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NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

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DEPUTY TREASURER

TO: Kathy Davis, Commission Assistant
FROM: Andrew Holton, Legal Counsel, Department of State Treasurer
DATE: September 15, 2010
RE: A fee increase for the Local Government Commission

1) Current fee amount – The Local Government Commission currently charges the following fees on debt issued in North Carolina:

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| a. Bonds sold pursuant to G.S. 159D | \$5,000 |
| b. Bonds sold pursuant to G.S. 131A | \$3,500 |
| c. Bonds sold pursuant to G.S. 159B | \$5,000 |
| d. Bonds sold pursuant to G.S. 159C, generally | \$2,500 |
| e. Bonds sold pursuant to G.S. 159C and are for industrial development | \$1,000 |
| f. Bonds sold for Industrial Facilities/Pollution Control, pursuant to G.S. 159D | \$1,000 |
| g. All other bonds sold pursuant to G.S. 159D | \$1,000 |
| h. Bonds sold pursuant to G.S. 159I | \$5,000 |
| i. All notes issued in anticipation of the issuance of a bond | \$ 500 |
| j. Revenue bonds sold pursuant to G.S. 159, Article 5 | \$5,000 |
| k. All other issues of debt receiving Local Government Commission approval, other than general obligation bonds | \$5,000 |
| l. Approvals to counties pursuant to G.S. 105-487(c) | \$ 250 |
| m. Approvals to municipalities pursuant to G.S. 105-487(c) | \$ 250 |
| n. Approvals of installment purchase contracts under G.S. 160A-20 where no public offering is proposed | \$ 500 |
| o. Approvals of installment purchase contracts under G.S. 160A-20 where a public offering, including but not limited to certificates of participation, is proposed | \$5,000 |
| p. A non-refundable application fee for entities issuing debt through the Capital Facilities Finance Agency. | .05% of debt |
| q. Annual fee for entities issuing debt through the Capital Facilities Financing Agency | \$ 500 |

2) Amount of the proposed new fee -- The Local Government Commission proposes to charge the following fees on debt issued in North Carolina:

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| a. Bonds sold pursuant to G.S. 159D | \$12,500 |
| b. Bonds sold pursuant to G.S. 131A | \$ 8,750 |
| c. Bonds sold pursuant to G.S. 159B | \$12,500 |
| d. Bonds sold pursuant to G.S. 159C, generally | \$ 6,125 |
| e. Bonds sold pursuant to G.S. 159C and are for industrial development | \$ 2,500 |
| f. Bonds sold for Industrial Facilities/Pollution Control, pursuant to G.S. 159D | \$ 2,500 |
| g. All other bonds sold pursuant to G.S. 159D | \$ 2,500 |
| h. Bonds sold pursuant to G.S. 159I | \$12,500 |
| i. All notes issued in anticipation of the issuance of a bond | \$ 1,250 |
| j. Revenue bonds sold pursuant to G.S. 159, Article 5 | \$12,500 |
| k. All other issues of debt receiving Local Government Commission approval, other than general obligation bonds | \$12,500 |

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| l. Approvals to counties pursuant to G.S. 105-487(c) | \$ 625 |
| m. Approvals to municipalities pursuant to G.S. 105-487(c) | \$ 625 |
| n. Approvals of installment purchase contracts under G.S. 160A-20 where no public offering is proposed | \$ 1,250 |
| o. Approvals of installment purchase contracts under G.S. 160A-20 where a public offering, including but not limited to certificates of participation, is proposed | \$12,500 |
| p. A non-refundable application fee for entities issuing debt through the Capital Facilities Finance Agency. | .1% of debt |
| q. Annual fee for entities issuing debt through the Capital Facilities Financing Agency | \$ 1,000 |

3) Statutory Authority for the Fee Increase

§ 159-6. Fees of the Commission.

- (a) The Commission may charge and collect fees for services rendered and for all expenses incurred by the Commission in connection with approving or denying an application for an issue of other than general obligation bonds or notes, participating in the sale, award or delivery of such issue or carrying out any other of its powers and duties with respect to such issue or the issuer thereof, pursuant to the laws of the State of North Carolina.
- (b) The Commission shall establish rules and regulations concerning the setting and collection of such fees. In establishing the amount of or method of determining such fees, the Commission shall take into account, among other things, the scope of its statutory responsibilities and the nature and extent of its services for such issue or issuer or class thereof.
- (c) Such fees collected by the Commission shall be incorporated into the budget of the State Treasurer and shall be expended for costs incurred by the Commission in carrying out its statutory responsibilities in the issuance of revenue bonds.
- (d) Apart from the above fees, the Commission is authorized to receive reimbursement for all expenses incurred in the sale or issuance of general obligation bonds and notes by assessing and collecting fees.
- (e) In addition to any other fees authorized by this section, the Commission may charge and collect fees for services rendered and expenses incurred in reviewing and processing petitions of counties or cities concerning use of local sales and use tax revenue in accordance with G.S. 105-487(c). (1981 (Reg. Sess., 1982), c. 1175; 1983, c. 908, s. 2.)

4) Justification for the Fee Increase

The proposed fee increase would be used to pay for technology upgrades in the Division. In 2007, the Division conducted a technology assessment and concluded that two major technology upgrades were needed: a software system for debt management and a scanning system for incoming financial documents. Consultants estimated that, in undiscounted terms, over a period of five years the debt management system would cost \$4,448,899 and produce \$5,576,627 in direct quantifiable benefits to the Division. The integrated document management systems would cost approximately \$1,500,000 and produce \$2,100,000 in direct benefits, undiscounted over a five-year period. By implementing these two systems, the Division could begin to migrate away from a paper-based operating process and towards a digital process. The assessment's cost benefit analysis determined that the updates will greatly improve the internal efficiency of the Division as well as its external work with local governments and local government agents. Specifically, the upgrades will allow for quicker, more efficient communication between the Division and governments.