contingencies are established to take into account this early date. (The state construction office recommends the GPM be based on the final approved construction drawings and specifications.)
- Because of additional up-front expenses in the form of fees payable to the CM@R, the CM@R method of project delivery is not recommended for smaller projects. (The N.C. University System recommends the use of CM@R only for those projects in excess of $8 million value.) *
- CM@R is most useful if selected early in the design process (no later than the beginning of the Design Development phase is recommended)
- CM@R is not suitable for site-adapted re-use structures (prototypes)

* Recently a few school systems have been trying the CM@R delivery system for much smaller projects. The results of this will soon be known.

REPORTING REQUIREMENTS:

- General Statute 143-64.31(b) requires that a public entity contracting with a CM@R shall submit a report to the Secretary of Administration, listing certain information.

RESOURCES:

- American Institute of Architects (AIA) website: www.aia.org
  – Forms in the "CM" Series for CM@R
- Although the following resources are written specifically for state-owned projects, much applicable information such as check lists, general conditions, etc. will be useful to those facility personnel and designers planning to use CM@R:
  – N.C. State Construction Office (SCO) website: www.nc-sco.com
  – University of North Carolina System website: www.northcarolina.edu

NEXT CHALLENGE. NEXT LEVEL.
NEXSEN|PRUET

Insights

Construction Law Alert: "P3" is Way More than a New Buzzword

North Carolina's Approval of Public-Private Partnerships and Design-Build Procurement

August 19, 2014

Author:

Jeffrey M. Reichard

August 23rd marks the one-year anniversary of House Bill 857 ("HB 857") becoming law in North Carolina. Through the enactment of HB 857, the Tar Heel state opened its doors to what is commonly referred to across the country as "P3," which is shorthand for public-private partnerships. Twelve months is not enough time to determine the long-term impacts of this new legislation, but it does offer an opportunity to explore what the growing P3 buzz is all about.

HB 857, which is entitled "An Act Authorizing Public Contracts to Utilize the Design-Build Method or Public-Private Partnership Construction Contracts," drastically expanded the available project delivery methods and financing options for public entities in North Carolina. This should lead to higher-quality construction projects and cost savings for public entities. As its name suggests, HB 857 permits the state, counties, municipalities and other public bodies within the State of North Carolina to award construction contracts for public projects using design-build and design-build bridging project delivery methods and public-private partnership financing.

Prior to HB 857, public bodies in North Carolina were limited to design-bid-build project delivery systems using single-prime bidding, multi-prime bidding, dual bidding and construction management at risk contracts. Design-build procurement was considered an alternative contract method that required approval from the North Carolina legislature or the State Building Commission. This resulted in time-consuming local legislative bills by various counties and municipalities for specific construction projects within their jurisdictions. With the passage of HB 857, public entities no longer need to seek specific legislative or administrative approval to procure public construction projects through these alternative delivery systems, but they must meet certain additional requirements established by HB 857.

Public-Private Partnerships

RELATED PROFESSION/

Jeffrey M. Reichard

RELATED INDUSTRIES

Construction

Health Care

Hospitality & Tourism

Manufacturing

RELATED SERVICES

Construction Law

Employment Immigration

Legislative & Regulatory

Real Estate Law

NEWS

77 Nexsen Pruet Attorneys N to the 2014 Edition of Best Lawyers in America®
August 19, 2013

INSIGHTS

Construction Law Alert: Long Express Warranties
April 1, 2014

A Guide To North Carolina's Mechanic's Lien And Bond L Changes
July 17, 2012

A public-private partnership is a financing mechanism that allows public entities to deliver capital improvements that they could not otherwise afford without private involvement. HB 857 allows governmental entities to partner with private entities for acquiring, constructing, owning, leasing and operating capital improvement projects. However, the private developer is required to provide at least fifty percent (50%) of the financing for the total cost necessary to deliver the capital improvement.

Before entering into a public-private partnership, a governmental entity must determine in writing that it has a critical need for the capital improvement, determine its programming requirements for the project and solicit private developers to submit qualifications. The governmental entity and the private developer must enter into a development contract that specifically identifies the property interests, development responsibilities and financing responsibilities of each participant, along with their responsibilities to put forth a good-faith effort to recruit and select minority-owned, women-owned and small business entities for the project.

Design-Build Contracts

Under traditional pre-HB 857 project delivery methods, the governmental entity was required to hire an architect or engineer to design the project, then provide public notice for contractors to bid the project based on that design, and then select the lowest responsive, responsible bidder from those bids to construct the project. Design-build allows the governmental entities to integrate those steps into one contract, such that one entity is responsible for both the design and construction of the project. This furthers collaboration among the design professional, contractor and owner during the entire process to ensure delivery of quality and cost-efficient building.

HB 857 allows the governmental entity to select the design-builder "on the basis of demonstrated competence and qualifications for the type of professional services required without regard to fee other than unit price information," essentially the same selection criteria as is used for the selection of design professionals. The governmental entity must thereafter "negotiate a contract for those services at a fair and reasonable fee with the best qualified firm." If the contract cannot be negotiated with the best qualified firm, the governmental entity may negotiate with the next best qualified firm. In order to facilitate this, the governmental entity must first establish the requirements for the project, including the project budget, schedule and criteria to be considered for selection, and issue a public notice of the request for qualifications from potential design-builders. After receiving design-build proposals, the governmental entity will evaluate the qualifications of the design-builders and rank the three (3) most qualified design-builders before negotiating a contract with them as discussed above.

Design-Build Bridging

Design-build bridging is a hybrid between design-bid-build and design-build project delivery systems. Given the extensive costs of preparing and submitting design-build proposals, the design-build bridging concept effectively allows smaller local design-builders to compete with larger national firms on construction projects where smaller design-builders otherwise would not have sufficient resources to prepare and submit proposals under the traditional design-build procurement method.

Under the design-build bridging scheme authorized by HB 857, a governmental entity first contracts with a design professional to create sufficient drawings and specifications for the project to allow design-builders to make responsive bid proposals. Specifically, the design profession will create thirty-five percent (35%) of the completed design documentation for the entire construction project. After the design professional completes the preliminary design documents, the governmental entity will issue public notice of the request for proposals from design-builders. The governmental entity will then evaluate the qualifications of each design-build proposal received in response to the notice and will group the top three proposals without ordinal ranking. Out of the top three qualified design-builders, the governmental entity will select the lowest responsive, responsible design-builder by taking into consideration the cumulative amount of fees, quality, performance and the time specified for performance of the contract. In essence, the design-build bridging concept includes elements of both traditional design-bid-build and design-build procurement.

Expect to See More of P3

As elected officials, private developers and capital resources learn more about North Carolina's openness to public-private partnerships, you can expect to read and hear a lot more about P3 deals. The new law opened the door a year ago. Now, let's see who walks through.

###

Jeffrey M. Reichard is an associate with Nexsen Pruet's Construction Practice Group. He practices in the firm's Greensboro office and regularly advises businesses owners and professionals on a wide range of matters related to construction, commercial litigation and intellectual property. (336) 387-5139 | jreichard@nexsenpruet.com

Peckar & Abramson, P.C.

CLIENT ALERT

RESULTS FIRST SM

Updates to North Carolina P3 Law

FRANK M. RAPOPORT
JOSHUA A. LEVY

Introduction

Public-Private Partnerships, commonly referred to as P3s, are contractual agreements between public and private entities that provide for significant involvement of private entities in the delivery and financing of public buildings and infrastructure projects. Under a P3 agreement, the private entity assumes the project's financing and is entitled to either the revenue generated from project activities or performance-based government payments.

Public-Private Partnerships enable public entities to undertake projects which they might otherwise postpone or ignore due to lack of funds. P3 projects also create a vast number of jobs, and dramatically accelerate project completion when compared to traditional Design-Bid-Build projects. There are several different types of P3 delivery options; however, the most common P3 system is a Design-Build-Finance-Operate-Maintain (DBFOM) transaction.

North Carolina Background on P3 Law and Process of Current Law

Historically in North Carolina, local municipalities and state agencies required approval from the State Building Commission to engage in any type of procurement for construction other than traditional procurement methods such as separate-prime bidding, single-prime bidding, dual bidding, and construction management at risk contracts. *See* G.S. § 143-128(a1) & § 143-128(9). On August 23, 2013, Governor Pat McCrory of North Carolina signed into law HB 857, which empowered these entities to engage in alternative delivery methods, such as design-builds and public-private partnerships.

As a result, North Carolina amended G.S. § 143-128, thus allowing local government and state agencies to use P3s and design-build contracts to construct a wide range of projects. Although unsolicited proposals are not contemplated under the statute, public entities may still pursue alternative procurement vehicles subject to the stringent criteria set forth in the new statutory framework. *See, e.g.*, § 143-128.1A. (establishing criteria regarding design-build contracts); § 143-128.1B (establishing criteria for design-build bridging); § 143-128.1C. (establishing criteria for P3s). This new framework creates a mechanism whereby the government entity must also submit a detailed report explaining why it chose the alternative delivery system over traditional procurement methods.

Despite the criteria and reporting requirements contained therein, this new law recognizes that that North Carolina is "not wholly satisfied by existing procurement methods" for the design, construction, improvement, renovation and expansion of public buildings. This new enabling legislation therefore provides opportunities for government entities to become more creative in their approach.

Please Contact

Frank M. Rapoport
frapoport@pecklaw.com
212.382.0909

Joshua A. Levy
jlevy@pecklaw.com
305.358.2600

Overview of Key Points of New Legislation

- A "government entity" is defined as "[e]very officer, board, department, commission, or commissions charged with responsibility of preparation of specifications or awarding or entering into contracts for the erection, construction, alteration, or repair of any buildings for the State or for any county, municipality, or other public body." § 143-128.1B (a)(6). However, this new law is not meant to affect the existing statutes, regulations, or practices for projects administered by the North Carolina Department of Transportation, nor is it meant to apply to any contract between the University of North Carolina or one of its constituent institutions. It is also not meant to apply to a private, nonprofit corporation established under Part 2B of Article 1 of Chapter 116 of the General Statutes.

- A P3 project is defined as: "A capital improvement project undertaken for the benefit of a governmental entity and a private developer pursuant to a development contract that includes construction of a public facility or other improvements, including paving, grading, utilities, infrastructure, reconstruction, or repair, and may include both public and private facilities." § 143-128.1C(a)(8) (emphasis added).

- Government entities can now to engage in P3 work if it is determined that there is "a critical need for a capital improvement project," and in such a case, the entity "may acquire, construct, own, lease as lessor or lessee, and operate or participate in the acquisition, construction, ownership, leasing, and operation of a public private project, or of specific facilities within such a project, including the making of loans and grants from funds available to the governmental entity for these purposes." § 143-128.1C(b).

- In order to engage in such P3 delivery systems, the government entity will determine the scope of what facilities should be built according to the P3 model, and the form in which developers can apply to win such work. The entity must advertise a notice of interested private developers to submit qualifications in a newspaper having circulation in the county where the entity is located. § 143-128.1C(h).

- The private developer is chosen based upon qualifications such as evidence of financial stability (exclusive of "trade secrets"), experience with similar projects, explanation of the proposed project team, a statement of availability to undertake the project and a projected timeline for completion, and any other information required by the government entity. § 143-64.31(h) & (i).

- Small business entities and resident companies are favored and even given preference under this framework. See § 143-128.1C(e) & § 143-64.31(a1).

- The Secretary of Administration will oversee the P3 procurement process, the design-build process, and contracts with construction managers at risk, all of which are contemplated under the new legislation. Government entities have reporting requirements that include justifying why such processes were used over traditional procurement processes. § 143-64.31(b) & (c).

- Statute 143-128.1C (a)(4) provides that in any P3 deal, the private entity is required to finance at least 50% of the project.

- As set forth in Sections 8(a), (b), & (c) of the new bill, there is now established a Purchase and Contract Study Committee to study prequalification on public non-transportation construction work for both local and State government projects. The Committee is required to report its findings to the General Assembly on or before the convening of the 2014 Session of the 2013 General Assembly. The Purchase and Contract Study Committee includes:

  - Two Senators, appointed by the President Pro Tempore of the Senate.
  - Two Representatives, appointed by the Speaker of the House of Representatives.
  - Three licensed general contractors, appointed by the President Pro Tempore of the Senate.
  - One professional engineer, appointed by the Speaker of the House of Representatives.
  - One registered architect, appointed by the Speaker of the House of Representatives.
  - One person upon recommendation of the North Carolina League of Municipalities, appointed by the Speaker of the House of Representatives.
  - One person upon recommendation of the North Carolina County Commissioners Association, appointed by the President Pro Tempore of the Senate.
  - A representative from the State Construction Office.

CMAA Southern California Chapter

www.cmaasc.org

Project Delivery Systems: Pro vs. Con
Design-Bid-Build vs. CM @ Risk vs. Design-Build

The careful choice of Project Delivery System (PDS) can help overcome many project challenges. A project delivery system is, simply, the contractual structure (exclusive of the financial arrangements) for how the final project is produced and provided, i.e. delivered, to the owner. The various types of project delivery systems are often consolidated down to three basic approaches:

- Design-bid-build (DBB)
- Construction Manager at Risk (CM@R)
- Design-build (DB)

The appropriateness of any given project delivery system varies, depending upon the project goals, time constraints, cost constraints, party at risk, and existing site conditions. Prudent airport project owners should investigate each alternative, and its potential for success or failure, on a case-by-case basis.

Project owners generally want the same things: construction at the lowest cost, of the highest quality, and done within the shortest period of time. Some goals, however, may take precedent over others. The speed of implementation, for example, may be more important than cost on certain projects. For others, maintainability and low life-cycle costs may be more important than initial cost. Owner control of the design and/or construction may be important for some, while, for others, limiting the risk of costly changes is paramount. Goals to consider include:

- Lowest cost consistent with quality and performance objectives
- Initial cost versus life-cycle cost
- Shortest schedule for overall project delivery
- High quality
- Comply with technical specifications
- Meet overall expectations
- Promotes innovation and value engineering
- Limit the cost of design changes
- Limit the risk of cost and schedule growth
- Control over design decisions
- Control over construction quality
- Limit impact on current operations, safety, security
- Limit construction 'aggravation'
- Limit demands on owner resources

- Limit number of contractual entities/points of responsibility
- Limit claims for additional cost

When selecting an appropriate project delivery system, first define the goals and objectives for the project, and define any unique issues that could significantly impact it. Then rank these goals, objectives and issues in order of priority and importance, and match them to the strengths and attributes of the various project delivery systems. For example, some projects may be challenged by frequent design changes or by other potential disruptions. The selection of a project delivery system should take these issues into account. Also, project owners must recognize the various trade-offs relating to cost, time, quality, control and risk, and select a PDS approach that provides the proper balance.

The selection process should strive to match PDS strengths to the project goals and match PDS attributes to the important issues which must be effectively addressed and managed to enhance successful project delivery. The analysis is not so much a question of advantages versus disadvantages but rather to select the PDS whose strengths and attributes best match or align with the goals and needs of the project. A PDS may have attributes viewed as a disadvantage for one specific project while those same attributes may prove advantageous for a different project.

The primary strengths, considerations, and advantages of the alternate project delivery systems are summarized below.

Design-Bid-Build (DBB)

Advantages	Considerations
Owner controls design and construction	Requires significant owner expertise and resources
Design changes easily accommodated prior to start of construction	Shared responsibility for project delivery
Design is complete prior to construction award	Owner at risk to contractor for design errors
Construction cost is fixed at contract award	Design and construction are sequential, typically resulting in longer schedules
Low bid cost, maximum competition	Construction cost unknown until contract award
Relative ease of implementation	No contractor input in design, planning or value engineering (VE).
Owner controls design/construction quality	

Construction Manager at Risk (CM@R)

Advantages	Considerations
Transfer of responsibility for construction, and some risk, from owner to CM	Reduced owner control of construction

Construction cost known and fixed during design	Design changes after construction begins are costly
CM has total control of construction and all subcontractors	Potentially conflicting interests as both CM and contractor
Construction may start before design completion, reducing project schedule	

Design-Build (DB)

Advantages	Considerations
Single entity responsible for design and construction	Minimal owner control of both design and construction quality
Construction often starts before design completion reducing project schedule	Requires a comprehensive and carefully prepared performance specification
Construction cost known and fixed during design, price certainty	Design changes after construction begins are costly
Transfer of design and construction risk from owner to the DB entity	Potentially conflicting interests as both designer and contractor
Emphasis on cost control	No party responsible to represent owner's interests
Requires less owner expertise and resources	Use may be restricted by regulation
	High bid costs/fewer bidders

Once the selection of a delivery system is made, it is important that the owner take additional and continuing steps to maximize the chances of its success:

- Effectively communicate to the various team members (architects, engineers, CMs, contractors and consultants) the goals, objectives and issues that drove the selection of project delivery system. It is important they understand and commit to the owner's expectations.
- Ensure that the terms and conditions of the various contracts reflect the goals, objectives, issues and expectations for the project, and memorialize all related agreements. For example, if changes during construction are anticipated, be sure that the contract language defines how those changes will be managed and their cost and schedule impact minimized.
- Consider legal assistance experienced in construction matters for crafting the contract language.
- Commit to the appropriate level of owner involvement, e.g. active involvement with timely and informed decision-making so as to not delay or impact the project. Conversely, avoid imposing owner changes or controls on DB contracts.
- Assess potential risks and plan how to manage the overall program, e.g., internally or via a program management consultant.
- Finally, recognize that disputes over scope, quality and other issues may still arise. Define how such disputes will be handled so that disruption and cost/schedule impact are minimized. Consider using alternate dispute

resolution (ADR) approaches such as Project Neutral®, dispute review boards, or similar alternatives.

No project delivery system is faultless. But, choosing the system that best works for your specific project, and actively ensuring that it is properly implemented, can mean the difference between the success and failure of your next project.

Editor's Note: For an unabridged version of this article, which includes a detailed analysis of each delivery system, the risk impact, related research studies on risk, and the connection between project delivery systems and contract types, contact us via e-mail at info@hillintl.com.

Author: Maurice R. Masucci, PE
Sr. Vice President
Hill International, Inc.
info@hillintl.com

RSS Subscribe: **RSS feed**
Owner's Toolbox
Enlightened Construction Project Leadership

Head-to-Head: CM-at Risk and Design-Build

Posted on April 18, 2011

0

CM-at Risk (CM) was developed as the first major improvement over Design-Bid-Build (DBB); CM generally provided greater cost and quality control, while also delivering a project faster. CM-at Risk and Design-Build (DB) have a lot in common; yet CM is more accepted as a project delivery method, mainly because it is more familiar.

I cannot think of one benefit CM offers that DB does not. In fact, as I see it DB has five major advantages over CM-at Risk.

1. **Design-build has closer and earlier integration with the architect.** It is commonly said that the earlier the architect and contractor start interacting, the more the project benefits. CM can get both on board fairly quickly sometimes, but they are never simultaneously teamed like in DB. The sooner the architect and contractor start talking, the more strongly they can pull toward the owner's common goal, thus increasing efficiency, avoiding conflict and saving money. With integrated design-build (IDB), where the architect, engineers and contractor are all part of the same company, the additional familiarity creates magnifies the DB team's value for the owner.
1. **Design-build provides continuous cost modeling.** Accurate estimates are, arguably, the major goal of integration between architect and contractor; they help guide the owner's value decisions. CM typically prices a project at major milestones like 30, 60 and 90% complete construction documents. These prices are isolated events which take a long time. By the time the price is pulled together at 60%, the drawings are now at 75% and it is obsolete. DB offers more frequent and updated estimates (at least monthly) so program and design decisions can be made real-time for maximum impact. In addition, IDB offers another level of comfort since there is a greater understanding of quality, familiarity and expectation among all team members; they know each other's standards.
1. **Design-build offers a sooner guaranteed maximum price (GMP).** The earlier the GMP is derived and agreed to, the less financial risk the owner takes on.
1. **Design-build removes risk of escalation.** Perhaps CM's greatest flaw is that the CM works for a percentage fee with no incentive to keep the price low because all increases are passed on to the owner. Therefore, any re-design is pushed back on the architect, which is essentially the owner's responsibility to pay for—along with any time delay and associated costs.

1. **Design-build offers innovation and flexibility throughout project.** The construction manager and the architect are purposefully separate entities with CM-at Risk. With DB, the design-build team can do things the CM does not have the freedom to do, like break apart the design into bid packages for fast-track construction. Ideas like this speed the project up and save the owner money. This list is by no means exhaustive, but hopefully provides a little more insight into how related CM-at risk and Design-build are. Just as CM was the 'new and improved' DBB, Design-build is the 'new and improved' CM—except it is not new; it is just now hitting its stride after 50 years of fine tuning.

Tagged: *CM*, *CM-at risk*, *cost modeling*, *DB*, *DBB*, *Design-Build*, *GMP*, *guaranteed*
Posted in: *Design-Build*

Be the first to start a conversation

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

LEE COUNTY BOARD OF COMMISSIONERS

ITEM ABSTRACT	ITEM NO. II.
Meeting Date: 2/9/2015	x_ Information __ Action Item __ Consent Agenda

SUBJECT Debt Discussion

DEPARTMENT: Administration

CONTACT PERSON: Lisa G. Minter, Assistant County Manager/Finance Director

REQUEST: N/A-Information only

SUMMARY: Ms. Minter will review the County's current outstanding debt with the Commissioners. She will also review the proposed funding of the Community College Bonds that were approved by vote in November, and present the board a potential refunding of debt that could save the County some money.

BUDGET IMPACT: To be determined

ATTACHMENT(S): Debt Discussion power point and other analysis provided by Davenport & Company

PUBLIC HEARING: No

PRIOR BOARD ACTION: N/A

RECOMMENDATION: N/A

LEE COUNTY

Debt Discussion

Lee County Debt Outstanding (Principal and Interest)

	LCBOE	CCCC	GENERAL	TOTAL
2015	7,105,394.32	622,189.99	454,160.84	8,181,745.15
2016	7,136,907.11	604,826.36	207,769.47	7,949,502.94
2017	6,902,483.57	585,479.21	206,483.10	7,694,445.88
2018	6,725,787.88	497,438.29	103,902.90	7,327,129.07
2019	6,566,423.36	398,956.99	55,859.41	7,021,239.76
2020	6,314,778.65	378,587.53	52,575.98	6,745,942.16
2021	6,060,707.04	370,672.83	52,733.09	6,484,112.96
2022	5,801,717.37	357,849.40	51,530.19	6,211,096.96
2023	5,554,027.00	343,600.51	49,929.60	5,947,557.10
2024	5,316,459.22	328,707.83	47,679.07	5,692,846.12
2025	4,751,264.12	233,212.62	64,469.36	5,048,946.10
2026	2,216,224.06	221,970.59	61,361.61	2,499,556.26
2027	2,118,914.55	212,224.36	58,667.35	2,389,806.26
2028	2,038,634.20	204,183.71	56,444.60	2,299,262.50
TOTAL	74,609,722.44	5,359,900.22	1,523,566.57	81,493,189.22

Debt Service Funding Prior Years

	Fiscal Year Ending		
	6/30/2012	**6/30/2013**	**6/30/2014**
Total Debt Service	8,696,896.19	8,591,853.22	8,413,437.46
Less:			
Restricted sales tax	(1,922,937.45)	(2,005,285.92)	(2,243,716.36)
1/4% sales tax	(1,464,347.50)	(1,415,758.98)	(1,447,125.92)
Interest subsidy	(925,418.88)	(869,504.51)	(809,416.81)
Transfer from capital reserve	(601,000.00)	(777,000.00)	(620,000.00)
Transfer from capital project	(405,264.65)	(33,829.40)	(182,119.61)
Property taxes for debt	**3,377,927.71**	**3,490,474.41**	**3,111,058.76**

Debt Service Funding Current Year

	Fiscal Year Ending 6/30/2015
Total Debt Service	8,196,749.00
Less:	
Restricted sales tax	(2,206,859.00)
1/4% sales tax	(1,451,769.00)
Interest subsidy	(831,443.00)
Transfer from capital reserve	(620,000.00)
Transfer from capital project	-
Property taxes for debt	**3,086,678.00**

Summary of 2014 GO Bond Referendum Cases

Case	Case 1: All Questions	Case 2: Community College Economic Development	Case 3: Health Sciences Building	Case 4: Veterinary Medical Technology Facility	Case 5: Renovate Main Campus / ESTC
GO Bond Referendum Questions					
Community College Economic Development	5,000,000	5,000,000	-	-	-
Health Sciences Building	9,000,000	-	9,000,000	-	-
Veterinary Medical Technology Facility	5,000,000	-	-	5,000,000	-
Renovate Main Campus / ESTC	4,000,000	-	-	-	4,000,000
Total GO Bond Referendum	**23,000,000**	**5,000,000**	**9,000,000**	**5,000,000**	**4,000,000**
Financing Assumptions					
Amortization	Level Principal	Level Principal	Level Principal	Level Principal	Level Principal
Assumed Interest Rate	5.00%	5.00%	5.00%	5.00%	5.00%
Issuance (FY)	2016	2016	2016	2016	2016
First Interest (FY)	2016	2016	2016	2016	2016
First Principal (FY)	2017	2017	2017	2017	2017
Total Principal	**$23,000,000**	**$5,000,000**	**$9,000,000**	**$5,000,000**	**$4,000,000**
Total Debt Service	**$36,225,000**	**$7,875,000**	**$14,175,000**	**$7,875,000**	**$6,300,000**
Debt Affordability Analysis (Tax Equivalent)					
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	2.20¢	-	-	-	-
2018	-	-	-	-	-
2019	-	-	-	-	-
2020	-	-	-	-	-
Total Tax Equivalent	**2.20¢**	**0.00¢**	**0.00¢**	**0.00¢**	**0.00¢**
Pro-rata Tax Equivalent (Based on Par Amount)					
Community College Economic Development	0.48¢	-	-	-	-
Health Sciences Building	0.86¢	-	-	-	-
Veterinary Medical Technology Facility	0.48¢	-	-	-	-
Renovate Main Campus / ESTC	0.38¢	-	-	-	-
Total	**2.20¢**	**0.00¢**	**0.00¢**	**0.00¢**	**0.00¢**

Potential Funding of Community College Debt and Additional School Debt

Case	Existing	Case 1: Combined Community College and School Projects			Case 2: Community College Projects		Case 3: School Projects	Case 4: Fund Community College and fund Schools when possible with a 2¢ FY 16 tax increase		
		CC Phase 1	School	CC Phase 2	CC Phase 1	CC Phase 2	School	CC Phase 1	School	CC Phase 2
Amortization	N/A	Level Principal	Level Principal	Level Principal	Level Principal	Level Principal	Level Principal	Level Principal	Level Principal	Level Principal
Assumed Interest Rate	N/A	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Issuance (FY)	N/A	FY 2016	FY 2016	FY 2018	FY 2016	FY 2018	FY 2016	FY 2016	FY 2019	FY 2018
First Interest	N/A	FY 2016	FY 2016	FY 2018	FY 2016	FY 2018	FY 2016	FY 2016	FY 2020	FY 2018
First Principal	N/A	FY 2017	FY 2017	FY 2019	FY 2017	FY 2019	FY 2017	FY 2017	FY 2020	FY 2019
Total Principal		$18,000,000	$18,000,000	$5,000,000	$18,000,000	$5,000,000	$18,000,000	$18,000,000	$18,000,000	$5,000,000
Total Debt Service		$28,350,000	$28,350,000	$7,875,000	$28,350,000	$7,875,000	$28,350,000	$28,350,000	$27,450,000	$7,875,000
Debt Ratios (Worst Shown)										
Debt Per Capita	$1,132		$1,519		$1,226		$1,226		$1,271	
Debt to AV	1.41%		1.89%		1.53%		1.53%		1.58%	
Payout Ratio	76.50%		71.80%		78.10%		78.10%		75.70%	
DS vs. Expenditures	11.70%		15.26%		12.99%		12.99%		14.34%	
Debt as a % of Revenues	107.04%		146.53%		118.30%		118.30%		126.36%	
Tax Impact										
2014	-		-		-		-		-	
2015	-		-		-		-		-	
2016	-		0.55¢		-		-		2.00¢	
2017	-		5.13¢		0.65¢		0.65¢		-	
2018	-		-		0.90¢		0.39¢		-	
2019	-		-		-		-		-	
2020	-		-		-		-		-	
Total Tax Impact	0.00¢		5.68¢		1.56¢		1.04¢		2.00¢	
Required Additional Reserves to Eliminate Tax Impact			$13,703,194		$2,419,413		$639,532		$9,450,034	

Potential Refunding of 2006 COPS

2006 Certificates of Participation

Current Market Refunding Results

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

Summary of Refunding Results

Bonds Refunded		
Par Refunded	$	18,980,000
Coupon		4.000% - 5.000%
Call Date		4/1/2017
Call Price		100.00%
Maturities Refunded		4/1/2018 - 4/1/2028

Refunding Bonds		
Bond Par Amount	$	17,510,000
Final Maturity		4/1/2028
True Interest Cost		2.472%
All-In TIC		2.641%

Savings		
Gross Savings	**$**	**1,437,105**
Net PV Savings	**$**	**1,221,433**
Net PV Savings %		**6.435%**
Average Annual Savings	$	110,547

Negative Arbitrage		
Arbitrage Yield		2.237%
Escrow Yield		0.472%
Negative Arbitrage	$	664,582

Annual Savings

Year	Net Prior Bond Debt Service	Net Refunding Debt Service	Annual Savings
6/30/2015	-	-	-
6/30/2016	865,925	800,370	65,555
6/30/2017	865,925	849,950	15,975
6/30/2018	2,175,925	2,054,950	120,975
6/30/2019	2,275,425	2,151,750	123,675
6/30/2020	2,141,675	2,017,750	123,925
6/30/2021	2,148,075	2,024,250	123,825
6/30/2022	2,099,075	1,977,250	121,825
6/30/2023	2,033,875	1,909,250	124,625
6/30/2024	1,942,200	1,821,250	120,950
6/30/2025	2,626,150	2,504,250	121,900
6/30/2026	2,499,556	2,374,750	124,806
6/30/2027	2,389,806	2,266,500	123,306
6/30/2028	2,299,263	2,173,500	125,763
Total	**$ 26,362,875**	**$ 24,925,770**	**$ 1,437,105**

Notes:
- Net of estimated Fixed Cost of Issuance of $250,000 and Underwriter's Discount of $87,550.
- Market estimates as of 1/26/15 are preliminary and subject to change.
- Assumes a closing date of 4/22/2015.

Potential Refunding of 2006 COPS

	4/22/2015 Current Market	4/22/2015 +10bps	4/22/2015 +20bps	4/1/2016 Current Market	4/1/2017 Current Market
1 Gross Debt Service Savings	$ 1,437,105	$ 1,273,732	$ 1,104,520	$ 2,092,300	$ 2,786,775
2 Net PV Savings	$ 1,221,433	$ 1,072,862	$ 925,692	$ 1,814,944	$ 2,475,544
3 Savings as a % of Refunded Par	6.44%	5.65%	4.88%	9.56%	13.04%
4					
5 Negative Arbitrage	$ 664,582	$ 701,110	$ 737,518	$ 381,488	$ -
6 Refunding Efficiency Ratio	64.76%	60.48%	55.66%	82.63%	100.00%
7 Breakeven Rate Movement (Gross Savings)	N/A	N/A	N/A	45bps	107bps

Rates reflect current market estimates as of 1/26/15.

Preliminary, and subject to change.

2014 General Obligation Bond Referendum: Debt Affordability Analysis

Lee County, North Carolina

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

May 21, 2014

DAVENPORT & COMPANY
Member NYSE | FINRA | SIPC

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

2014 General Obligation Bond Referendum: Debt Affordability Analysis

2014 GO Bond Referendum Overview

- The County is considering a total General Obligation Bond Referendum in November 2014 of $23,000,000. The Referendum may include the following Ballot Questions:
  - $5,000,000 for Community College Economic Development Facilities (Civic Center and Incubator Building)
  - $9,000,000 for a Community College Health Science Building
  - $5,000,000 for a Community College Veterinary Medical Technology Facility
  - $4,000,000 for Renovations at the Main Community College Campus and Emergency Service Training Center ("ESTC")

- In order to measure the impact of the potential GO Bond Referendum, the following cases have been analyzed:
  - Case 1: All Ballot Questions
  - Case 2: Only Economic Development Facilities
  - Case 3: Only Health Science Building
  - Case 4: Only Veterinary Medical Technology Facility
  - Case 5: Only Renovations at the Main Community College Campus and ESTC

- Financing Assumptions:
  - Issuance Date: FY 2016
  - First Interest: FY 2016
  - First Principal: FY 2017
  - Interest Rate: 5.0%
  - Amortization: Level Principal

Summary of 2014 GO Bond Referendum Cases

Case	Case 1: All Questions	Case 2: Community College Economic Development	Case 3: Health Sciences Building	Case 4: Veterinary Medical Technology Facility	Case 5: Renovate Main Campus / ESTC
GO Bond Referendum Questions					
Community College Economic Development	5,000,000	5,000,000	-	-	-
Health Sciences Building	9,000,000	-	9,000,000	-	-
Veterinary Medical Technology Facility	5,000,000	-	-	5,000,000	-
Renovate Main Campus / ESTC	4,000,000	-	-	-	4,000,000
Total GO Bond Referendum	**23,000,000**	**5,000,000**	**9,000,000**	**5,000,000**	**4,000,000**
Financing Assumptions					
Amortization	Level Principal	Level Principal	Level Principal	Level Principal	Level Principal
Assumed Interest Rate	5.00%	5.00%	5.00%	5.00%	5.00%
Issuance (FY)	2016	2016	2016	2016	2016
First Interest (FY)	2016	2016	2016	2016	2016
First Principal (FY)	2017	2017	2017	2017	2017
Total Principal	**$23,000,000**	**$5,000,000**	**$9,000,000**	**$5,000,000**	**$4,000,000**
Total Debt Service	**$36,225,000**	**$7,875,000**	**$14,175,000**	**$7,875,000**	**$6,300,000**
Debt Affordability Analysis (Tax Equivalent)					
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	2.20¢	-	-	-	-
2018	-	-	-	-	-
2019	-	-	-	-	-
2020	-	-	-	-	-
Total Tax Equivalent	**2.20¢**	**0.00¢**	**0.00¢**	**0.00¢**	**0.00¢**
Pro-rata Tax Equivalent (Based on Par Amount)					
Community College Economic Development	0.48¢	-	-	-	-
Health Sciences Building	0.86¢	-	-	-	-
Veterinary Medical Technology Facility	0.48¢	-	-	-	-
Renovate Main Campus / ESTC	0.38¢	-	-	-	-
Total	**2.20¢**	**0.00¢**	**0.00¢**	**0.00¢**	**0.00¢**

045

Debt Affordability Analysis

Case 1: All Questions ($23 Million)

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
	Debt Service Requirements					Revenue Available for DS					Debt Service Cash Flow Surplus (Deficit)					
FY	Existing Debt Service	CIP Debt Service	CIP Pay-Go Cash	CIP Operating Impact	Total	Current Pennies Allocated to Debt Service	Funds from Restricted Sales Tax (Grown @ 1%)	Additional 1/4% Sales Tax (Grown at 1%)	Capital Reserve Contribution (Grown @ 1%)	Total Revenues Available	Surplus/ (Deficit)	Revenue From Prior Tax Impact	Capital Reserve Utilized	Adjusted Surplus/ (Deficit)	Estimated Incremental Tax Equivalent	Capital Reserve Fund Balance
																637,499
2014	7,542,401	-	-	-	7,542,401	3,102,617	2,317,089	1,502,695	652,100	7,574,501	32,100	-	-	32,100	-	669,599
2015	7,350,301	-	-	-	7,350,301	3,133,643	2,340,260	1,517,722	658,621	7,650,246	299,945	-	-	299,945	-	969,544
2016	7,160,942	1,150,000	-	-	8,310,942	3,164,979	2,363,662	1,532,899	665,207	7,726,748	(584,193)	-	(584,193)	-	-	385,351
2017	6,955,449	2,300,000	-	-	9,255,449	3,196,629	2,387,299	1,548,228	671,859	7,804,016	(1,451,434)	-	(385,351)	(1,066,083)	2.20¢	-
2018	6,637,697	2,242,500	-	-	8,880,197	3,228,595	2,411,172	1,563,710	678,578	7,882,056	(998,141)	1,076,744	-	78,602	-	78,602
2019	6,382,928	2,185,000	-	-	8,567,928	3,260,881	2,435,284	1,579,348	685,364	7,960,876	(607,052)	1,087,511	-	480,460	-	559,062
2020	6,157,224	2,127,500	-	-	8,284,724	3,293,490	2,459,637	1,595,141	692,217	8,040,485	(244,239)	1,098,386	-	854,147	-	1,413,209
2021	5,984,224	2,070,000	-	-	8,054,224	3,326,425	2,484,233	1,611,092	699,139	8,120,890	66,666	1,109,370	-	1,176,037	-	2,589,246
2022	5,804,441	2,012,500	-	-	7,816,941	3,359,689	2,509,075	1,627,203	706,131	8,202,099	385,158	1,120,464	-	1,505,622	-	4,094,868
2023	5,632,831	1,955,000	-	-	7,587,831	3,393,286	2,534,166	1,643,475	713,192	8,284,120	696,289	1,131,668	-	1,827,958	-	5,922,826
2024	5,470,050	1,897,500	-	-	7,367,550	3,427,219	2,559,508	1,659,910	720,324	8,366,961	999,411	1,142,985	-	2,142,397	-	8,065,222
2025	4,925,302	1,840,000	-	-	6,765,302	3,461,491	2,585,103	1,676,509	727,527	8,450,631	1,685,329	1,154,415	-	2,839,744	-	10,904,966
2026	2,499,556	1,782,500	-	-	4,282,056	3,496,106	2,610,954	1,693,274	734,803	8,535,137	4,253,081	1,165,959	-	5,419,040	-	16,324,006
2027	2,389,806	1,725,000	-	-	4,114,806	3,531,067	2,637,063	1,710,207	742,151	8,620,488	4,505,682	1,177,619	-	5,683,301	-	22,007,307
2028	2,299,263	1,667,500	-	-	3,966,763	3,566,378	2,663,434	1,727,309	749,572	8,706,693	4,739,931	1,189,395	-	5,929,326	-	27,936,633
2029	-	1,610,000	-	-	1,610,000	3,602,042	2,690,068	1,744,582	757,068	8,793,760	7,183,760	1,201,289	-	8,385,049	-	36,321,682
2030	-	1,552,500	-	-	1,552,500	3,638,062	2,716,969	1,762,028	764,639	8,881,698	7,329,198	1,213,302	-	8,542,500	-	44,864,182
2031	-	1,495,000	-	-	1,495,000	3,674,443	2,744,139	1,779,648	772,285	8,970,515	7,475,515	1,225,435	-	8,700,950	-	53,565,132
2032	-	1,437,500	-	-	1,437,500	3,711,187	2,771,580	1,797,445	780,008	9,060,220	7,622,720	1,237,689	-	8,860,409	-	62,425,541
2033	-	1,380,000	-	-	1,380,000	3,748,299	2,799,296	1,815,419	787,808	9,150,822	7,770,822	1,250,066	-	9,020,888	-	71,446,429
2034	-	1,322,500	-	-	1,322,500	3,785,782	2,827,289	1,833,573	795,686	9,242,330	7,919,830	1,262,567	-	9,182,397	-	80,628,826
2035	-	1,265,000	-	-	1,265,000	3,823,640	2,855,562	1,851,909	803,643	9,334,754	8,069,754	1,275,192	-	9,344,946	-	89,973,773
2036	-	1,207,500	-	-	1,207,500	3,861,876	2,884,117	1,870,428	811,679	9,428,101	8,220,601	1,287,944	-	9,508,546	-	99,482,318
2037	-	-	-	-	-	3,900,495	2,912,959	1,889,133	819,796	9,522,382	9,522,382	1,300,824	-	10,823,206	-	110,305,524
2038	-	-	-	-	-	3,939,500	2,942,088	1,908,024	827,994	9,617,606	9,617,606	1,313,832	-	10,931,438	-	121,236,962
2039	-	-	-	-	-	3,939,500	2,942,088	1,205,130	-	8,086,718	8,086,718	1,326,970	-	9,413,688	-	130,650,650
2040	-	-	-	-	-	3,939,500	2,942,088	1,217,181	-	8,098,769	8,098,769	1,340,240	-	9,439,009	-	140,089,659
2041	-	-	-	-	-	3,939,500	2,942,088	1,229,353	-	8,110,941	8,110,941	1,353,642	-	9,464,583	-	149,554,243
2042	-	-	-	-	-	3,939,500	2,942,088	1,241,646	-	8,123,234	8,123,234	1,367,179	-	9,490,413	-	159,044,656
														Total Tax Effect	2.20¢	
Total	83,192,414	36,225,000	-	-	119,417,414						Total		(969,544)			

- Value of a Penny in FY 2014: $469,861
- Assumed Ad Valorem Tax Growth: 1.00%

046

Debt Affordability Analysis

Case 2: Community College Economic Development ($5 Million)

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
	Debt Service Requirements					Revenue Available for DS					Debt Service Cash Flow Surplus (Deficit)					
FY	Existing Debt Service	CIP Debt Service	CIP Pay-Go Cash	CIP Operating Impact	Total	Current Pennies Allocated to Debt Service	Funds from Restricted Sales Tax (Grown @ 1%)	Additional 1/4% Sales Tax (Grown at 1%)	Capital Reserve Contribution (Grown @ 1%)	Total Revenues Available	Surplus/ (Deficit)	Revenue From Prior Tax Impact	Capital Reserve Utilized	Adjusted Surplus/ (Deficit)	Estimated Incremental Tax Equivalent	Capital Reserve Fund Balance
																637,499
2014	7,542,401	-	-	-	7,542,401	3,102,617	2,317,089	1,502,695	652,100	7,574,501	32,100	-	-	32,100	-	669,599
2015	7,350,301	-	-	-	7,350,301	3,133,643	2,340,260	1,517,722	658,621	7,650,246	299,945	-	-	299,945	-	969,544
2016	7,160,942	250,000	-	-	7,410,942	3,164,979	2,363,662	1,532,899	665,207	7,726,748	315,807	-	-	315,807	-	1,285,351
2017	6,955,449	500,000	-	-	7,455,449	3,196,629	2,387,299	1,548,228	671,859	7,804,016	348,566	-	-	348,566	-	1,633,917
2018	6,637,697	487,500	-	-	7,125,197	3,228,595	2,411,172	1,563,710	678,578	7,882,056	756,859	-	-	756,859	-	2,390,776
2019	6,382,928	475,000	-	-	6,857,928	3,260,881	2,435,284	1,579,348	685,364	7,960,876	1,102,948	-	-	1,102,948	-	3,493,724
2020	6,157,224	462,500	-	-	6,619,724	3,293,490	2,459,637	1,595,141	692,217	8,040,485	1,420,761	-	-	1,420,761	-	4,914,485
2021	5,984,224	450,000	-	-	6,434,224	3,326,425	2,484,233	1,611,092	699,139	8,120,890	1,686,666	-	-	1,686,666	-	6,601,152
2022	5,804,441	437,500	-	-	6,241,941	3,359,689	2,509,075	1,627,203	706,131	8,202,099	1,960,158	-	-	1,960,158	-	8,561,310
2023	5,632,831	425,000	-	-	6,057,831	3,393,286	2,534,166	1,643,475	713,192	8,284,120	2,226,289	-	-	2,226,289	-	10,787,599
2024	5,470,050	412,500	-	-	5,882,550	3,427,219	2,559,508	1,659,910	720,324	8,366,961	2,484,411	-	-	2,484,411	-	13,272,010
2025	4,925,302	400,000	-	-	5,325,302	3,461,491	2,585,103	1,676,509	727,527	8,450,631	3,125,329	-	-	3,125,329	-	16,397,340
2026	2,499,556	387,500	-	-	2,887,056	3,496,106	2,610,954	1,693,274	734,803	8,535,137	5,648,081	-	-	5,648,081	-	22,045,421
2027	2,389,806	375,000	-	-	2,764,806	3,531,067	2,637,063	1,710,207	742,151	8,620,488	5,855,682	-	-	5,855,682	-	27,901,103
2028	2,299,263	362,500	-	-	2,661,763	3,566,378	2,663,434	1,727,309	749,572	8,706,693	6,044,931	-	-	6,044,931	-	33,946,034
2029	-	350,000	-	-	350,000	3,602,042	2,690,068	1,744,582	757,068	8,793,760	8,443,760	-	-	8,443,760	-	42,389,794
2030	-	337,500	-	-	337,500	3,638,062	2,716,969	1,762,028	764,639	8,881,698	8,544,198	-	-	8,544,198	-	50,933,992
2031	-	325,000	-	-	325,000	3,674,443	2,744,139	1,779,648	772,285	8,970,515	8,645,515	-	-	8,645,515	-	59,579,507
2032	-	312,500	-	-	312,500	3,711,187	2,771,580	1,797,445	780,008	9,060,220	8,747,720	-	-	8,747,720	-	68,327,227
2033	-	300,000	-	-	300,000	3,748,299	2,799,296	1,815,419	787,808	9,150,822	8,850,822	-	-	8,850,822	-	77,178,049
2034	-	287,500	-	-	287,500	3,785,782	2,827,289	1,833,573	795,686	9,242,330	8,954,830	-	-	8,954,830	-	86,132,879
2035	-	275,000	-	-	275,000	3,823,640	2,855,562	1,851,909	803,643	9,334,754	9,059,754	-	-	9,059,754	-	95,192,633
2036	-	262,500	-	-	262,500	3,861,876	2,884,117	1,870,428	811,679	9,428,101	9,165,601	-	-	9,165,601	-	104,358,234
2037	-	-	-	-	-	3,900,495	2,912,959	1,889,133	819,796	9,522,382	9,522,382	-	-	9,522,382	-	113,880,617
2038	-	-	-	-	-	3,939,500	2,942,088	1,908,024	827,994	9,617,606	9,617,606	-	-	9,617,606	-	123,498,223
2039	-	-	-	-	-	3,939,500	2,942,088	1,205,130	-	8,086,718	8,086,718	-	-	8,086,718	-	131,584,940
2040	-	-	-	-	-	3,939,500	2,942,088	1,217,181	-	8,098,769	8,098,769	-	-	8,098,769	-	139,683,710
2041	-	-	-	-	-	3,939,500	2,942,088	1,229,353	-	8,110,941	8,110,941	-	-	8,110,941	-	147,794,650
2042	-	-	-	-	-	3,939,500	2,942,088	1,241,646	-	8,123,234	8,123,234	-	-	8,123,234	-	155,917,885
														Total Tax Effect	0.00¢	
Total	83,192,414	7,875,000	-	-	91,067,414						Total		-			

- Value of a Penny in FY 2014: $469,861
- Assumed Ad Valorem Tax Growth: 1.00%

047

Debt Affordability Analysis

Case 3: Health Sciences Building ($9 Million)

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
	Debt Service Requirements					Revenue Available for DS					Debt Service Cash Flow Surplus (Deficit)					
FY	Existing Debt Service	CIP Debt Service	CIP Pay-Go Cash	CIP Operating Impact	Total	Current Pennies Allocated to Debt Service	Funds from Restricted Sales Tax (Grown @ 1%)	Additional 1/4% Sales Tax (Grown at 1%)	Capital Reserve Contribution (Grown @ 1%)	Total Revenues Available	Surplus/ (Deficit)	Revenue From Prior Tax Impact	Capital Reserve Utilized	Adjusted Surplus/ (Deficit)	Estimated Incremental Tax Equivalent	Capital Reserve Fund Balance
																637,499
2014	7,542,401	-	-	-	7,542,401	3,102,617	2,317,089	1,502,695	652,100	7,574,501	32,100	-	-	32,100	-	669,599
2015	7,350,301	-	-	-	7,350,301	3,133,643	2,340,260	1,517,722	658,621	7,650,246	299,945	-	-	299,945	-	969,544
2016	7,160,942	450,000	-	-	7,610,942	3,164,979	2,363,662	1,532,899	665,207	7,726,748	115,807	-	-	115,807	-	1,085,351
2017	6,955,449	900,000	-	-	7,855,449	3,196,629	2,387,299	1,548,228	671,859	7,804,016	(51,434)	-	(51,434)	-	-	1,033,917
2018	6,637,697	877,500	-	-	7,515,197	3,228,595	2,411,172	1,563,710	678,578	7,882,056	366,859	-	-	366,859	-	1,400,776
2019	6,382,928	855,000	-	-	7,237,928	3,260,881	2,435,284	1,579,348	685,364	7,960,876	722,948	-	-	722,948	-	2,123,724
2020	6,157,224	832,500	-	-	6,989,724	3,293,490	2,459,637	1,595,141	692,217	8,040,485	1,050,761	-	-	1,050,761	-	3,174,485
2021	5,984,224	810,000	-	-	6,794,224	3,326,425	2,484,233	1,611,092	699,139	8,120,890	1,326,666	-	-	1,326,666	-	4,501,152
2022	5,804,441	787,500	-	-	6,591,941	3,359,689	2,509,075	1,627,203	706,131	8,202,099	1,610,158	-	-	1,610,158	-	6,111,310
2023	5,632,831	765,000	-	-	6,397,831	3,393,286	2,534,166	1,643,475	713,192	8,284,120	1,886,289	-	-	1,886,289	-	7,997,599
2024	5,470,050	742,500	-	-	6,212,550	3,427,219	2,559,508	1,659,910	720,324	8,366,961	2,154,411	-	-	2,154,411	-	10,152,010
2025	4,925,302	720,000	-	-	5,645,302	3,461,491	2,585,103	1,676,509	727,527	8,450,631	2,805,329	-	-	2,805,329	-	12,957,340
2026	2,499,556	697,500	-	-	3,197,056	3,496,106	2,610,954	1,693,274	734,803	8,535,137	5,338,081	-	-	5,338,081	-	18,295,421
2027	2,389,806	675,000	-	-	3,064,806	3,531,067	2,637,063	1,710,207	742,151	8,620,488	5,555,682	-	-	5,555,682	-	23,851,103
2028	2,299,263	652,500	-	-	2,951,763	3,566,378	2,663,434	1,727,309	749,572	8,706,693	5,754,931	-	-	5,754,931	-	29,606,034
2029	-	630,000	-	-	630,000	3,602,042	2,690,068	1,744,582	757,068	8,793,760	8,163,760	-	-	8,163,760	-	37,769,794
2030	-	607,500	-	-	607,500	3,638,062	2,716,969	1,762,028	764,639	8,881,698	8,274,198	-	-	8,274,198	-	46,043,992
2031	-	585,000	-	-	585,000	3,674,443	2,744,139	1,779,648	772,285	8,970,515	8,385,515	-	-	8,385,515	-	54,429,507
2032	-	562,500	-	-	562,500	3,711,187	2,771,580	1,797,445	780,008	9,060,220	8,497,720	-	-	8,497,720	-	62,927,227
2033	-	540,000	-	-	540,000	3,748,299	2,799,296	1,815,419	787,808	9,150,822	8,610,822	-	-	8,610,822	-	71,538,049
2034	-	517,500	-	-	517,500	3,785,782	2,827,289	1,833,573	795,686	9,242,330	8,724,830	-	-	8,724,830	-	80,262,879
2035	-	495,000	-	-	495,000	3,823,640	2,855,562	1,851,909	803,643	9,334,754	8,839,754	-	-	8,839,754	-	89,102,633
2036	-	472,500	-	-	472,500	3,861,876	2,884,117	1,870,428	811,679	9,428,101	8,955,601	-	-	8,955,601	-	98,058,234
2037	-	-	-	-	-	3,900,495	2,912,959	1,889,133	819,796	9,522,382	9,522,382	-	-	9,522,382	-	107,580,617
2038	-	-	-	-	-	3,939,500	2,942,088	1,908,024	827,994	9,617,606	9,617,606	-	-	9,617,606	-	117,198,223
2039	-	-	-	-	-	3,939,500	2,942,088	1,205,130	-	8,086,718	8,086,718	-	-	8,086,718	-	125,284,940
2040	-	-	-	-	-	3,939,500	2,942,088	1,217,181	-	8,098,769	8,098,769	-	-	8,098,769	-	133,383,710
2041	-	-	-	-	-	3,939,500	2,942,088	1,229,353	-	8,110,941	8,110,941	-	-	8,110,941	-	141,494,650
2042	-	-	-	-	-	3,939,500	2,942,088	1,241,646	-	8,123,234	8,123,234	-	-	8,123,234	-	149,617,885
														Total Tax Effect	0.00¢	
Total	83,192,414	14,175,000	-	-	97,367,414						Total		(51,434)			

- Value of a Penny in FY 2014: $469,861
- Assumed Ad Valorem Tax Growth: 1.00%

048

Debt Affordability Analysis

Case 4: Veterinary Medical Technology Facility ($5 Million)

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
	Debt Service Requirements					Revenue Available for DS					Debt Service Cash Flow Surplus (Deficit)					
FY	Existing Debt Service	CIP Debt Service	CIP Pay-Go Cash	CIP Operating Impact	Total	Current Pennies Allocated to Debt Service	Funds from Restricted Sales Tax (Grown @ 1%)	Additional 1/4% Sales Tax (Grown at 1%)	Capital Reserve Contribution (Grown @ 1%)	Total Revenues Available	Surplus/ (Deficit)	Revenue From Prior Tax Impact	Capital Reserve Utilized	Adjusted Surplus/ (Deficit)	Estimated Incremental Tax Equivalent	Capital Reserve Fund Balance
																637,499
2014	7,542,401	-	-	-	7,542,401	3,102,617	2,317,089	1,502,695	652,100	7,574,501	32,100	-	-	32,100	-	669,599
2015	7,350,301	-	-	-	7,350,301	3,133,643	2,340,260	1,517,722	658,621	7,650,246	299,945	-	-	299,945	-	969,544
2016	7,160,942	250,000	-	-	7,410,942	3,164,979	2,363,662	1,532,899	665,207	7,726,748	315,807	-	-	315,807	-	1,285,351
2017	6,955,449	500,000	-	-	7,455,449	3,196,629	2,387,299	1,548,228	671,859	7,804,016	348,566	-	-	348,566	-	1,633,917
2018	6,637,697	487,500	-	-	7,125,197	3,228,595	2,411,172	1,563,710	678,578	7,882,056	756,859	-	-	756,859	-	2,390,776
2019	6,382,928	475,000	-	-	6,857,928	3,260,881	2,435,284	1,579,348	685,364	7,960,876	1,102,948	-	-	1,102,948	-	3,493,724
2020	6,157,224	462,500	-	-	6,619,724	3,293,490	2,459,637	1,595,141	692,217	8,040,485	1,420,761	-	-	1,420,761	-	4,914,485
2021	5,984,224	450,000	-	-	6,434,224	3,326,425	2,484,233	1,611,092	699,139	8,120,890	1,686,666	-	-	1,686,666	-	6,601,152
2022	5,804,441	437,500	-	-	6,241,941	3,359,689	2,509,075	1,627,203	706,131	8,202,099	1,960,158	-	-	1,960,158	-	8,561,310
2023	5,632,831	425,000	-	-	6,057,831	3,393,286	2,534,166	1,643,475	713,192	8,284,120	2,226,289	-	-	2,226,289	-	10,787,599
2024	5,470,050	412,500	-	-	5,882,550	3,427,219	2,559,508	1,659,910	720,324	8,366,961	2,484,411	-	-	2,484,411	-	13,272,010
2025	4,925,302	400,000	-	-	5,325,302	3,461,491	2,585,103	1,676,509	727,527	8,450,631	3,125,329	-	-	3,125,329	-	16,397,340
2026	2,499,556	387,500	-	-	2,887,056	3,496,106	2,610,954	1,693,274	734,803	8,535,137	5,648,081	-	-	5,648,081	-	22,045,421
2027	2,389,806	375,000	-	-	2,764,806	3,531,067	2,637,063	1,710,207	742,151	8,620,488	5,855,682	-	-	5,855,682	-	27,901,103
2028	2,299,263	362,500	-	-	2,661,763	3,566,378	2,663,434	1,727,309	749,572	8,706,693	6,044,931	-	-	6,044,931	-	33,946,034
2029	-	350,000	-	-	350,000	3,602,042	2,690,068	1,744,582	757,068	8,793,760	8,443,760	-	-	8,443,760	-	42,389,794
2030	-	337,500	-	-	337,500	3,638,062	2,716,969	1,762,028	764,639	8,881,698	8,544,198	-	-	8,544,198	-	50,933,992
2031	-	325,000	-	-	325,000	3,674,443	2,744,139	1,779,648	772,285	8,970,515	8,645,515	-	-	8,645,515	-	59,579,507
2032	-	312,500	-	-	312,500	3,711,187	2,771,580	1,797,445	780,008	9,060,220	8,747,720	-	-	8,747,720	-	68,327,227
2033	-	300,000	-	-	300,000	3,748,299	2,799,296	1,815,419	787,808	9,150,822	8,850,822	-	-	8,850,822	-	77,178,049
2034	-	287,500	-	-	287,500	3,785,782	2,827,289	1,833,573	795,686	9,242,330	8,954,830	-	-	8,954,830	-	86,132,879
2035	-	275,000	-	-	275,000	3,823,640	2,855,562	1,851,909	803,643	9,334,754	9,059,754	-	-	9,059,754	-	95,192,633
2036	-	262,500	-	-	262,500	3,861,876	2,884,117	1,870,428	811,679	9,428,101	9,165,601	-	-	9,165,601	-	104,358,234
2037	-	-	-	-	-	3,900,495	2,912,959	1,889,133	819,796	9,522,382	9,522,382	-	-	9,522,382	-	113,880,617
2038	-	-	-	-	-	3,939,500	2,942,088	1,908,024	827,994	9,617,606	9,617,606	-	-	9,617,606	-	123,498,223
2039	-	-	-	-	-	3,939,500	2,942,088	1,205,130	-	8,086,718	8,086,718	-	-	8,086,718	-	131,584,940
2040	-	-	-	-	-	3,939,500	2,942,088	1,217,181	-	8,098,769	8,098,769	-	-	8,098,769	-	139,683,710
2041	-	-	-	-	-	3,939,500	2,942,088	1,229,353	-	8,110,941	8,110,941	-	-	8,110,941	-	147,794,650
2042	-	-	-	-	-	3,939,500	2,942,088	1,241,646	-	8,123,234	8,123,234	-	-	8,123,234	-	155,917,885
														Total Tax Effect	0.00¢	
Total	83,192,414	7,875,000	-	-	91,067,414						Total		-			

- Value of a Penny in FY 2014: $469,861
- Assumed Ad Valorem Tax Growth: 1.00%

049

Debt Affordability Analysis

Case 5: Renovate Main Campus / ESTC ($4 Million)

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
	Debt Service Requirements					Revenue Available for DS					Debt Service Cash Flow Surplus (Deficit)					
FY	Existing Debt Service	CIP Debt Service	CIP Pay-Go Cash	CIP Operating Impact	Total	Current Pennies Allocated to Debt Service	Funds from Restricted Sales Tax (Grown @ 1%)	Additional 1/4% Sales Tax (Grown at 1%)	Capital Reserve Contribution (Grown @ 1%)	Total Revenues Available	Surplus/ (Deficit)	Revenue From Prior Tax Impact	Capital Reserve Utilized	Adjusted Surplus/ (Deficit)	Estimated Incremental Tax Equivalent	Capital Reserve Fund Balance
																637,499
2014	7,542,401	-	-	-	7,542,401	3,102,617	2,317,089	1,502,695	652,100	7,574,501	32,100	-	-	32,100	-	669,599
2015	7,350,301	-	-	-	7,350,301	3,133,643	2,340,260	1,517,722	658,621	7,650,246	299,945	-	-	299,945	-	969,544
2016	7,160,942	200,000	-	-	7,360,942	3,164,979	2,363,662	1,532,899	665,207	7,726,748	365,807	-	-	365,807	-	1,335,351
2017	6,955,449	400,000	-	-	7,355,449	3,196,629	2,387,299	1,548,228	671,859	7,804,016	448,566	-	-	448,566	-	1,783,917
2018	6,637,697	390,000	-	-	7,027,697	3,228,595	2,411,172	1,563,710	678,578	7,882,056	854,359	-	-	854,359	-	2,638,276
2019	6,382,928	380,000	-	-	6,762,928	3,260,881	2,435,284	1,579,348	685,364	7,960,876	1,197,948	-	-	1,197,948	-	3,836,224
2020	6,157,224	370,000	-	-	6,527,224	3,293,490	2,459,637	1,595,141	692,217	8,040,485	1,513,261	-	-	1,513,261	-	5,349,485
2021	5,984,224	360,000	-	-	6,344,224	3,326,425	2,484,233	1,611,092	699,139	8,120,890	1,776,666	-	-	1,776,666	-	7,126,152
2022	5,804,441	350,000	-	-	6,154,441	3,359,689	2,509,075	1,627,203	706,131	8,202,099	2,047,658	-	-	2,047,658	-	9,173,810
2023	5,632,831	340,000	-	-	5,972,831	3,393,286	2,534,166	1,643,475	713,192	8,284,120	2,311,289	-	-	2,311,289	-	11,485,099
2024	5,470,050	330,000	-	-	5,800,050	3,427,219	2,559,508	1,659,910	720,324	8,366,961	2,566,911	-	-	2,566,911	-	14,052,010
2025	4,925,302	320,000	-	-	5,245,302	3,461,491	2,585,103	1,676,509	727,527	8,450,631	3,205,329	-	-	3,205,329	-	17,257,340
2026	2,499,556	310,000	-	-	2,809,556	3,496,106	2,610,954	1,693,274	734,803	8,535,137	5,725,581	-	-	5,725,581	-	22,982,921
2027	2,389,806	300,000	-	-	2,689,806	3,531,067	2,637,063	1,710,207	742,151	8,620,488	5,930,682	-	-	5,930,682	-	28,913,603
2028	2,299,263	290,000	-	-	2,589,263	3,566,378	2,663,434	1,727,309	749,572	8,706,693	6,117,431	-	-	6,117,431	-	35,031,034
2029	-	280,000	-	-	280,000	3,602,042	2,690,068	1,744,582	757,068	8,793,760	8,513,760	-	-	8,513,760	-	43,544,794
2030	-	270,000	-	-	270,000	3,638,062	2,716,969	1,762,028	764,639	8,881,698	8,611,698	-	-	8,611,698	-	52,156,492
2031	-	260,000	-	-	260,000	3,674,443	2,744,139	1,779,648	772,285	8,970,515	8,710,515	-	-	8,710,515	-	60,867,007
2032	-	250,000	-	-	250,000	3,711,187	2,771,580	1,797,445	780,008	9,060,220	8,810,220	-	-	8,810,220	-	69,677,227
2033	-	240,000	-	-	240,000	3,748,299	2,799,296	1,815,419	787,808	9,150,822	8,910,822	-	-	8,910,822	-	78,588,049
2034	-	230,000	-	-	230,000	3,785,782	2,827,289	1,833,573	795,686	9,242,330	9,012,330	-	-	9,012,330	-	87,600,379
2035	-	220,000	-	-	220,000	3,823,640	2,855,562	1,851,909	803,643	9,334,754	9,114,754	-	-	9,114,754	-	96,715,133
2036	-	210,000	-	-	210,000	3,861,876	2,884,117	1,870,428	811,679	9,428,101	9,218,101	-	-	9,218,101	-	105,933,234
2037	-	-	-	-	-	3,900,495	2,912,959	1,889,133	819,796	9,522,382	9,522,382	-	-	9,522,382	-	115,455,617
2038	-	-	-	-	-	3,939,500	2,942,088	1,908,024	827,994	9,617,606	9,617,606	-	-	9,617,606	-	125,073,223
2039	-	-	-	-	-	3,939,500	2,942,088	1,205,130	-	8,086,718	8,086,718	-	-	8,086,718	-	133,159,940
2040	-	-	-	-	-	3,939,500	2,942,088	1,217,181	-	8,098,769	8,098,769	-	-	8,098,769	-	141,258,710
2041	-	-	-	-	-	3,939,500	2,942,088	1,229,353	-	8,110,941	8,110,941	-	-	8,110,941	-	149,369,650
2042	-	-	-	-	-	3,939,500	2,942,088	1,241,646	-	8,123,234	8,123,234	-	-	8,123,234	-	157,492,885
														Total Tax Effect	0.00¢	
Total	83,192,414	6,300,000	-	-	89,492,414						Total		-			

- Value of a Penny in FY 2014: $469,861
- Assumed Ad Valorem Tax Growth: 1.00%

050

Disclaimer

The U.S. Securities and Exchange Commission (the "SEC") has clarified that a broker, dealer or municipal securities dealer engaging in municipal advisory activities outside the scope of underwriting a particular issuance of municipal securities should be subject to municipal advisor registration. Davenport & Company LLC ("Davenport") has registered as a municipal advisor with the SEC. As a registered municipal advisor Davenport may provide advice to a municipal entity or obligated person. An obligated person is an entity other than a municipal entity, such as a not for profit corporation, that has commenced an application or negotiation with an entity to issue municipal securities on its behalf and for which it will provide support. If and when an issuer engages Davenport to provide financial advisory or consultant services with respect to the issuance of municipal securities, Davenport is obligated to evidence such a financial advisory relationship with a written agreement.

When acting as a registered municipal advisor Davenport is a fiduciary required by federal law to act in the best interest of a municipal entity without regard to its own financial or other interests. Davenport is not a fiduciary when it acts as a registered investment advisor, when advising an obligated person, or when acting as an underwriter, though it is required to deal fairly with such persons.

This material was prepared by public finance, or other non-research personnel of Davenport. This material was not produced by a research analyst, although it may refer to a Davenport research analyst or research report. Unless otherwise indicated, these views (if any) are the author's and may differ from those of the Davenport fixed income or research department or others in the firm. Davenport may perform or seek to perform financial advisory services for the issuers of the securities and instruments mentioned herein.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security/instrument or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the securities, instruments or transactions and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the completeness of this material. Davenport has no obligation to continue to publish information on the securities/instruments mentioned herein. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors or issuers. Recipients should seek independent financial advice prior to making any investment decision based on this material. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. You should consider this material as only a single factor in making an investment decision.

The value of and income from investments and the cost of borrowing may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions or companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes or to simplify the presentation and/or calculation of any projections or estimates, and Davenport does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. This material may not be sold or redistributed without the prior written consent of Davenport. Version 1.13.14 CH | TC

051

Debt Affordability Analysis

Case 1: All Questions ($23 Million)

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
	Debt Service Requirements					Revenue Available for DS					Debt Service Cash Flow Surplus (Deficit)					
FY	Existing Debt Service	CIP Debt Service	CIP Pay-Go Cash	CIP Operating Impact	Total	Current Pennies Allocated to Debt Service	Funds from Restricted Sales Tax (Grown @ 1%)	Additional 1/4% Sales Tax (Grown at 1%)	Capital Reserve Contribution (Grown @ 1%)	Total Revenues Available	Surplus/ (Deficit)	Revenue From Prior Tax Impact	Capital Reserve Utilized	Adjusted Surplus/ (Deficit)	Estimated Incremental Tax Equivalent	Capital Reserve Fund Balance
																637,499
2014	7,542,401	-	-	-	7,542,401	3,102,617	2,317,089	1,502,695	652,100	7,574,501	32,100	-	-	32,100	-	669,599
2015	7,350,301	-	-	-	7,350,301	3,133,643	2,340,260	1,517,722	658,621	7,650,246	299,945	-	-	299,945	-	969,544
2016	7,160,942	1,150,000	-	-	8,310,942	3,164,979	2,363,662	1,532,899	665,207	7,726,748	(584,193)	-	(584,193)	-	-	385,351
2017	6,955,449	2,300,000	-	-	9,255,449	3,196,629	2,387,299	1,548,228	671,859	7,804,016	(1,451,434)	1,452,295	-	861	3.00¢	386,212
2018	6,637,697	2,242,500	-	-	8,880,197	3,228,595	2,411,172	1,563,710	678,578	7,882,056	(998,141)	1,466,818	-	468,676	-	854,888
2019	6,382,928	2,185,000	-	-	8,567,928	3,260,881	2,435,284	1,579,348	685,364	7,960,876	(607,052)	1,481,486	-	874,434	-	1,729,322
2020	6,157,224	2,127,500	-	-	8,284,724	3,293,490	2,459,637	1,595,141	692,217	8,040,485	(244,239)	1,496,301	-	1,252,062	-	2,981,384
2021	5,984,224	2,070,000	-	-	8,054,224	3,326,425	2,484,233	1,611,092	699,139	8,120,890	66,666	1,511,264	-	1,577,930	-	4,559,314
2022	5,804,441	2,012,500	-	-	7,816,941	3,359,689	2,509,075	1,627,203	706,131	8,202,099	385,158	1,526,376	-	1,911,535	-	6,470,849
2023	5,632,831	1,955,000	-	-	7,587,831	3,393,286	2,534,166	1,643,475	713,192	8,284,120	696,289	1,541,640	-	2,237,929	-	8,708,778
2024	5,470,050	1,897,500	-	-	7,367,550	3,427,219	2,559,508	1,659,910	720,324	8,366,961	999,411	1,557,057	-	2,556,468	-	11,265,246
2025	4,925,302	1,840,000	-	-	6,765,302	3,461,491	2,585,103	1,676,509	727,527	8,450,631	1,685,329	1,572,627	-	3,257,956	-	14,523,203
2026	2,499,556	1,782,500	-	-	4,282,056	3,496,106	2,610,954	1,693,274	734,803	8,535,137	4,253,081	1,588,353	-	5,841,434	-	20,364,637
2027	2,389,806	1,725,000	-	-	4,114,806	3,531,067	2,637,063	1,710,207	742,151	8,620,488	4,505,682	1,604,237	-	6,109,919	-	26,474,556
2028	2,299,263	1,667,500	-	-	3,966,763	3,566,378	2,663,434	1,727,309	749,572	8,706,693	4,739,931	1,620,279	-	6,360,210	-	32,834,766
2029	-	1,610,000	-	-	1,610,000	3,602,042	2,690,068	1,744,582	757,068	8,793,760	7,183,760	1,636,482	-	8,820,242	-	41,655,009
2030	-	1,552,500	-	-	1,552,500	3,638,062	2,716,969	1,762,028	764,639	8,881,698	7,329,198	1,652,847	-	8,982,045	-	50,637,054
2031	-	1,495,000	-	-	1,495,000	3,674,443	2,744,139	1,779,648	772,285	8,970,515	7,475,515	1,669,375	-	9,144,890	-	59,781,944
2032	-	1,437,500	-	-	1,437,500	3,711,187	2,771,580	1,797,445	780,008	9,060,220	7,622,720	1,686,069	-	9,308,789	-	69,090,733
2033	-	1,380,000	-	-	1,380,000	3,748,299	2,799,296	1,815,419	787,808	9,150,822	7,770,822	1,702,930	-	9,473,752	-	78,564,485
2034	-	1,322,500	-	-	1,322,500	3,785,782	2,827,289	1,833,573	795,686	9,242,330	7,919,830	1,719,959	-	9,639,790	-	88,204,275
2035	-	1,265,000	-	-	1,265,000	3,823,640	2,855,562	1,851,909	803,643	9,334,754	8,069,754	1,737,159	-	9,806,912	-	98,011,187
2036	-	1,207,500	-	-	1,207,500	3,861,876	2,884,117	1,870,428	811,679	9,428,101	8,220,601	1,754,530	-	9,975,132	-	107,986,319
2037	-	-	-	-	-	3,900,495	2,912,959	1,889,133	819,796	9,522,382	9,522,382	1,772,076	-	11,294,458	-	119,280,777
2038	-	-	-	-	-	3,939,500	2,942,088	1,908,024	827,994	9,617,606	9,617,606	1,789,796	-	11,407,402	-	130,688,179
2039	-	-	-	-	-	3,939,500	2,942,088	1,205,130	-	8,086,718	8,086,718	1,807,694	-	9,894,412	-	140,582,591
2040	-	-	-	-	-	3,939,500	2,942,088	1,217,181	-	8,098,769	8,098,769	1,825,771	-	9,924,540	-	150,507,132
2041	-	-	-	-	-	3,939,500	2,942,088	1,229,353	-	8,110,941	8,110,941	1,844,029	-	9,954,970	-	160,462,102
2042	-	-	-	-	-	3,939,500	2,942,088	1,241,646	-	8,123,234	8,123,234	1,862,469	-	9,985,704	-	170,447,805
														Total Tax Effect	3.00¢	
Total	83,192,414	36,225,000	-	-	119,417,414						Total		(584,193)			

- Value of a Penny in FY 2014: $469,861
- Assumed Ad Valorem Tax Growth: 1.00%

052

Disclaimer

The U.S. Securities and Exchange Commission (the "SEC") has clarified that a broker, dealer or municipal securities dealer engaging in municipal advisory activities outside the scope of underwriting a particular issuance of municipal securities should be subject to municipal advisor registration. Davenport & Company LLC ("Davenport") has registered as a municipal advisor with the SEC. As a registered municipal advisor Davenport may provide advice to a municipal entity or obligated person. An obligated person is an entity other than a municipal entity, such as a not for profit corporation, that has commenced an application or negotiation with an entity to issue municipal securities on its behalf and for which it will provide support. If and when an issuer engages Davenport to provide financial advisory or consultant services with respect to the issuance of municipal securities, Davenport is obligated to evidence such a financial advisory relationship with a written agreement.

When acting as a registered municipal advisor Davenport is a fiduciary required by federal law to act in the best interest of a municipal entity without regard to its own financial or other interests. Davenport is not a fiduciary when it acts as a registered investment advisor, when advising an obligated person, or when acting as an underwriter, though it is required to deal fairly with such persons.

This material was prepared by public finance, or other non-research personnel of Davenport. This material was not produced by a research analyst, although it may refer to a Davenport research analyst or research report. Unless otherwise indicated, these views (if any) are the author's and may differ from those of the Davenport fixed income or research department or others in the firm. Davenport may perform or seek to perform financial advisory services for the issuers of the securities and instruments mentioned herein.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security/instrument or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the securities, instruments or transactions and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the completeness of this material. Davenport has no obligation to continue to publish information on the securities/instruments mentioned herein. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors or issuers. Recipients should seek independent financial advice prior to making any investment decision based on this material. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. You should consider this material as only a single factor in making an investment decision.

The value of and income from investments and the cost of borrowing may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions or companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes or to simplify the presentation and/or calculation of any projections or estimates, and Davenport does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. This material may not be sold or redistributed without the prior written consent of Davenport. Version 1.13.14 CH | TC

053

Summary of Cases

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

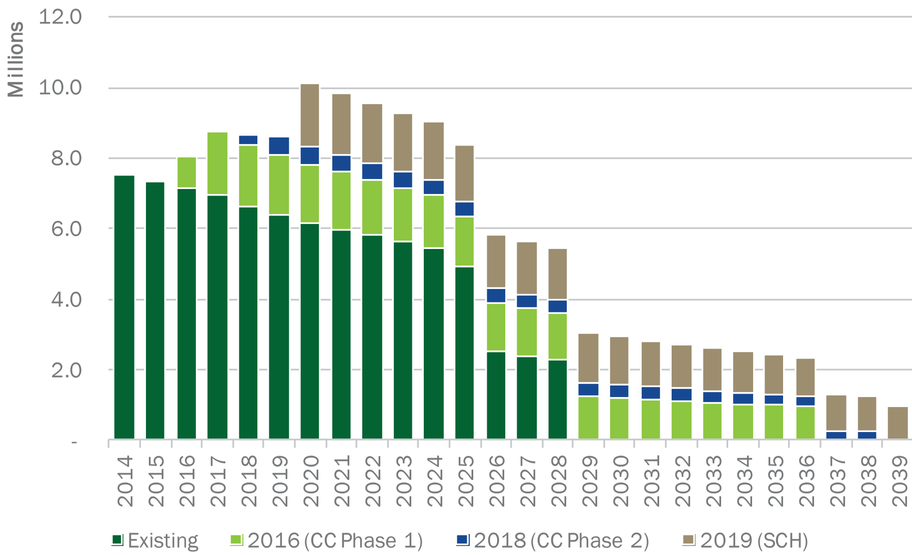
Case	Existing	Case 1: Combined Community College and School Projects			Case 2: Community College Projects		Case 3: School Projects	Case 4: Fund Community College and fund Schools when possible with a 2¢ FY 16 tax increase		
		CC Phase 1	School	CC Phase 2	CC Phase 1	CC Phase 2	School	CC Phase 1	School	CC Phase 2
Amortization	N/A	Level Principal	Level Principal	Level Principal	Level Principal	Level Principal	Level Principal	Level Principal	Level Principal	Level Principal
Assumed Interest Rate	N/A	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Issuance (FY)	N/A	FY 2016	FY 2016	FY 2018	FY 2016	FY 2018	FY 2016	FY 2016	FY 2019	FY 2018
First Interest	N/A	FY 2016	FY 2016	FY 2018	FY 2016	FY 2018	FY 2016	FY 2016	FY 2020	FY 2018
First Principal	N/A	FY 2017	FY 2017	FY 2019	FY 2017	FY 2019	FY 2017	FY 2017	FY 2020	FY 2019
Total Principal		$18,000,000	$18,000,000	$5,000,000	$18,000,000	$5,000,000	$18,000,000	$18,000,000	$18,000,000	$5,000,000
Total Debt Service		$28,350,000	$28,350,000	$7,875,000	$28,350,000	$7,875,000	$28,350,000	$28,350,000	$27,450,000	$7,875,000
Debt Ratios (Worst Shown)										
Debt Per Capita	$1,132		$1,519		$1,226		$1,226		$1,271	
Debt to AV	1.41%		1.89%		1.53%		1.53%		1.58%	
Payout Ratio	76.50%		71.80%		78.10%		78.10%		75.70%	
DS vs. Expenditures	11.70%		15.26%		12.99%		12.99%		14.34%	
Debt as a % of Revenues	107.04%		146.53%		118.30%		118.30%		126.36%	
Tax Impact										
2014	-		-		-		-		-	
2015	-		-		-		-		-	
2016	-		0.55¢		-		-		2.00¢	
2017	-		5.13¢		0.65¢		0.65¢		-	
2018	-		-		0.90¢		0.39¢		-	
2019	-		-		-		-		-	
2020	-		-		-		-		-	
Total Tax Impact	0.00¢		5.68¢		1.56¢		1.04¢		2.00¢	
Required Additional Reserves to Eliminate Tax Impact			$13,703,194		$2,419,413		$639,532		$9,450,034	

054

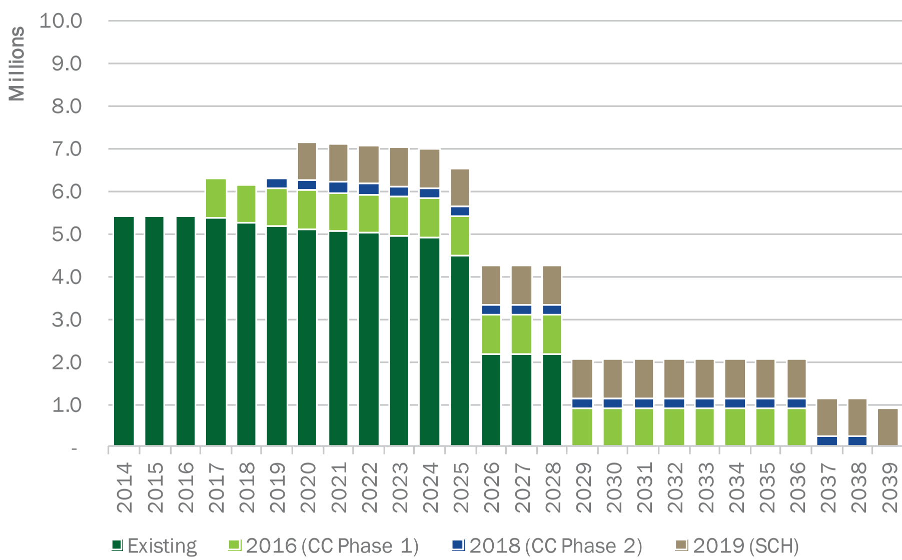
Case 4: Fund Community College and fund Schools when possible with a 2¢ FY 16 tax increase (Level Principal Amortization)

Case 4: Debt Issuance Assumptions

Proposed Debt Service



Proposed Principal



Borrowing Assumptions

- Proposed GO Authorization (Community College and School Bonds):
  - Community College Bonds (Phase 1)
    - Amount: $18,000,000
    - Interest Rate 5.00%
    - Amortization: 20 Year Level Principal
    - Issue Date: 8/1/2015 (FY 16)
    - First Interest: 2/1/2016 (FY 16)
    - First Principal: 2/1/2017 (FY 17)
  - Community College Bonds (Phase 2)
    - Amount: $5,000,000
    - Interest Rate 5.00%
    - Amortization: 20 Year Level Principal
    - Issue Date: 8/1/2017 (FY 18)
    - First Interest: 2/1/2018 (FY 18)
    - First Principal: 2/1/2019 (FY 19)
  - School Bonds
    - Amount: $18,000,000
    - Interest Rate 5.00%
    - Amortization: 20 Year Level Principal
    - Issue Date: 2/1/2019 (FY 19)
    - First Interest: 8/1/2019 (FY 20)
    - First Principal: 2/1/2020 (FY 20)
  - Total Debt Service
    - Community College Bonds (Phase 1) $28,350,000
    - Community College Bonds (Phase 2) $7,875,000
    - School Bonds $27,450,000
    - Total $63,675,000

056

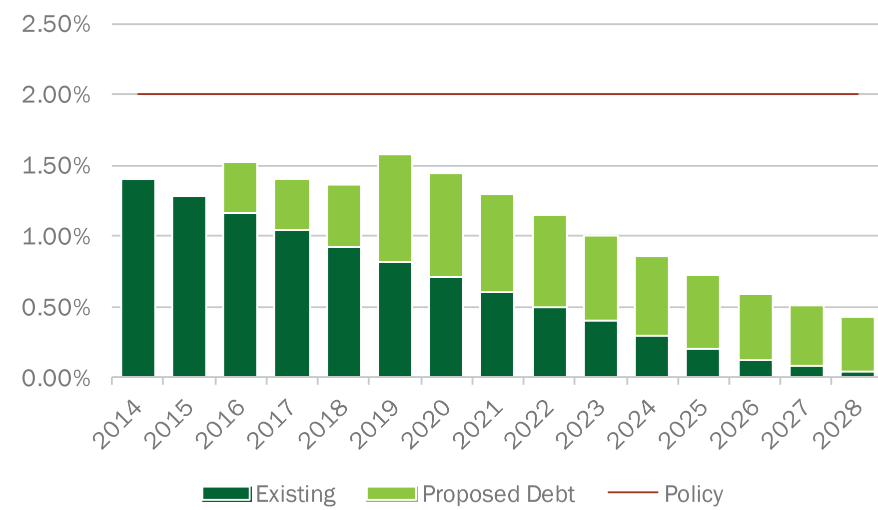
Case 4: Key Debt Ratios

Debt Per Capita

- Debt Per Capita
  - FY 2019: $1,271
    - Existing $653
    - Proposed $618

- Davenport does not recommend establishing a Financial Policy for Debt Per Capita.

Debt to Assessed Value



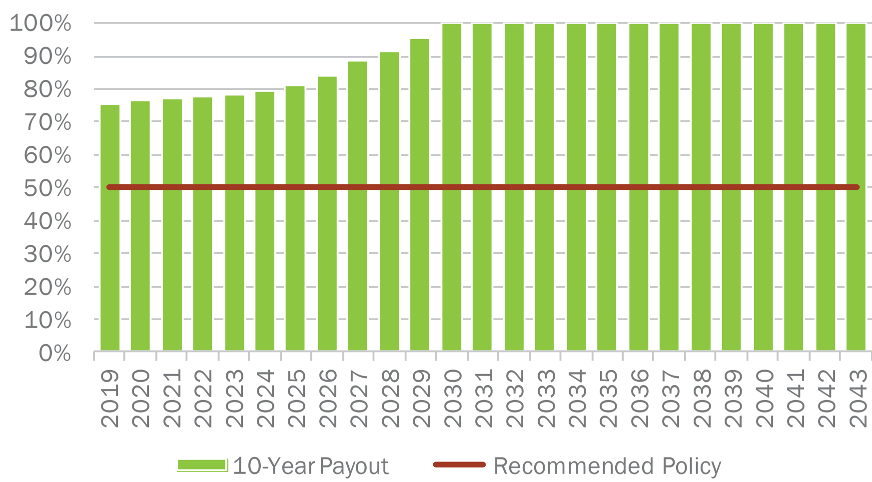
- Debt to Assessed Value
  - FY 2019: 1.58%
    - Existing 0.81%
    - Proposed 0.77%

- The County has a financial policy establishing a maximum Debt to Assessed Value of 2.00%.

057

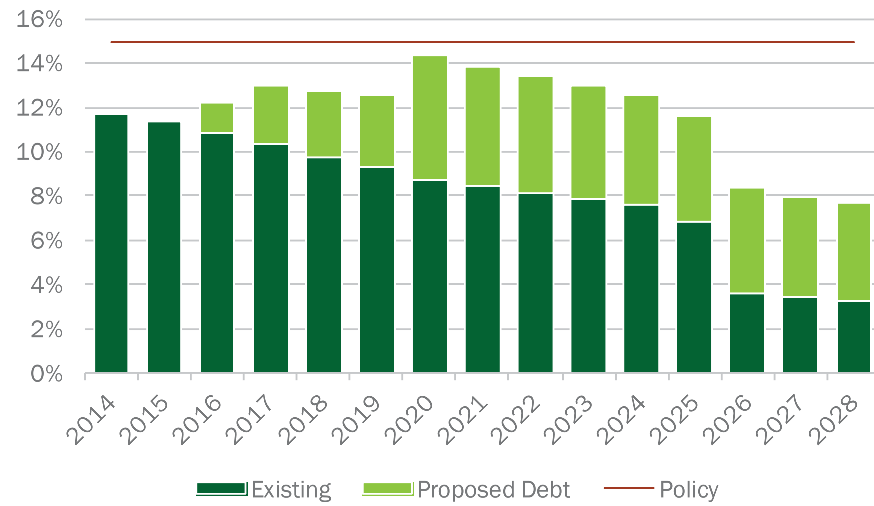
Case 4: Key Debt Ratios

10-Year Payout Ratio



- 10-Year Payout Ratio
  - FY 2019: 75.7%
- Davenport recommends the County adopt a financial policy establishing a minimum 10 Year Payout Ratio of 50.00%.

Debt Service vs. Expenditures



- Debt Service vs. Expenditures
  - FY 2020: 14.34%
    - Existing 8.73%
    - Proposed 5.61%
- The County has a financial policy establishing a maximum Debt Service vs. Expenditures ratio of 15.00%.

Case 4: Key Debt Ratio

Direct Net Debt as a % of Governmental Revenues

- Direct Net Debt as a % of Governmental Revenues
  - FY 2019: 126.36%
    - Existing 64.89%
    - Proposed 61.47%

Standard & Poor's Debt and Contingent Liabilities Score

Total Governmental Funds Debt Service As A % of Total Governmental Funds Expenditures	Net Direct Debt As % of Total Governmental Funds Revenue: <30	30 to 60	60 to 120	120 to 180	≥180
<8	1	2	3	4	5
8 to 15	2	3	4	4	5
15 to 25	3	4	5	5	5
25 to 35	4	4	5	5	5
≥35	4	5	5	5	5

A score of 1, 2, 3, 4 and 5 are very strong, strong, adequate, weak and very weak, respectively.

Qualitative factors with a positive impact on the initial score:	Qualitative factors with a negative impact on the initial score:
-1 Overall net debt as a percentage of market value below 3%.	Significant medium-term debt plans produce a higher initial score when included.
-1 Overall rapid annual debt amortization, with more than 65% coming due in 10 years.	Exposure to interest-rate risk or instrument provisions that could increase annual payment requirements by at least 20%.
	Overall net debt as a percentage of market value exceeding 10%
	Unaddressed exposure to large unfunded pension or OPED obligations leading to accelerating payment obligations over the medium term that represent significant budget pressure (see paragraph 82). If there is a plan to address the obligations, the final score worsens by one point; otherwise the score worsens by two points.
	Speculative contingent liabilities or those otherwise likely to be funded on an ongoing basis by the government representing more that 10% of total governmental revenue.

For each relevant qualitative factor, the score changes by one point, except for unaddressed exposure to unfunded pension or OPED obligations which can worsen the final score by two points. The final debt and contingent liabilities score equals the initial score adjusted up or down on the net effect of the qualitative factors. Metrics equal a cutoff point between two initial scores will equate to the worse score.

059

Case 4: Debt Affordability Analysis

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
	Debt Service Requirements					Revenue Available for DS					Debt Service Cash Flow Surplus (Deficit)					
FY	Existing Debt Service	CIP Debt Service	CIP Pay-Go Cash	CIP Operating Impact	Total	Current Pennies Allocated to Debt Service	Funds from Restricted Sales Tax (Grown @ 1%)	Additional 1/4% Sales Tax (Grown at 1%)	Capital Reserve Contribution (Grown @ 1%)	Total Revenues Available	Surplus/ (Deficit)	Revenue From Prior Tax Impact	Capital Reserve Utilized	Adjusted Surplus/ (Deficit)	Estimated Incremental Tax Equivalent	Capital Reserve Fund Balance
																637,499
2014	7,542,401	-	-	-	7,542,401	3,102,617	2,317,089	1,502,695	652,100	7,574,501	32,100	-	-	32,100	-	669,599
2015	7,350,301	-	-	-	7,350,301	3,133,643	2,340,260	1,517,722	658,621	7,650,246	299,945	-	-	299,945	-	969,544
2016	7,160,942	900,000	-	-	8,060,942	3,164,979	2,363,662	1,532,899	665,207	7,726,748	(334,193)	958,610	-	624,417	2.00¢	1,593,961
2017	6,955,449	1,800,000	-	-	8,755,449	3,196,629	2,387,299	1,548,228	671,859	7,804,016	(951,434)	968,197	-	16,763	-	1,610,724
2018	6,637,697	2,005,000	-	-	8,642,697	3,228,595	2,411,172	1,563,710	678,578	7,882,056	(760,641)	977,878	-	217,237	-	1,827,961
2019	6,382,928	2,210,000	-	-	8,592,928	3,260,881	2,435,284	1,579,348	685,364	7,960,876	(632,052)	987,657	-	355,606	-	2,183,567
2020	6,157,224	3,952,500	-	-	10,109,724	3,293,490	2,459,637	1,595,141	692,217	8,040,485	(2,069,239)	997,534	(1,071,705)	-	-	1,111,862
2021	5,984,224	3,850,000	-	-	9,834,224	3,326,425	2,484,233	1,611,092	699,139	8,120,890	(1,713,334)	1,007,509	(705,824)	-	-	406,037
2022	5,804,441	3,747,500	-	-	9,551,941	3,359,689	2,509,075	1,627,203	706,131	8,202,099	(1,349,842)	1,017,584	(332,258)	-	-	73,780
2023	5,632,831	3,645,000	-	-	9,277,831	3,393,286	2,534,166	1,643,475	713,192	8,284,120	(993,711)	1,027,760	-	34,049	-	107,829
2024	5,470,050	3,542,500	-	-	9,012,550	3,427,219	2,559,508	1,659,910	720,324	8,366,961	(645,589)	1,038,038	-	392,449	-	500,278
2025	4,925,302	3,440,000	-	-	8,365,302	3,461,491	2,585,103	1,676,509	727,527	8,450,631	85,329	1,048,418	-	1,133,747	-	1,634,026
2026	2,499,556	3,337,500	-	-	5,837,056	3,496,106	2,610,954	1,693,274	734,803	8,535,137	2,698,081	1,058,902	-	3,756,983	-	5,391,009
2027	2,389,806	3,235,000	-	-	5,624,806	3,531,067	2,637,063	1,710,207	742,151	8,620,488	2,995,682	1,069,491	-	4,065,173	-	9,456,182
2028	2,299,263	3,132,500	-	-	5,431,763	3,566,378	2,663,434	1,727,309	749,572	8,706,693	3,274,931	1,080,186	-	4,355,117	-	13,811,299
2029	-	3,030,000	-	-	3,030,000	3,602,042	2,690,068	1,744,582	757,068	8,793,760	5,763,760	1,090,988	-	6,854,748	-	20,666,048
2030	-	2,927,500	-	-	2,927,500	3,638,062	2,716,969	1,762,028	764,639	8,881,698	5,954,198	1,101,898	-	7,056,096	-	27,722,143
2031	-	2,825,000	-	-	2,825,000	3,674,443	2,744,139	1,779,648	772,285	8,970,515	6,145,515	1,112,917	-	7,258,432	-	34,980,575
2032	-	2,722,500	-	-	2,722,500	3,711,187	2,771,580	1,797,445	780,008	9,060,220	6,337,720	1,124,046	-	7,461,766	-	42,442,341
2033	-	2,620,000	-	-	2,620,000	3,748,299	2,799,296	1,815,419	787,808	9,150,822	6,530,822	1,135,287	-	7,666,109	-	50,108,450
2034	-	2,517,500	-	-	2,517,500	3,785,782	2,827,289	1,833,573	795,686	9,242,330	6,724,830	1,146,639	-	7,871,470	-	57,979,920
2035	-	2,415,000	-	-	2,415,000	3,823,640	2,855,562	1,851,909	803,643	9,334,754	6,919,754	1,158,106	-	8,077,860	-	66,057,780
2036	-	2,312,500	-	-	2,312,500	3,861,876	2,884,117	1,870,428	811,679	9,428,101	7,115,601	1,169,687	-	8,285,288	-	74,343,068
2037	-	1,310,000	-	-	1,310,000	3,900,495	2,912,959	1,889,133	819,796	9,522,382	8,212,382	1,181,384	-	9,393,766	-	83,736,834
2038	-	1,252,500	-	-	1,252,500	3,939,500	2,942,088	1,908,024	827,994	9,617,606	8,365,106	1,193,198	-	9,558,304	-	93,295,137
2039	-	945,000	-	-	945,000	3,939,500	2,942,088	1,205,130	-	8,086,718	7,141,718	1,205,130	-	8,346,847	-	101,641,985
2040	-	-	-	-	-	3,939,500	2,942,088	1,217,181	-	8,098,769	8,098,769	1,217,181	-	9,315,950	-	110,957,935
2041	-	-	-	-	-	3,939,500	2,942,088	1,229,353	-	8,110,941	8,110,941	1,229,353	-	9,340,294	-	120,298,228
2042	-	-	-	-	-	3,939,500	2,942,088	1,241,646	-	8,123,234	8,123,234	1,241,646	-	9,364,881	-	129,663,109
														Total Tax Effect	2.00¢	
Total	83,192,414	63,675,000	-	-	146,867,414						Total		(2,109,787)			

- Value of a Penny in FY 2014: $469,861
- Assumed Ad Valorem Tax Growth: 1.00%
- The County could choose to utilize an additional $9,450,034 of Reserves in FY 16-24 to eliminate a tax impact.

060

2006 Certificates of Participation Refunding Analysis

Lee County, North Carolina

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

February 2, 2015

DAVENPORT & COMPANY
Member NYSE | FINRA | SIPC

2006 Certificates of Participation

Current Market Refunding Results

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

Summary of Refunding Results

Bonds Refunded		
Par Refunded	$	18,980,000
Coupon		4.000% - 5.000%
Call Date		4/1/2017
Call Price		100.00%
Maturities Refunded		4/1/2018 - 4/1/2028
Refunding Bonds		
Bond Par Amount	$	17,510,000
Final Maturity		4/1/2028
True Interest Cost		2.472%
All-In TIC		2.641%
Savings		
Gross Savings	$	**1,437,105**
Net PV Savings	$	**1,221,433**
Net PV Savings %		**6.435%**
Average Annual Savings	$	110,547
Negative Arbitrage		
Arbitrage Yield		2.237%
Escrow Yield		0.472%
Negative Arbitrage	$	664,582

Annual Savings

Year	Net Prior Bond Debt Service	Net Refunding Debt Service	Annual Savings
6/30/2015	-	-	-
6/30/2016	865,925	800,370	65,555
6/30/2017	865,925	849,950	15,975
6/30/2018	2,175,925	2,054,950	120,975
6/30/2019	2,275,425	2,151,750	123,675
6/30/2020	2,141,675	2,017,750	123,925
6/30/2021	2,148,075	2,024,250	123,825
6/30/2022	2,099,075	1,977,250	121,825
6/30/2023	2,033,875	1,909,250	124,625
6/30/2024	1,942,200	1,821,250	120,950
6/30/2025	2,626,150	2,504,250	121,900
6/30/2026	2,499,556	2,374,750	124,806
6/30/2027	2,389,806	2,266,500	123,306
6/30/2028	2,299,263	2,173,500	125,763
Total	**$ 26,362,875**	**$ 24,925,770**	**$ 1,437,105**

Notes:
- Net of estimated Fixed Cost of Issuance of $250,000 and Underwriter's Discount of $87,550.
- Market estimates as of 1/26/15 are preliminary and subject to change.
- Assumes a closing date of 4/22/2015.

062

2006 Certificates of Participation

Sensitivity Analysis

	4/22/2015 Current Market	4/22/2015 +10bps	4/22/2015 +20bps	4/1/2016 Current Market	4/1/2017 Current Market
1 Gross Debt Service Savings	$ 1,437,105	$ 1,273,732	$ 1,104,520	$ 2,092,300	$ 2,786,775
2 Net PV Savings	$ 1,221,433	$ 1,072,862	$ 925,692	$ 1,814,944	$ 2,475,544
3 Savings as a % of Refunded Par	6.44%	5.65%	4.88%	9.56%	13.04%
4					
5 Negative Arbitrage	$ 664,582	$ 701,110	$ 737,518	$ 381,488	$ -
6 Refunding Efficiency Ratio	64.76%	60.48%	55.66%	82.63%	100.00%
7 Breakeven Rate Movement (Gross Savings)	N/A	N/A	N/A	45bps	107bps

Rates reflect current market estimates as of 1/26/15.

Preliminary, and subject to change.

Historic Interest Rates

Quarterly MMD – Past 3 Years

4/22/2012 – 1/22/2015

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

Year	4/22/2012	7/22/2012	10/22/2012	1/22/2013	4/22/2013	7/22/2013	10/22/2013	1/22/2014	4/22/2014	7/22/2014	10/22/2014	1/22/2015
1	0.20	0.20	0.20	0.20	0.20	0.18	0.18	0.17	0.15	0.11	0.14	0.14
2	0.31	0.31	0.30	0.33	0.29	0.43	0.35	0.34	0.35	0.31	0.33	0.42
3	0.46	0.41	0.40	0.46	0.42	0.74	0.60	0.49	0.62	0.57	0.57	0.62
4	0.64	0.51	0.51	0.59	0.56	1.04	0.90	0.81	0.90	0.90	0.82	0.81
5	0.81	0.67	0.67	0.72	0.74	1.32	1.22	1.11	1.17	1.24	1.07	1.00
6	1.02	0.91	0.83	0.90	0.92	1.60	1.59	1.53	1.49	1.49	1.35	1.23
7	1.24	1.13	1.06	1.11	1.13	1.94	1.92	1.90	1.76	1.73	1.59	1.42
8	1.46	1.34	1.32	1.30	1.34	2.24	2.22	2.20	1.97	1.94	1.80	1.59
9	1.69	1.53	1.56	1.49	1.52	2.50	2.40	2.43	2.15	2.11	1.92	1.73
10	1.85	1.65	1.74	1.67	1.70	2.67	2.57	2.58	2.29	2.23	2.03	1.83
11	2.00	1.78	1.88	1.77	1.83	2.85	2.73	2.73	2.42	2.34	2.12	1.94
12	2.14	1.88	1.96	1.85	1.96	3.02	2.90	2.86	2.54	2.44	2.21	2.04
13	2.28	1.97	2.03	1.93	2.10	3.19	3.06	3.00	2.66	2.53	2.28	2.13
14	2.41	2.05	2.10	2.00	2.23	3.35	3.21	3.12	2.77	2.61	2.33	2.20
15	2.50	2.13	2.16	2.07	2.32	3.49	3.35	3.22	2.86	2.69	2.38	2.25
16	2.59	2.20	2.22	2.13	2.40	3.59	3.48	3.31	2.94	2.76	2.43	2.30
17	2.67	2.27	2.28	2.19	2.46	3.67	3.60	3.40	3.02	2.83	2.49	2.35
18	2.74	2.34	2.34	2.24	2.51	3.74	3.68	3.48	3.10	2.90	2.55	2.39
19	2.80	2.41	2.40	2.29	2.56	3.80	3.77	3.55	3.17	2.96	2.60	2.43
20	2.86	2.48	2.46	2.35	2.61	3.85	3.83	3.59	3.22	3.01	2.65	2.47
21	2.93	2.55	2.53	2.41	2.66	3.90	3.89	3.64	3.27	3.06	2.70	2.49
22	3.00	2.61	2.61	2.47	2.71	3.95	3.95	3.68	3.32	3.11	2.75	2.51
23	3.07	2.67	2.68	2.53	2.76	3.99	4.01	3.72	3.37	3.16	2.80	2.53
24	3.13	2.73	2.75	2.59	2.80	4.02	4.06	3.75	3.41	3.20	2.83	2.55
25	3.19	2.76	2.81	2.65	2.83	4.05	4.10	3.78	3.44	3.23	2.86	2.57
26	3.21	2.77	2.82	2.68	2.86	4.08	4.13	3.80	3.46	3.25	2.89	2.58
27	3.22	2.78	2.83	2.69	2.87	4.11	4.15	3.83	3.48	3.27	2.91	2.59
28	3.23	2.79	2.84	2.70	2.88	4.13	4.17	3.85	3.50	3.28	2.93	2.60
29	3.24	2.80	2.85	2.71	2.89	4.14	4.18	3.86	3.51	3.29	2.94	2.61
30	3.25	2.81	2.86	2.72	2.90	4.15	4.19	3.87	3.52	3.29	2.95	2.62

065

Quarterly MMD Movement – Past 3 Years

4/22/2012 – 1/22/2015

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

Year	4/22/2012	7/22/2012	10/22/2012	1/22/2013	4/22/2013	7/22/2013	10/22/2013	1/22/2014	4/22/2014	7/22/2014	10/22/2014	1/22/2015
1	N/A	0.00	0.00	0.00	0.00	-0.02	0.00	-0.01	-0.02	-0.04	0.03	0.00
2	N/A	0.00	-0.01	0.03	-0.04	0.14	-0.08	-0.01	0.01	-0.04	0.02	0.09
3	N/A	-0.05	-0.01	0.06	-0.04	0.32	-0.14	-0.11	0.13	-0.05	0.00	0.05
4	N/A	-0.13	0.00	0.08	-0.03	0.48	-0.14	-0.09	0.09	0.00	-0.08	-0.01
5	N/A	-0.14	0.00	0.05	0.02	0.58	-0.10	-0.11	0.06	0.07	-0.17	-0.07
6	N/A	-0.11	-0.08	0.07	0.02	0.68	-0.01	-0.06	-0.04	0.00	-0.14	-0.12
7	N/A	-0.11	-0.07	0.05	0.02	0.81	-0.02	-0.02	-0.14	-0.03	-0.14	-0.17
8	N/A	-0.12	-0.02	-0.02	0.04	0.90	-0.02	-0.02	-0.23	-0.03	-0.14	-0.21
9	N/A	-0.16	0.03	-0.07	0.03	0.98	-0.10	0.03	-0.28	-0.04	-0.19	-0.19
10	N/A	-0.20	0.09	-0.07	0.03	0.97	-0.10	0.01	-0.29	-0.06	-0.20	-0.20
11	N/A	-0.22	0.10	-0.11	0.06	1.02	-0.12	0.00	-0.31	-0.08	-0.22	-0.18
12	N/A	-0.26	0.08	-0.11	0.11	1.06	-0.12	-0.04	-0.32	-0.10	-0.23	-0.17
13	N/A	-0.31	0.06	-0.10	0.17	1.09	-0.13	-0.06	-0.34	-0.13	-0.25	-0.15
14	N/A	-0.36	0.05	-0.10	0.23	1.12	-0.14	-0.09	-0.35	-0.16	-0.28	-0.13
15	N/A	-0.37	0.03	-0.09	0.25	1.17	-0.14	-0.13	-0.36	-0.17	-0.31	-0.13
16	N/A	-0.39	0.02	-0.09	0.27	1.19	-0.11	-0.17	-0.37	-0.18	-0.33	-0.13
17	N/A	-0.40	0.01	-0.09	0.27	1.21	-0.07	-0.20	-0.38	-0.19	-0.34	-0.14
18	N/A	-0.40	0.00	-0.10	0.27	1.23	-0.06	-0.20	-0.38	-0.20	-0.35	-0.16
19	N/A	-0.39	-0.01	-0.11	0.27	1.24	-0.03	-0.22	-0.38	-0.21	-0.36	-0.17
20	N/A	-0.38	-0.02	-0.11	0.26	1.24	-0.02	-0.24	-0.37	-0.21	-0.36	-0.18
21	N/A	-0.38	-0.02	-0.12	0.25	1.24	-0.01	-0.25	-0.37	-0.21	-0.36	-0.21
22	N/A	-0.39	0.00	-0.14	0.24	1.24	0.00	-0.27	-0.36	-0.21	-0.36	-0.24
23	N/A	-0.40	0.01	-0.15	0.23	1.23	0.02	-0.29	-0.35	-0.21	-0.36	-0.27
24	N/A	-0.40	0.02	-0.16	0.21	1.22	0.04	-0.31	-0.34	-0.21	-0.37	-0.28
25	N/A	-0.43	0.05	-0.16	0.18	1.22	0.05	-0.32	-0.34	-0.21	-0.37	-0.29
26	N/A	-0.44	0.05	-0.14	0.18	1.22	0.05	-0.33	-0.34	-0.21	-0.36	-0.31
27	N/A	-0.44	0.05	-0.14	0.18	1.24	0.04	-0.32	-0.35	-0.21	-0.36	-0.32
28	N/A	-0.44	0.05	-0.14	0.18	1.25	0.04	-0.32	-0.35	-0.22	-0.35	-0.33
29	N/A	-0.44	0.05	-0.14	0.18	1.25	0.04	-0.32	-0.35	-0.22	-0.35	-0.33
30	N/A	-0.44	0.05	-0.14	0.18	1.25	0.04	-0.32	-0.35	-0.23	-0.34	-0.33

066

Annual MMD Movement – Past 6 Years

1/22/2010 – 1/22/2015

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

Year	1/22/2010	1/22/2011	Movement	1/22/2012	Movement	1/22/2013	Movement	1/22/2014	Movement	1/22/2015	Movement
1	0.28	0.37	0.09	0.20	-0.17	0.20	0.00	0.17	-0.03	0.14	-0.03
2	0.61	0.75	0.14	0.35	-0.40	0.33	-0.02	0.34	0.01	0.42	0.08
3	0.87	1.12	0.25	0.53	-0.59	0.46	-0.07	0.49	0.03	0.62	0.13
4	1.21	1.58	0.37	0.68	-0.90	0.59	-0.09	0.81	0.22	0.81	0.00
5	1.63	1.89	0.26	0.83	-1.06	0.72	-0.11	1.11	0.39	1.00	-0.11
6	2.07	2.20	0.13	1.07	-1.13	0.90	-0.17	1.53	0.63	1.23	-0.30
7	2.38	2.56	0.18	1.31	-1.25	1.11	-0.20	1.90	0.79	1.42	-0.48
8	2.65	2.89	0.24	1.52	-1.37	1.30	-0.22	2.20	0.90	1.59	-0.61
9	2.87	3.17	0.30	1.72	-1.45	1.49	-0.23	2.43	0.94	1.73	-0.70
10	3.00	3.42	0.42	1.87	-1.55	1.67	-0.20	2.58	0.91	1.83	-0.75
11	3.11	3.63	0.52	2.01	-1.62	1.77	-0.24	2.73	0.96	1.94	-0.79
12	3.20	3.79	0.59	2.12	-1.67	1.85	-0.27	2.86	1.01	2.04	-0.82
13	3.27	3.94	0.67	2.22	-1.72	1.93	-0.29	3.00	1.07	2.13	-0.87
14	3.34	4.09	0.75	2.34	-1.75	2.00	-0.34	3.12	1.12	2.20	-0.92
15	3.41	4.24	0.83	2.46	-1.78	2.07	-0.39	3.22	1.15	2.25	-0.97
16	3.48	4.38	0.90	2.56	-1.82	2.13	-0.43	3.31	1.18	2.30	-1.01
17	3.55	4.51	0.96	2.66	-1.85	2.19	-0.47	3.40	1.21	2.35	-1.05
18	3.62	4.60	0.98	2.76	-1.84	2.24	-0.52	3.48	1.24	2.39	-1.09
19	3.68	4.68	1.00	2.86	-1.82	2.29	-0.57	3.55	1.26	2.43	-1.12
20	3.74	4.75	1.01	2.96	-1.79	2.35	-0.61	3.59	1.24	2.47	-1.12
21	3.80	4.80	1.00	3.06	-1.74	2.41	-0.65	3.64	1.23	2.49	-1.15
22	3.86	4.84	0.98	3.15	-1.69	2.47	-0.68	3.68	1.21	2.51	-1.17
23	3.92	4.86	0.94	3.22	-1.64	2.53	-0.69	3.72	1.19	2.53	-1.19
24	3.96	4.87	0.91	3.27	-1.60	2.59	-0.68	3.75	1.16	2.55	-1.20
25	4.00	4.87	0.87	3.30	-1.57	2.65	-0.65	3.78	1.13	2.57	-1.21
26	4.03	4.88	0.85	3.32	-1.56	2.68	-0.64	3.80	1.12	2.58	-1.22
27	4.04	4.88	0.84	3.34	-1.54	2.69	-0.65	3.83	1.14	2.59	-1.24
28	4.05	4.89	0.84	3.35	-1.54	2.70	-0.65	3.85	1.15	2.60	-1.25
29	4.06	4.89	0.83	3.36	-1.53	2.71	-0.65	3.86	1.15	2.61	-1.25
30	4.07	4.90	0.83	3.37	-1.53	2.72	-0.65	3.87	1.15	2.62	-1.25

067

Municipal Advisor Disclosure

The U.S. Securities and Exchange Commission (the "SEC") has clarified that a broker, dealer or municipal securities dealer engaging in municipal advisory activities outside the scope of underwriting a particular issuance of municipal securities should be subject to municipal advisor registration. Davenport & Company LLC ("Davenport") has registered as a municipal advisor with the SEC. As a registered municipal advisor Davenport may provide advice to a municipal entity or obligated person. An obligated person is an entity other than a municipal entity, such as a not for profit corporation, that has commenced an application or negotiation with an entity to issue municipal securities on its behalf and for which it will provide support. If and when an issuer engages Davenport to provide financial advisory or consultant services with respect to the issuance of municipal securities, Davenport is obligated to evidence such a financial advisory relationship with a written agreement.

When acting as a registered municipal advisor Davenport is a fiduciary required by federal law to act in the best interest of a municipal entity without regard to its own financial or other interests. Davenport is not a fiduciary when it acts as a registered investment advisor, when advising an obligated person, or when acting as an underwriter, though it is required to deal fairly with such persons.

This material was prepared by public finance, or other non-research personnel of Davenport. This material was not produced by a research analyst, although it may refer to a Davenport research analyst or research report. Unless otherwise indicated, these views (if any) are the author's and may differ from those of the Davenport fixed income or research department or others in the firm. Davenport may perform or seek to perform financial advisory services for the issuers of the securities and instruments mentioned herein.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security/instrument or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the securities, instruments or transactions and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the completeness of this material. Davenport has no obligation to continue to publish information on the securities/instruments mentioned herein. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors or issuers. Recipients should seek independent financial advice prior to making any investment decision based on this material. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. You should consider this material as only a single factor in making an investment decision.

The value of and income from investments and the cost of borrowing may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions or companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes or to simplify the presentation and/or calculation of any projections or estimates, and Davenport does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. This material may not be sold or redistributed without the prior written consent of Davenport.

Version 1.13.14 CH | TC

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

LEE COUNTY BOARD OF COMMISSIONERS

ITEM ABSTRACT	ITEM NO. III
Meeting Date: February 9, 2015	xx_ Information __ Action Item __ Consent Agenda

SUBJECT Five-Year Facilities Master Plan

DEPARTMENT: General Services

CONTACT PERSON: Russell Spivey, General Services Director

REQUEST: N/A

SUMMARY: The Evergreen Performance Audit (2012) recommended that the County initiate a more formal, ongoing process of facilities planning based on a Five-Year Facilities Master Plan. The idea is that year one of the plan becomes next year's spending plan. Once year one becomes a part of the upcoming year's adopted budget, a new year five is added to the plan. General Services has implemented this recommendation and the General Services Director will present an overview of the 2015-2020 Five-Year Facilities Master Plan.

BUDGET IMPACT: Staff does not have a total estimated cost for all projects in the plan at this time, but delaying scheduled maintenance may lead to higher, emergency maintenance costs.

ATTACHMENT(S): Five-Year Facilities Master Plan PowerPoint presentation

PUBLIC HEARING: No

PRIOR BOARD ACTION: None

RECOMMENDATION: Support multi-year facilities planning to address facility needs, spread costs over multiple fiscal years, and minimize emergency maintenance costs.

General Services
Five-Year Facilities Master Plan
(2015-2020)

General Services
2015-2016 Annual Budget

- Reroof New Courthouse
- Replace HVAC unit for Daymark Recovery Services
- Replace HVAC unit for Government Center
- Repaint exterior of the Old Courthouse
- Repaint meter pool at OT Sloan
- Carpet at Summit Building
- Replace Roof at Super Ten Building on Steele Street
- Change out LCGC 2nd Floor HVAC System to standalone heating and cooling units

2015-2016 Annual Budget

- New Courthouse Roof

2015-2016 Annual Budget

- HVAC unit at Daymark Recovery Services

2015-2016 Annual Budget

- HVAC unit at LCGC

2015-2016 Annual Budget

- Repaint Exterior of Old Courthouse

2015-2016 Annual Budget

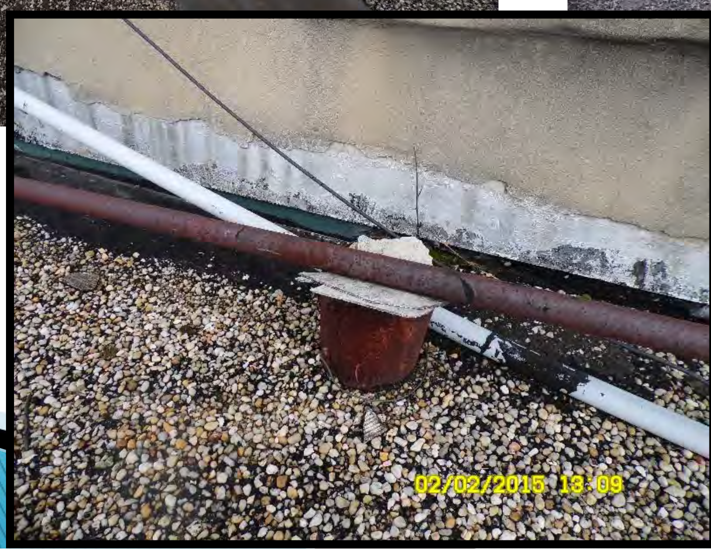
- Repaint OT Sloan Meter Pool

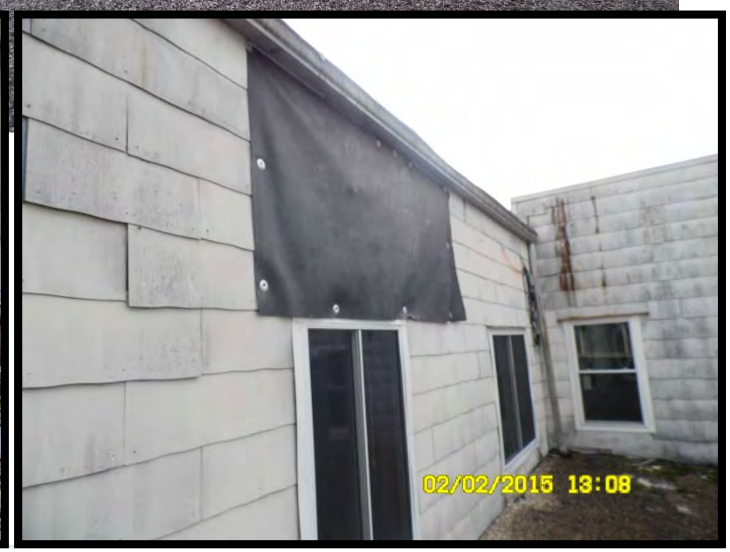
2015-2016 Annual Budget

- Summit Building Carpet

2015-2016 Annual Budget

- Roof/repairs at the Steele Street Building





2015-16 Annual Budget

- LCGC 2nd Floor Heating and Cooling Units
  - Add exam room for controlled diseases

General Services
2016-2017 Annual Budget

- Replace HVAC unit, Boiler and Air Handler for the Main Library
- Replace/Redo Skylight Windows at the Main Library
- Repave Enrichment Center parking lot
- Recoat roof at Wicker Gym (to extend life 10 years)
- Upgrade bathrooms at Horton, Kiwanis, Temple and OT Sloan Park
- Repair terrazzo floors at Old Courthouse
- Replace HVAC Controls at Government Center 1st Floor DSS

2016-2017 Annual Budget

- HVAC unit at Main Library

- Boiler and Air Handler at Main Library

2016-2017 Annual Budget

- Skylight Windows at Main Library

2016-2017 Annual Budget

- Enrichment Center Parking Lot

2016-2017 Annual Budget

- Wicker Gym

2016-2017 Annual Budget

- Park Bathrooms

2016–2017 Annual Budget

- Terrazzo Floors at Old Courthouse

2016-2017 Annual Budget

- HVAC controls at Government Center for DSS 1st floor

General Services
2017-2018 Annual Budget

- Recoat lower roof at Government Center, over DSS and B.O.C. room (to extend life 10 years)
- Reroof Parks and Recreation offices (McKinney House)
- Vinyl siding on all Park bathrooms
- Upgrade fire panel at the Courthouse/Jail
- Replace boilers at Courthouse/Jail
- Fire Panel at the Government Center

2017-2018 Annual Budget

- Government Center Roof (BOC and DSS area)

2017-2018 Annual Budget

- Parks and Recreation offices (McKinney House)

2017-2018 Annual Budget

- Park Bathrooms

2017-2018 Annual Budget

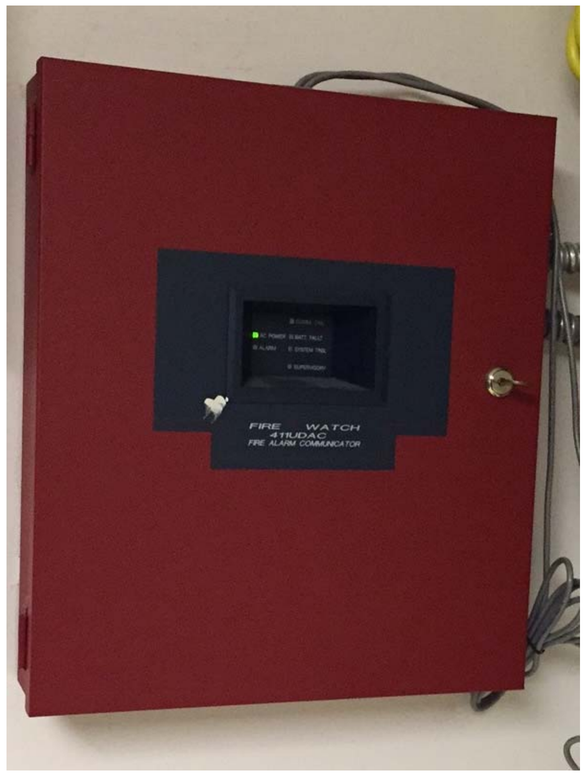
- Courthouse/Jail Fire Panel

2017-2018 Annual Budget

- Courthouse/Jail boilers

2017-2018 Annual Budget

- Fire Panel at the Government Center

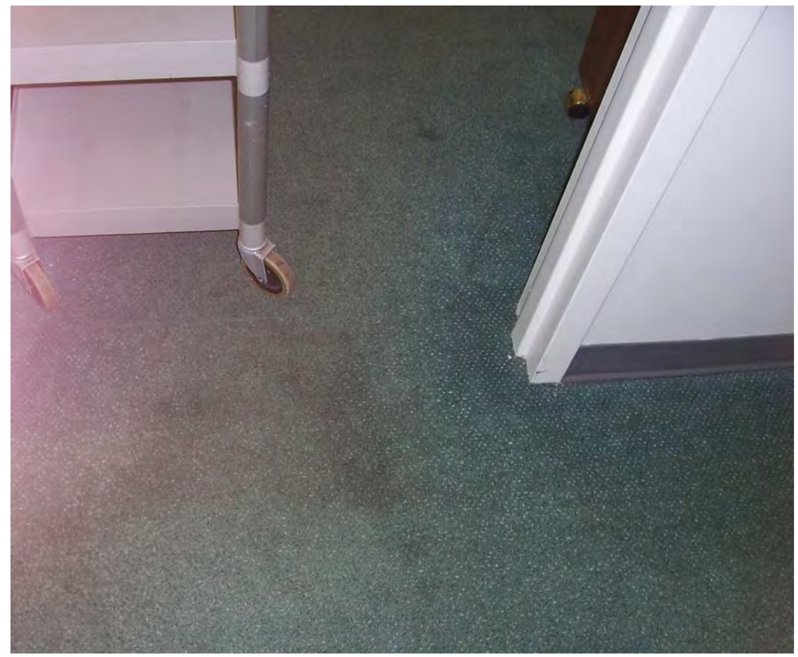


General Services
2018-2019 Annual Budget

- Replace carpet at the Enrichment Center
- Recoat roof at the Board of Education (Heins Building) to extend life 10 years
- Recoat roof at the Environmental Health/Inspections offices (Makepeace building) to extend life 10 years
- Upgrade fire panel at Enrichment Center and McSwain building
- Upgrade fuel system at General Services
- Repave McSwain Center Parking Lot

2018-2019 Annual Budget

- Enrichment Center carpet



2018-2019 Annual Budget

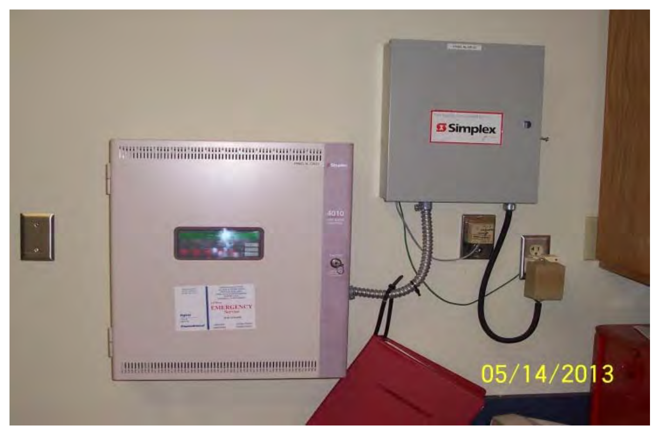
- Board of Education (Heins Building) roof

2018-2019 Annual Budget

- Environmental Health/Inspections offices (Makepeace building) roof

2018-2019 Annual Budget

- Enrichment Center and McSwain Building Fire Panels

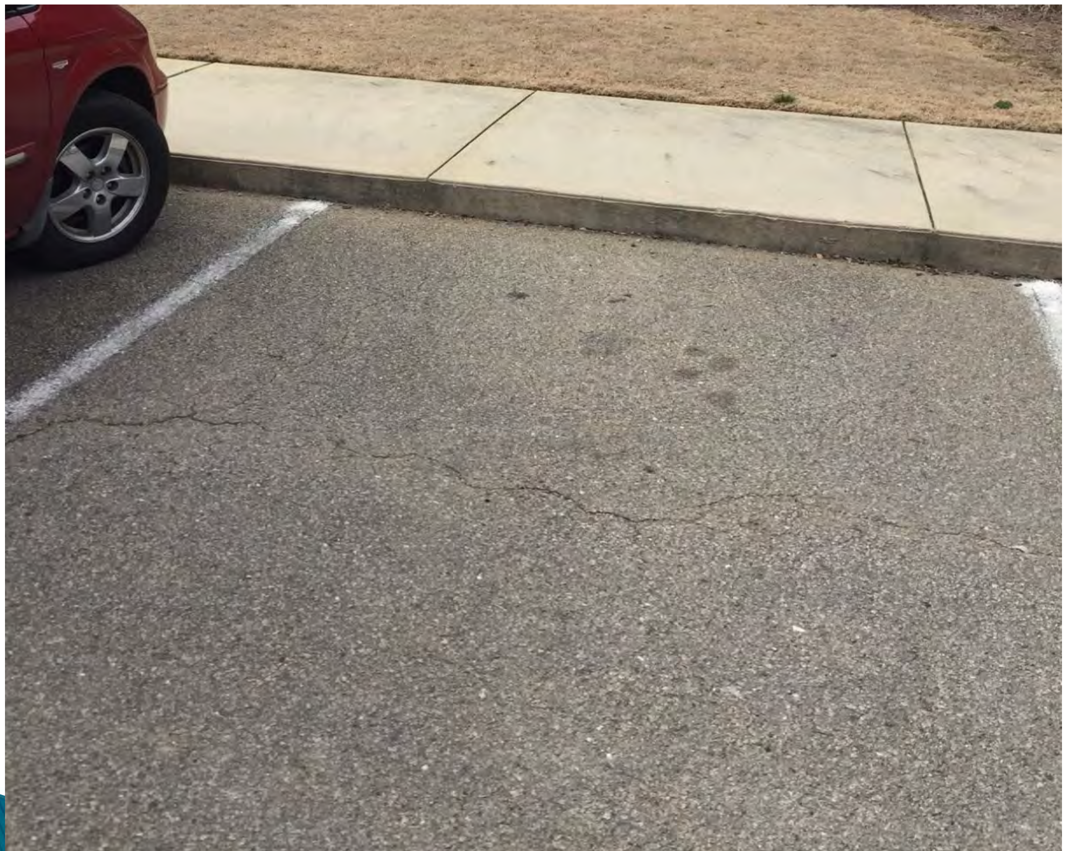


2018-2019 Annual Budget

- General Services Fuel System

2018-2019 Annual Budget

- Repave McSwain Center Parking Lot



General Services
2019-2020 Annual Budget

- Upgrade and replace piping at OT Sloan Meter Pool
- Refinish tennis courts at OT Sloan and Kiwanis Children’s Park (Park Place)
- Repave parking lot at Kiwanis Children’s Park (Park Place)
- Repave parking lot at OT Sloan Park
- Repave parking lot and greenway at Kiwanis Family Park
- Upgrade generator at the Government Center
- Controls at the courthouse/jail
- HVAC units at McSwain Center

2019-2020 Annual Budget

- Upgrade and Replace Piping at OT Sloan Meter Pool

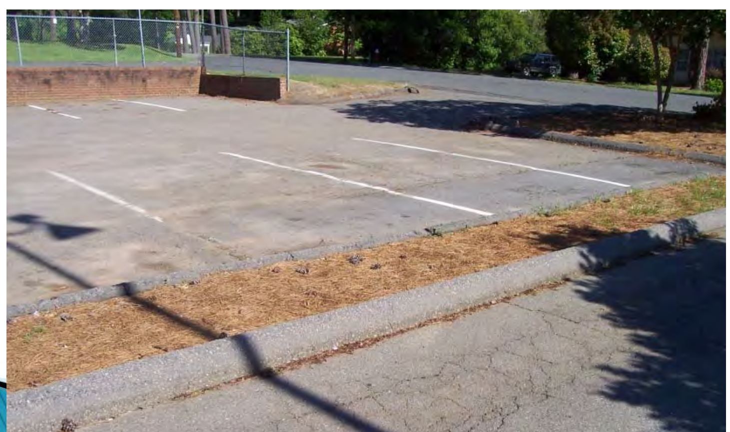
2019-2020 Annual Budget

- Tennis courts at OT Sloan and Kiwanis Children’s Park (Park Place)




2019-2020 Annual Budget

- Parking lot at Kiwanis Children's Park (Park Place)

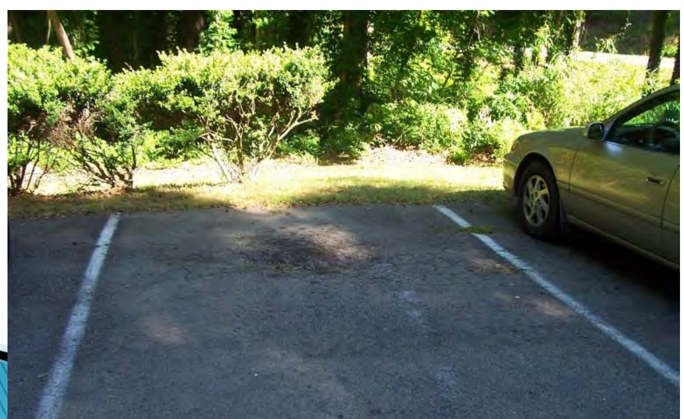


2019-2020 Annual Budget

- Parking lot at OT Sloan Park

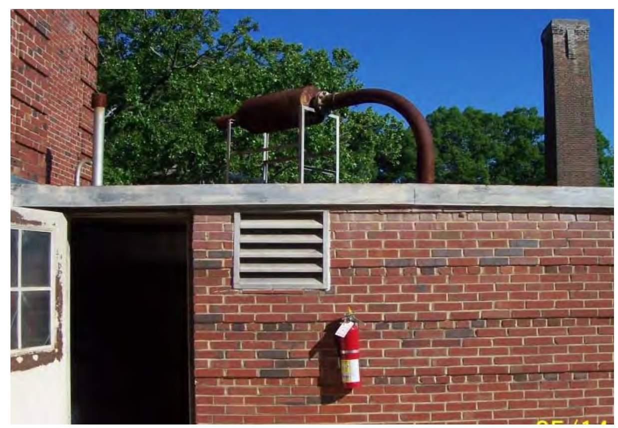
2019-2020 Annual Budget

- Parking lot and greenway at Kiwanis Family Park



2019-2020 Annual Budget

- Generator at the Government Center



2019–2020 Annual Budget

- HVAC Controls at Courthouse/Jail

2019-2020 Annual Budget

- McSwain Center HVAC Unit

QUESTIONS?

LEE COUNTY NORTH CAROLINA
Committed Today for a Better Tomorrow

LEE COUNTY BOARD OF COMMISSIONERS

ITEM ABSTRACT ITEM NO. IV

Meeting Date: February 9, 2015

___ Information
_x_ Action Item
___ Consent Agenda

SUBJECT: Contract with Springsted to prepare an updated pay study of Lee County jobs

DEPARTMENT: Human Resources Department

CONTACT PERSON: Joyce McGehee, Human Resources Director

REQUEST: Approval of the firm of Springsted to prepare an updated pay study for Lee County jobs

SUMMARY: Per Lee County's financial policy – a pay and classification study must be conducted every 5 years. Lee County contracted with the firm of Springsted in November of 2011 to conduct a pay and classification study. The study was completed and presented to the Board of Commissioner on April 16, 2012. On November 5, 2012 The Board of Commissioners approved the use of the new job descriptions and job titles as well as using the new methodology to develop new job descriptions and classify new positions as needed developed by Springsted. Salary adjustments were not made at that time due to budget constraints. Several factors have changed since the completion of the last pay study. Economic conditions have changed and we have seen employees take positions in other jurisdictions at higher pay. Several applicants have declined offers from Lee County due to the amount of salary offered. We have not made any changes to our pay ranges since June of 2011.

BUDGET IMPACT: Not to exceed $20,000

ATTACHMENT(S): Power Point Presentation
Proposal for External Compensation Study

PUBLIC HEARING: N/A

PRIOR BOARD ACTION: None

RECOMMENDATION: Approve the firm of Springsted to prepare an updated pay study for Lee County jobs

Lee County Pay and Classification

Pay and Classification Plan

- Pay and Classification Study 2012
- Recommendations of Springsted
- Current Pay and Classification Plan
- Recommendations for Current Plan
- Questions

Pay and Classification Study 2012

- Objectives
  - Evaluate the external competitiveness of our salary ranges and wages
  - Evaluate the external competitiveness of benefits offered by the County
  - Review the County's current compensation policies and practices
  - Ensure Job Descriptions comply with applicable laws and regulations
  - Update County's current classification system and salary ranges to become competitive in the regional job market

Pay and Classification Study 2012

- Methodology
  - Springsted met with County Manager and Department Directors
  - Orientation meetings
  - Collection of data
  - Position descriptions
  - Collection of market salary and benefit information
  - Assignment of positions to pay grades
  - Developed implementation options

Recommendations of Springsted

Option 1

- Move to Minimum or next step
  - 27% of employees were paid below the minimum of the proposed salary range
  - Costs at the time was $180,816
  - Increases market comparability

Recommendations of Springsted

Option 2

- Minimum 2.5 % increase or one step for all employees
    - Would address compression increase
    - Costs at the time was $306,628
    - Increases mark comparability
    - Would provide minimum level of funding to address compression issues

Current Pay and Classification Plan

- 355 Active Positions Numbers
- 170 Positions in Plan
- 4 Unclassified Positions
- Adjustments to Salary Grades last done in 2011

Recommendations for Current Plan

- Contract with Springsted for an update compensation analysis
    - Cost $14,500 plus project expenses ($1,250) (not to exceed $20,000)
- Make adjustments if applicable in the 2015/2016 budget

Questions of the Board



Proposal

Lee County, North Carolina

Proposal to Conduct an External Compensation Study

October 30, 2014

January 26, 2015

Ms. Joyce D. Mc Gehee
Director of Human Resources
Lee County
408 Summit Drive
Sanford, NC 27331

Dear Ms. Mc Gehee:

I am pleased to submit this Proposal and Memorandum of Agreement for services for a program to conduct an External Compensation Study for Lee County, North Carolina. This submittal is presented in response to the County's request for proposals. Five (5) copies of this agreement are enclosed for your execution.

This contract will be performed through an agreement between the North Carolina Association of County Commissioners and Springsted Incorporated of Richmond, Virginia. Mr. John A. Anzivino, Senior Vice President, will serve as project director and principal on-site consultant for this project. He will be assisted by Ms. Sheryl Dallas, Vice President and other Springsted staff. Resumes of staffing assigned to this study and Springsted's client references have been presented in prior communications. As you know, Springsted Incorporated has conducted numerous personnel studies for counties in North Carolina and is well qualified to perform the work described herein.

I will have overall responsibility for this project to determine that all contractual obligations of this study are successfully met.

If you have any questions or need clarification on any item contained within our Memorandum of Agreement, please contact me at the Association Office.

Sincerely,

Amy Bason
NCACC General Counsel

Enclosures
cc: John A. Anzivino, Springsted Incorporated

MEMORANDUM OF AGREEMENT

PERSONNEL SERVICE

LEE COUNTY

THIS AGREEMENT is made and entered into this _____ day of __________, 2015, by and between the North Carolina Association of County Commissioners, an unincorporated association, hereinafter called "Association", and the Lee County, a governmental subdivision of the State of North Carolina, hereinafter called the "County".

WITNESSETH

In consideration of the amounts of money hereinafter agreed to be paid, and in consideration of the other conditions hereinafter agreed to by the County, the Association offers to perform the following services:

Scope of Services

See Attachment "B", Scope of Services as amended, which is incorporated into and made a part of the Memorandum of Agreement by reference.

Time for Performance

The time for performance will be approximately 70 calendar days. This study can be started February 15, 2015 and completed by April 25 , 2015. This completion date is guaranteed for a period of thirty (30) days only after the submission date.

Costs

The professional fee of the proposed work is Fourteen Thousand Five Hundred Dollars ($14,500.00) plus project expenses not expected to exceed $1,250.00.

In consideration of the services performed by the Association, the County agrees to abide by and perform the following:

The County will be billed an initial payment of $3,625, two monthly progress payments of $3,625 and a final payment of $3,625 plus properly documented expenses when the project is completed and presented to the County. This cost includes twenty (20) copies of the completed study document. The County agrees to remit payment to Springsted upon receipt of each of the statements referred to above.

Execution

If this Memorandum of Agreement is not executed and returned to the Association Office within thirty (30) days from the submission date, the time frame for performance may have to be renegotiated.

If the terms of this contract are acceptable, please sign two (2) copies and return same to the Association office.

SUBMITTED BY:	ACCEPTED BY:
NORTH CAROLINA ASSOCIATION OF COUNTY COMMISSIONERS	LEE COUNTY
______________________	______________________
Amy Bason NCACC General Counsel	Name
______________________	______________________
Submission Date	Title
	______________________
	Date

Table of Contents

Mission Statement

Springsted provides high quality, independent financial and management advisory services to public and non-profit organizations, and works with them in the long-term process of building their communities on a fiscally sound and well-managed basis.

Springsted

Springsted Incorporated
1564 East Parham Road
Richmond, VA 23228-2360

Tel: 804-726-9748
Fax: 804-726-9752
Email: advisors@springsted.com
www.springsted.com

LETTER OF TRANSMITTAL

January 26, 2015

Ms. Joyce D. Mc Gehee
Director of Human Resources
Lee County
408 Summit Drive
Sanford, NC 27331

Re: **Request for Proposal to Conduct an External Compensation Study**

Dear Ms. Mc Gehee:

Springsted Incorporated is pleased to submit our formal response to conduct an External Compensation Study as an update to the current compensation plan for Lee County's employees covered by the County's classification and compensation program. This proposal is submitted based upon our conversations and may be adjusted, if necessary.

Our firm has assisted numerous jurisdictions throughout North Carolina and the United States in addressing human resources and compensation issues, as well as performing specialized management studies. We have created an extensive consulting service that provides in-depth study and analysis on a variety of management topics. Springsted ensures you that we have the staff, facilities and experience required for the studies the County has outlined in our telephone conversations.

Springsted has developed specialized expertise in performing personnel and compensation studies and currently serves as the ongoing position classification consultant for several North Carolina counties including Brunswick, Caldwell, Cabarrus, Camden, Craven, Duplin, Edgecombe, Guilford, Macon, Onslow, Pender, Randolph, Transylvania, Warren and Watuaga, as well as the North Carolina Association of County Commissioners and Fauquier, Spotsylvania, Prince George, Warren, Sussex and Accomack counties in Virginia. An advantage to Lee County is that our past work with the County and knowledge of various counties in the State of North Carolina and nationally – coupled with our technical and human resources specialties – will bring unparalleled expertise in the areas of human resources administration to your study.

Finally, our work as a preferred provider of services for the North Carolina Association of County Commissioners (NCACC) ensures that the work we do on behalf of Lee County will be of the highest quality.

Included in this proposal are the qualifications of our firm, a detailed scope of services, our study methodology and a list of client references. The project's timeframe is also provided along with the resumes of the consulting team.

We look forward to working with the County and its employees on this important project.

Respectfully submitted,

John A. Anzivino, Senior Vice President
Client Representative

sml

1. Project Summary

Springsted Incorporated proposes a comprehensive approach to performing an External Compensation Study for Lee County's approximate 344 employees which include approximately 170 job classes distributed among State Personnel Act job classes in both the Health and Social Services Department and general government employees under the jurisdiction of the County's current classification and compensation plan. Given the developing trends in the North Carolina marketplace, the County's recognition of a need to review and update compensation levels is timely. An updated compensation plan is an important management tool that promotes fair and equitable compensation for the County's employees. Updates of the plan are necessary to ensure that the County:

- Responds to changing market conditions and supports the County's efforts to attract and retain employees
- Recognizes changes in employees' duties and responsibilities resulting from workplace productivity and organizational changes
- Acknowledges increases in the complexity of employees' jobs due to advances in state of the art technology
- Ensures internal equity and consistency among similar positions
- Ensures that salaries are externally competitive with comparable employers in appropriate labor markets

The primary objectives in conducting this study will be to:

- Create opportunity for management input into the process
- Compile and analyze market comparables and competitive data
- Create a transition plan after evaluation of classifications of positions jointly and separately
- Provide necessary recommendations for managing the program going forward

Project initiation will involve meetings with the Human Resources Director and other appropriate staff to establish working relationships with supervisors and employees and to discuss project objectives and procedures and to answer any questions they may have relating to the project. The meeting(s) with the Human Resources Director will also result in development of a market survey tool to solicit information from the benchmark communities identified in those discussions. As an option, we would suggest that benefits such as health, dental and vision insurance, deferred compensation participation, participation in state retirement and/or other life insurance programs, flexible spending accounts, work hours, leave, etc. be surveyed as well to better evaluate the County's total compensation package.

It is our understanding that we will use the County's current classification descriptions for the positions included in the study to provide the information necessary to determine specific duties, responsibilities and job requirements for each position. Springsted will use these descriptions to develop and administer a comprehensive salary survey so that a reasonable and accurate comparison and analysis of salary and wages for like or similar jobs can be developed.

Methods of transition and costs of implementation will be developed and study data will be presented to County officials including the County Manager, Human Resources Director and the Board of Commissioners.

A final report will be presented both in hard copy and in electronic version within a still to be negotiated timeframe.

Details of these processes are presented in the following sections.

2. Scope of Services

Delineated on the following pages is the proposed project approach and study methodology for development of an External Compensation Study for Lee County. The staffing necessary to complete this project successfully is outlined in other sections of this proposal. The project approach was developed to allow close coordination with the Director and other County staff, if necessary.

Market Study and Compensation Plan

1. Project Initiation – Data Collection

The Springsted project director will meet with the County's Human Resources Director and other appropriate staff and officials to establish working relationships and to finalize a comprehensive work plan and timetable. All current classification and compensation data will be assembled and evaluated to determine the status of existing human resource management programs and to identify apparent issues and opportunities.

The purposes of the meeting are to:

- Introduce the Project Director
- Review the County's current classification and compensation policies and determine the County needs
- Discuss, in detail, the methodology to be used in conducting the study, the role of the consultant and the various department heads
- Review the project schedule and determine significant milestones
- Determine the frequency and content of status reports

The meeting with the Human Resources Director and others noted above is proposed to discuss any challenges they have with the County's current wages and benefits packages and to determine any difficulties they are experiencing in recruiting and retaining employees.

It is our understanding that we will use the County's current classification descriptions for the positions included in the study to provide the information necessary to determine specific duties, responsibilities and job requirements for each position. These descriptions will be used to develop and administer a comprehensive salary survey so that a reasonable and accurate comparison and analysis of salary and wages for like or similar jobs can be developed.

2. Develop Compensation Plan

In order to determine appropriate compensation levels of positions in the study, Springsted will conduct an extensive Compensation and Benefits Survey to compare County positions included in this study with analogous positions in organizations of similar size and complexity in the area using established benchmarks from prior studies. Our prior experience with Lee County and other North Carolina localities provides us a strong understanding of the challenges the County faces in the area of recruiting many positions and their levels of compensation. The study team will work closely with the County in ensuring the appropriate sources of survey data are included in the Compensation and Benefits Survey instrument due to their knowledge of the area, the issues and the problems which the County faces on a day-to-day basis.

Subsequent to consulting with the staff, an appropriate number of benchmark positions will be identified to be included in the survey. It is proposed that the benchmark positions be selected according to the following criteria:

- Encompass a full range of position functions carried out by the County
- Pertain to positions that are experiencing a high rate of turnover
- Be based on an analysis of exit interviews (if available)
- Relate to a review of requests for reclassifications
- Conform to information obtained from discussions with the County's Human Resources Director

Springsted would also recommend that the survey include a wide range of benefits as noted earlier. In addition, Springsted will survey for and analyze data received pertaining to development and establishment of salary stipends, career ladders and skills and certification attainment programs for the various benchmark communities contained within the study and include additional information from around the state in framing recommendations for these programs as they relate to Lee County, if you so desire. Based on the compensation data analysis and the County's current classification system, Springsted will classify positions by salary and grade. Springsted will also provide the County with a comparison of total compensation for various positions generated through information obtained through the compensation survey.

To classify positions, Springsted has developed and copyrighted a job evaluation system known as *Systematic Analysis and Factor Evaluation* (SAFE®). This system has been successfully used for several years and has been reviewed by the United States District Court, in conjunction with an Equal Employment Opportunity (EEO) suit, and found acceptable to the Court.

It is important to note that the Systematic Analysis and Factor Evaluation system is a unique method of job evaluation. The SAFE® system was designed to measure job factors that apply specifically to local government.

The system rates and ranks jobs based on skill levels and work factors. The result is an equitable and consistent method of evaluating jobs and relating classes to the compensation plan. The system facilitates proper and equitable cross comparisons between and among classes, and minimizes the appearance of favoritism in evaluating, rating and ranking jobs.

Each position, or group of positions, will be evaluated and assigned to an appropriate salary grade based on the classification system and prevailing rates paid by survey participants. The elements considered in determining the relative value of classifications are:

- Training and Ability
- Level of Work
- Physical Demands
- Independence of Actions
- Supervision Exercised
- Experience Required
- Human Relations Skills
- Working Conditions/Hazards
- Impact on End Results

3. Develop Implementation Strategies

Springsted Incorporated will recommend a series of plans to implement the study recommendations that coincides with the needs of employees and the financial and budgetary requirements of the County. Implementation plans will include options for correcting any identified issues in conjunction with positions below recommended salary minimums for positions, salary compression issues and other identified problems. Development of implementation alternatives dealing with any identified issues of salary compression will be provided. Three (3) estimates of the cost of the plan of implementation will be provided. Ongoing implementation of the compensation system will be addressed including developing any suggested changes to current policies and procedures for addressing compensation changes.

Springsted Incorporated develops implementation strategies and cost estimates as part of every engagement. The plan developed will be tailored to the County's requirements.

4. Prepare External Compensation Study Report

The External Compensation Study Report will be a document that contains the following:

- Detailed study methodology
- Discussion of the consulting team's findings, conclusions and recommendations regarding employee salary structure, compensation plan, benefits, estimated cost and implementation plan
- Schematic list of classes and the assignment of each class to a salary grade
- The results of the External Compensation Study
- Recommended procedures for ongoing implementation of the compensation system

Springsted will prepare a Draft Report that will contain our findings and recommendations. This review document will form the core of our final report and will be discussed with the County in a face to face meeting. Based on our discussion and review of the Draft Report, Springsted will make modifications or changes, incorporating the County's comments into the Final Report, as appropriate.

We will provide twenty (20) bound copies of the Final Report along with an electronic copy in both PDF format and disk. The final report will be delivered to the County in both final written and electronic format.

5. Present Compensation and Benefits Study Report

Springsted will present the Final Report to the County's designated representatives (County Manager, Human Resources Director, etc.) and the Board of Commissioners upon conclusion of our work.

3. Consulting Firm Profile

History and Leadership

Springsted is one of the largest and most established independent public sector advisory firms in the United States. For nearly 60 years, we have continually grown in the range of our client relationships, the comprehensiveness of our services and our prominence within the industry. Our managed growth is focused on providing clients with a balance of national perspective and local expertise.

Springsted is a privately held corporation and a women-owned business and is certified as a Women's Business Enterprise ("WBE") by the City of Saint Paul, Minnesota and the Milwaukee Metropolitan Sewerage District.

Our headquarters are located in Saint Paul, Minnesota, with offices strategically located throughout the United States. Specifically, our regional offices include Milwaukee, Wisconsin; Des Moines, Iowa; Kansas City, Missouri; Richmond, Virginia; Denver, Colorado; Los Angeles, California and Dallas, Texas.

Currently, we have a staff of more than 70 professionals, including client representatives, consultants, analytical professionals and support personnel. Our size provides both subject matter expertise and contingency in the case of unforeseen circumstances.

The growth and success of our clients forms the foundation of our achievements. From Osmond Springsted's first one-person Saint Paul office in the early 1950s, to our standing today as the one of the largest advisory firms serving public and non-profit entities has been our key to success. The growth in our partnerships with our clients has led to our prominence as a financial advisor, as well as to the expansion of our services to cover all financial and organizational areas. Our future is based on our commitment to serve all of our clients.

Organizational Management and Human Resources

Public entities are under a great amount of pressure to deliver high quality services in a fiscally constrained environment. Traditional methods and means don't necessarily work anymore and this scenario is not likely to change at any time in the future. To that end, elected officials and public administrators are under pressure to employ new and innovative solutions that require progressive leadership, creative partnerships, cautious risk taking and an investment in their personnel and organizational foundation. Success in the public sector is hard to define, but those public entities that enhance and enrich their people, their process and their systems are more likely to deliver more value by maximizing the use of public resources, thus achieving more success in the marketplace of public opinion.

Springsted's staff has been advising our clients in organizational development for over 25 years. We have a strong staff with direct experience in managing and leading local city and county governments. Our team of professionals brings practical, realistic and creative solutions to the challenges faced by public entities.

Our Human Resource focus is in the area of position classification, compensation and performance evaluation. Our work is competitive, current, court tested and copyrighted to deliver pragmatic outcomes. Our Organizational Management focus ranges from executive recruitment, group facilitation, strategic planning, budget analysis, resource sharing and building collaborations to organizational improvement and efficiency studies.

Qualifications

As management consultants, and because we understand the financial, operational and administrative aspects of local governments, Springsted plays an important role in helping clients derive the greatest benefit from their resources while increasing their efficiency and effectiveness. In response to the growing requirements facing our clients, we broadened our range of advisory services to include our Management Consulting Services Group, services that were enhanced through our merger with Municipal Advisors Incorporated of Virginia.

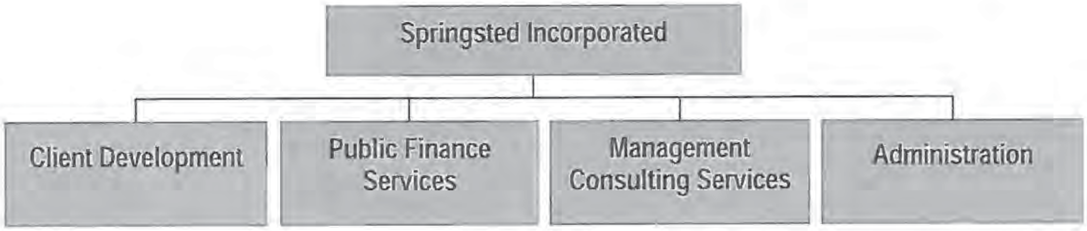
Extensive knowledge and experience in the fields of municipal management, municipal finance, personnel and local government operations are Springsted hallmarks. Each team member has several years of local government experience in a variety of areas of expertise. This experience helps us recognize the unique qualities of each local government client, thus improving the quality and relevance of our studies. The fact that the firm has provided management consulting services to North Carolina counties in the past and to numerous communities in the area and throughout the country provides us with a good knowledge base for dealing with the compensation issues facing Lee County.

Organizational Structure

The organization of our staff is based on five principles designed to benefit our clients:

- Our staff is aligned both geographically and within specialty service areas
- Our clients can work with one advisory firm to effectively address all of their capital and operational financial needs
- With a team-based approach to service, our clients are assured that more than one professional is familiar with their individual situation
- Our basic work processes have been refined over many years of continued research and development. They are customized and reviewed throughout the process of addressing individual, financing so clients are assured that they will receive creative, quality final products, tailored to their individual needs
- Reliance on tested, well-conceived and well-managed processes, our services are delivered at cost-effective levels

Within Springsted, our staff is organized within four divisions, with three of those divisions working directly with clients. They include the following:



Client Development

Our client representatives, working on-site with our clients comprise this division. The division is further organized into geographically- or specialty-based groups, including:

- Central
- Mid-Atlantic
- Upper Midwest
- National
- Public Education
- Specialty Finance
- Investment Services
- Higher Education and Non-profit

Public Finance Services

This division contains our technical professionals in the public finance field. A number of them, incorporating several areas of discipline, are assigned to your finance team.

Management Consulting Services

This division provides consulting services not directly related to public finance. It is further divided into Operational Finance and Planning, HR/Organizational Management, Housing and Economic Development and Quantitative Analysis groups.

Administration

This division provides administrative and operational support. Two of the internal support areas within this division directly complement our client-orientated divisions: our Resource Center and Information Services (IS) departments.

Our Philosophy and Service Approach

Our service philosophy is based on our mission statement and the fact that an individual service must complement the client's overall environment. Our service delivery is based on the central principles of our mission statement: high quality, independence, the long-term process of building communities and fiscally-sound and well-managed results. Our individual services are linked to consider the overall client environment.

Our services fall into one of three categories: Planning and Strategy, Funding and Implementation, and Management and Performance. Our categories reflect the hallmarks of good management and governance. They ensure the services are well thought out, properly executed and monitored for long-term performance. Our philosophical approach builds long-term relationships and our clients' communities.

Springsted is unique among advisors in the range and quality of its total service offerings. With a foundation in public finance, Springsted has expanded its services to include all related financial and management areas. These "Specialty Service Areas" include operational finance, housing and economic development, investments, as well as organizational management and human resources. This service approach permits us to focus our dedicated specialty professional resources within the larger entity perspective. This approach ensures solutions satisfy both the immediate project objectives and the overall goals of our clients.

This comprehensive approach is reflected in our five service areas:

- **Public Finance Services**
- **Housing and Economic Development Services**
- **Operational Finance and Fiscal Planning Services**
- **Investment Services** *(these services are provided through our wholly-owned subsidiary, Springsted Investment Advisors Incorporated)*
- **Organizational Management and Human Resources Services**

Advisory Services Offered

Operational Finance and Fiscal Planning Group

A specialized team dedicated to helping clients plan and manage resources to achieve maximum efficiency and effectiveness. The team provides a variety of financial planning tools enabling the client to evaluate the interface of capital infrastructure, tax policies, debt management, and operational finance.

- Operational Financial Planning
- Capital Improvement Planning
- Integrated Capital/Operational Planning
- Growth/Fiscal Impact Analysis
- User Fee Studies
- Utility Cost Recovery Studies
- Tax Impact Analysis
- Referendum Assistance
- Public/Private Partnerships
- Consolidation/Annexation Studies
- Privatization Studies
- Financial Feasibility Analysis

Public Finance Group

An extensive team of financial experts providing comprehensive services for every type of public infrastructure and operational finance area. Specialized technology and experts devoted to providing independent advice covering all options, with associated full regulatory compliance services.

- Capital Improvement Policies
- Debt Planning & Policies
- Debt Capacity Studies
- Capital Infrastructure Financing
- Cash Flow & Pooled Financing
- Individual & Master Lease Programs
- Debt Management
- Credit Rating Strategy & Enhancement
- Arbitrage/Rebate Regulatory Compliance Services
- Continuing Disclosure Regulatory Compliance Services

Housing and Economic Development Group

An experienced team to address quality of life through expanded economic opportunities, housing options and private development. Comprehensive services extend beyond planning and policy development to financing plans, project facilitation and full compliance assistance.

- Policy Development
- Incentive Capacity Analysis
- Development Strategy
- Development Process Management
- Developer Review & Negotiation
- Housing Initiatives
- Statutory Compliance Services

Organizational Management and Human Resources Group

An expert team of former public sector leaders devoted to helping governing bodies, senior management and HR departments solve their organizational and staffing needs. Complete services to provide strategic direction, organizational improvements and staffing enhancements.

- Strategic Planning
- Organizational Improvement Studies
- Compensation & Benefit Systems
- Performance Evaluation Studies
- Position Classification & Evaluation Studies
- Executive Search
- Personnel Policies

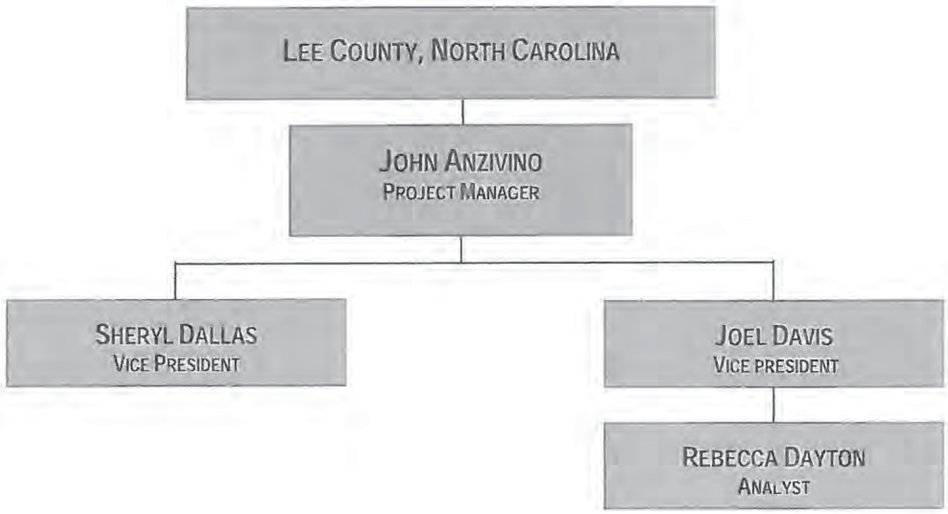
Investment Services Group

A skilled team of investment professionals with experience in policy development, cash flow and portfolio analysis, fund selection and refunding existing debt.

- Policy Development
- Cash Flow Forecasting & Monitoring
- Portfolio Analysis
- Investment of Public Funds
- Ongoing Support and Advice
- Debt Refunding Services

Consulting Team

While each client draws on the talents of many members of our staff, we assign a specific client service team to ensure primary responsibility for each project. The teams are comprised of qualified individuals who are experienced in the specific challenges confronting you. The teams are free to draw upon the expertise of our entire staff. The team assigned to this project has extensive experience in organizational and productivity improvement, classification and pay, human resources management and financial management. The team is shown below:



John A. Anzivino
Senior Vice President and Client Representative

Mr. John Anzivino has over 25 years of experience in state, county and town management. Mr. Anzivino applies this considerable insight in assisting local governments find solutions to a wide range of human resource, financial and programmatic problems and challenges facing them. He holds a master's degree in public administration from the University of Georgia. Mr. Anzivino will be the County's primary contact from Springsted, and be the project director for the County's study.

Sheryl A. Dallas
Vice President and Client Representative

Ms. Dallas has more than 25 years of public and private sector management experience focused on human resources, employee benefits and organizational management. Her breadth and depth of experience allows her to assist local governments in resolving a broad range of challenges unique to each jurisdiction. She is especially qualified in the development of classification and compensation systems, performance evaluation solutions, executive search and resolution of management issues in public sector entities. Ms. Dallas holds a master's degree in public administration from Texas Tech University.

Joel A. Davis
Vice President and Consultant

Mr. Davis joined Springsted in September 2013 and has considerable experience in wage and benefit administration, recruitment, hiring and retention, employee relations, payroll, employee training and development and regulatory compliance; as well as preparation of job descriptions, personnel policies and analysis of compensation levels. Additionally, Mr. Davis has considerable experience in city and town management as well. Prior to joining Springsted, Mr. Davis served as Human Resources Director/Public Information Officer for the City of Winchester, Virginia where he worked with the City Manager, City Council and department managers on strategic planning, complex administrative projects and assignment of staff resources to ensure productive and cost-effective operations for a 500 employee organization. Mr. Davis has also served as Assistant City Manager overseeing several departments including human resources in North Myrtle Beach, South Carolina, as Town Administrator for the Town of Harrisburg, North Carolina, as Town Manager for the Town of Spring Lake, North Carolina and as a Recreation Director for Caswell County, North Carolina. He has a Master's Degree in Public Affairs from the University of North Carolina – Greensboro and a Bachelor's Degree in Political Science and Public Administration from Elon University.

Rebecca A. Dayton
Analyst

Ms. Rebecca Dayton joined Springsted's Management Consulting Group in the winter of 2011. She has a human resources generalist knowledge base, specializing in classification and compensation studies, performance evaluations, executive search and benefits review. Ms. Dayton has an Associate degree in Education from Salem Community. She also has course work towards a Bachelor's degree in Business Administration from Virginia Commonwealth University and from Strayer University online college.

John A. Anzivino
Senior Vice President
Client Representative

Mr. Anzivino joined Springsted in December 2001 as Vice President and Client Representative. In July 2006, he was named Senior Vice President of the firm and, in December 2006, as Director of Springsted's Mid-Atlantic group. He assists mid-Atlantic counties, cities and towns and other governmental clients in helping to resolve their management and human resource, financial, housing and economic development challenges in a variety of innovative ways. In addition, Mr. Anzivino oversees the bond issuance process for clients, ensuring that debt offerings are marketed and delivered in a timely, effective manner.

Mr. Anzivino has over 25 years of experience in state and local government. Mr. Anzivino served as Town Manager for Warrenton, Virginia for over 12 years. Prior to Warrenton, he served as County Administrator for four years in Caroline County, Virginia, and for six years in Amelia County, Virginia. Each of these communities received state and national recognition for developing creative and innovative approaches to resolving complex financial and programmatic issues that they faced during his tenure. During this time, Mr. Anzivino authored chapters in the *VML Handbook for Mayors and Council Members* and the *Virginia Association of Counties Handbook for County Supervisors*. He has also held positions in West Virginia with the Governor's Office of Economic and Community Development, specializing in resolving complex utility and project financing issues and with a regional planning and development agency, as its Assistant Director.

Mr. Anzivino has been an active participant in professional associations having served as Vice President of the Virginia Local Government Management Association and as President of the Virginia Association of County Administrators.

Education

University of Georgia, Athens, Georgia
    Master of Public Administration
Concord College, Athens, West Virginia
    Bachelor of Arts
University of Virginia, Charlottesville, Virginia
    Senior Executive Institute

Affiliations

International City Management Association (ICMA)
Virginia Local Government Management Association (VLGMA)
International Public Management Association for Human Resources (IPMA)
Virginia Government Finance Officers Association (VGFOA)
North Carolina Government Finance Officers Association (NCGFOA)

Sheryl A. Dallas
Vice President
Client Representative

Ms. Dallas joined Springsted in April 2013 as Vice President and Client Representative. Her charge is to assist Mid-Atlantic public sector organizations sector organizations in resolving their human resource and management issues using her broad experience in those areas. Ms. Dallas has more than 25 years of professional experience in both the public and private sectors, with her focus on human resources, employee benefits, and organizational management. She most recently served for eight years as Vice President, Client Services in Retirement Services (GEBCorp) for the Association County Commissioners of Georgia. Prior to that, she managed all employee benefits, payroll, and risk management services for Fulton County, Georgia; served as Senior Manager of a public sector human resource consulting practice in the Southeastern United States; and as the Human Resources Director for the Atlanta Housing Authority. She served in a variety of human resource management positions with Miami-Dade County government for over 10 years. Her wide-ranging experiences have contributed to her proven ability to provide innovative solutions to the complex problems faced by local governments today.

Education

Texas Tech University, Lubbock, Texas
Master of Public Administration
Bachelor of Arts

Affiliations

International City Management Association (ICMA)
International Foundation of Employee Benefits Professionals (IFEBP)
North Carolina League of Municipalities (NCLM)
Virginia Association of Counties (VACo)

Joel A. Davis
Vice President
Consultant

Mr. Davis is an organizational management and human resources consultant, specializing in position analyses, classification and compensation studies, performance evaluation studies, assisting in the resolution of management challenges and in conducting executive search efforts for the public sector. He performs organizational studies, develops personnel policies and manuals and conducts organizational management training.

Mr. Davis joined Springsted in September 2013 and has considerable experience in wage and benefit administration, recruitment, hiring and retention, employee relations, payroll, employee training and development and regulatory compliance; as well as preparation of job descriptions, personnel policies and analysis of compensation levels. Additionally, Mr. Davis has considerable experience in city and town management as well.

Prior to joining Springsted, Mr. Davis served as Human Resources Director / Public Information Officer for the City of Winchester, Virginia where he worked with the City Manager, City Council and department managers on strategic planning, complex administrative projects and assignment of staff resources to ensure productive and cost-effective operations for a 500 employee organization.

Mr. Davis has also has served as an Assistant City Manager overseeing several departments including human resources in North Myrtle Beach, South Carolina, as Town Administrator for the Town of Harrisburg, North Carolina, as Town Manager for the Town of Spring Lake, North Carolina and as Recreation and Parks Director for Caswell County, North Carolina.

Education

University of North Carolina – Greensboro, North Carolina
  Master of Public Affairs
Elon University – Elon, North Carolina
  Bachelor of Arts in Political Science and Public Administration
University of North Carolina, Institute of Government
  Capital Finance and Budgeting, Municipal Administration and Personnel Management

Affiliations

International City/County Management Association (ICMA)
International Public Management Association (IPMA)
North Carolina Association of County Commissioners (NCACC)
North Carolina City County Managers Association (NCCMA)
North Carolina League of Municipalities (NCLM)
Society for Human Resource Management (SHRM)
Virginia Association of Counties (VACo)
Virginia Municipal League (VML)

Civic Affiliations

Paul Harris Fellow in the Rotary Club; Past Chair of Rotary Club Finance Committee
Chair of Horry County Heart Walk (2007)

Rebecca A. Dayton
Analyst

Rebecca Dayton joined Springsted in November 2011, working as an Analyst with the Management Consulting Services Team. She provides technical support and assistance to clients through our human resources services line, focusing on compensation studies, executive searches and organizational management projects.

Ms. Dayton specializes in all facets of human resources, including classification and compensation as well as benefits reviews. She has prepared offer letters, non-disclosure and non-compete documents, classification and compensation studies and performance review programs. Her previous experience includes program coordinator, membership assistant/exhibition coordinator, and an associate analyst.

Prior to employment with Springsted, Ms. Dayton supervised positions and programs related to management consulting services. She was responsible for overseeing clerical operations and preparing, editing and formatting correspondence, spreadsheets, and PowerPoint presentations. She has extensive experience creating and analyzing position profiles, creating and posting job advertisements, and researching benchmark information and following up with contracts.

Education

Salem Community College, Carneys Point, New Jersey
  Associates degree in Education
Virginia Commonwealth University, Richmond, Virginia
  Course work for Bachelors of Business Administration
Strayer University
  Course work for Bachelors of Business Administration in Management

4. Fees and Project Schedule

Fees

Springsted Incorporated will perform all tasks delineated in the scope of services for a professional fee of $14,500, including the classification analysis of the three hundred forty-five (345) full-time positions allocated to approximately one hundred seventy (170) job titles.

Springsted's proposed scope of services includes up to three (3) plans to implement the study recommendations that coincides with the needs of employees and the financial and budgetary requirements of the County. An estimate of the cost of the plans of implementation will be provided and phasing plans discussed if the County determines that the fiscal impacts are unachievable within a single fiscal year.

In addition to the professional fee above the County will be billed for direct out-of-pocket travel expenses at cost, not to exceed $1,250. Out of pocket expenses include travel, copying, unusual communications costs, overnight deliveries, etc. and are not billed unless incurred.

Springsted, as requested in various e-mails from the County, will perform all services noted.

Additional Work

Should the County request and authorize additional work outside the scope of services as agreed, or additional revisions beyond those agreed upon at the discussion of the draft report, we would invoice the County at our standard hourly rates shown in the following table:

2015 Standard Hourly Fee Schedule	
Title	Hourly Rate
Principal & Senior Officer	$260
Senior Professional Staff	$215
Professional Staff	$160
Associates	$75

Timeframe

Springsted takes pride in meeting its time commitments. Springsted is prepared to initiate the study within 10 days after receiving the official notice to proceed and will complete the study within 70 days.

There are factors that impact upon meeting the schedule that are beyond the consulting team's control. The proposed time frame is contingent upon a timely decision, the receipt of the data from the participants, when requested, and the timely receipt of feedback and comments on the submitted preliminary data.

5. Client References

Listed below are some of the municipalities for whom Springsted Incorporated has successfully performed classification and compensation studies.

North Carolina Association of County Commissioners, North Carolina
Conducted a comprehensive compensation/classification study for association employees. Continue to provide annual maintenance and consulting services.

Contact: Mr. David Thompson, Executive Director
P.O. Box 1488
Raleigh, North Carolina 27602
919-715-2893

Onslow County, North Carolina
Developed comprehensive classification and compensation system for the County.

Contact: Dr. Meghan Doyle, Director of Human Resources
220 Georgetown Road, Suite 100
Jacksonville, North Carolina 28540
910-347-7600

Warren County, North Carolina
Conducted comprehensive classification, compensation and benefits study for the County.

Contact: Ms. Linda T. Worth, County Manager
105 Front Street
Warrenton, North Carolina 27589
252-257-7132

Watauga County, North Carolina
Conducted comprehensive classification, compensation and benefits study for the County.

Contact: Mr. Deron Geouque, County Manager
842 West King Street, Suite 1
Boone, North Carolina 28607
828-265-8000

Transylvania County, North Carolina
Conducted comprehensive classification, compensation and benefits study for the County.

Contact: Ms. Sheila Cozart, Human Resources Director
21 East Main Street
Brevard, North Carolina 28712
828-884-3100

Craven County, North Carolina

Conducted comprehensive compensation and benefits study for the County.

Contact: Ms. Amber Parker, Human Resources Director
406 Craven Street
New Bern, North Carolina 28560
252-636-66027

North Carolina League of Municipalities, North Carolina

Contracted to perform numerous classification and compensation studies for municipalities throughout North Carolina since 1987.

Contact: Mr. Hartwell Wright, Director of Member Services
PO Box 3069
Raleigh, North Carolina 27602
919-715-3932

Warren County, Virginia

Conducted comprehensive compensation and benefits study for the County, including Constitutional Officers. Continue to provide annual maintenance consulting services.

Contact: Mr. Douglas P. Stanley, AICP, County Administrator
220 North Commerce Avenue
Front Royal, Virginia 22630
540-636-4600

Fauquier County General Government and Public Schools, Virginia

Conducted comprehensive compensation and benefits study for the County, including Constitutional Officers. Continue to provide annual maintenance consulting services.

Contact: Ms. Janelle Downes, Director of Human Resources
10 Hotel Street, Suite 204
Warrenton, Virginia 20186
540-428-8703

Pender County, North Carolina

Conducted a comprehensive classification, compensation and benefits study of all personnel. Developed an employee performance evaluation and revised County personnel policies.

Contact: Ms. Denise Mulhollen, Human Resources Director
805 South Walker Street
Burgaw, North Carolina 28425
910-259-1200

Caldwell County, North Carolina

Conducted a comprehensive compensation study in 2008.

Contact: Mr. David Hill, Human Resources Director
905 West Avenue West
Lenoir, North Carolina 28645
828-757-1325

Camden County, North Carolina
Conducted a comprehensive classification, compensation and benefits study of all personnel. Developed an employee performance evaluation and revised County personnel policies.

Contact: Ms. Stephanie Jackson, Human Resources Director
117 North NC 343
Camden, North Carolina 27921
252-338-1919

King George County, Virginia
Conducted a comprehensive classification, compensation and benefits study of County personnel.

Contact: Mr. Travis Quesenberry, County Administrator
Highway 3
P.O. Box 105
King George, Virginia 22572
540-775-9181

LEE COUNTY
NORTH CAROLINA
Committed Today for a Better Tomorrow

LEE COUNTY BOARD OF COMMISSIONERS

ITEM ABSTRACT	ITEM NO. V.
Meeting Date: 2/9/2015	x Information __ Action Item __ Consent Agenda

SUBJECT FY 2015-2016 Budget Guidance Discussion

DEPARTMENT: Commissioners and Administration

CONTACT PERSON: Chair Amy Dalrymple and John Crumpton, County Manager

REQUEST: To have discussion on the goals and guidelines for FY 2015-16 Budget and to give staff clear guidelines of the Board's expectations.

SUMMARY: This section of the agenda is for the Commissioners to review a list of items from the FY 14-15 budget process that were not funded and that the Board wanted to reconsider in FY 15-16. Other items for consideration in the FY 2015-16 have been added for the Board's consideration. This section is also for the Commissioners to take action on giving the guidelines that they want staff to follow during the budget process.

BUDGET IMPACT: To be determined

ATTACHMENT(S): Items from prior budget years that were not funded and other items of priority for budget consideration
County's Financial Policies

PUBLIC HEARING: No

PRIOR BOARD ACTION: N/A

RECOMMENDATION: Commissioners' discretion

Lee County
Items from Prior Years that Were Not Funded and Other Items of Priority for Budget Consideration
FY 15-16

Phase I of pay and classification study	$ 180,816
Phase 2 of pay and classification study	306,628
Clerk of Court - storage and jury rooms - consultant evaluation	50,000
Transfer dispatch to Emergency Management	100,000
Horton Park upgrade	140,000
Off-site storage IT	55,000
COLA -1.1%	175,000
Health Insurance - 2% increase	51,120
Restore 401K contribution for regular employees to 5%	267,265
Begin debt service capital reserve	959,886
1% supplement for teachers	375,000
1% supplement for non-classified posotions	100,000
	$ 2,760,715

LEE COUNTY

Committed Today for a Better Tomorrow

FINANCIAL POLICIES RESOLUTION

WHEREAS, stability in fiscal affairs is a desirable objective but a difficult goal for counties to attain because of many factors some of which are the relationship of the various units of government, mandates, the changing economies and the limited authority of local government; and

WHEREAS, the Board of Commissioners is of the opinion that the statement of minimum standards of fiscal policy would help present and future boards and staff to adapt to the changes that occur and help them to attain a reasonable measure of fiscal stability;

NOW, THEREFORE BE IT RESOLVED, that the Lee County Board of Commissioners does hereby adopt the following financial policies:

Debt

- Debt service will not exceed 15% of general fund expenditures. In any year where the debt service is less than or equal to 14% of general fund expenditures at least 1% of the operating budget will be transferred to capital reserve. This contribution will only be made if available fund balance is at 15% or greater of general fund expenditures.

- Payout of aggregate principal outstanding shall be no less than 50% repaid within 10 years.

- The County will strive to maintain its net bonded debt at a level not to exceed two percent of the assessed valuation of taxable property within the County.

Fees and user charges

- As part of the budget process, the County shall annually review the fees and user charges. All changes to the schedule of fees and charges must be approved by the Board of Commissioners.

- The County should charge other fees when it is allowable, when a limited and specific group of beneficiaries can be identified, when it is feasible to charge beneficiaries for the services rendered, and when there is no reason to subsidize the service wholly or in part. To the extent possible, fee levels should be set to recover the full costs of the services provided, unless it is deemed necessary or desirable to subsidize the service.

- Factors to consider in deciding whether a subsidy is appropriate include the burden on property tax payers, the degree to which the service benefits a particular segment of the population, whether beneficiaries can pay the fee, and whether the service provides a broader benefit to the community.

Fund Balance

- The County will maintain as a floor an available fund balance equal to 14% of the General Fund budget at the end of each fiscal year; however, the County will strive to reach a target of 18%.

- General Fund balances in excess of target levels will be transferred to capital reserve funds to provide equity resources to fund the County's capital improvement plan.

Competitive Employment

- In order to recruit and retain the most qualified employees while ensuring fairness and non-discrimination, Lee County will commit to conducting a comprehensive compensation and classification study every five years. The study shall be based on the complexity and relative worth of each job as well as an extensive market comparability analysis which identifies competitive pay rates for jobs similar in content to those of the County in the labor market in which we compete for our labor supply.

- In an effort to maintain competitive rates of pay the County will strive to make annual cost of living adjustments for all employees based on the Consumer Price Index for Urban Wage Earners, Southern Region, Average of All Groups.

Tax rate

- In an effort to stabilize the County's tax rate, the Board of Commissioners will adopt a tax rate that considers the succeeding four years' anticipated expenditures and will strive not to change the rate until the next revaluation.

- The Board of Commissioners prefers to limit the growth of the annual operating budget to an amount which can be accommodated by growth in the tax base as well as other local state and federal revenues, without a tax rate increase, whenever possible.

- In an effort to stabilize the County's tax rate, the County will strive to develop and annually review projections of revenues, expenditures and fund balance for the next five years. Longer range projections should be developed as necessary.

- In an effort to stabilize the County's tax rate, all grant funded positions will be reviewed annually to verify continuation of funding. If grant funds are no longer available for a position, the position will be terminated unless a non-tax related source of revenue is provided to cover the cost of the position.

Adopted this 7th day of May, 2007.

Robert T. Reives, Chairman, Finance Committee

Robert H. Brown, Chairman,
Board of Commissioners

ATTEST:

Gaynell M. Lee, Clerk