



REQUEST FOR BOARD ACTION

ITEM NO. 6.

DATE OF MEETING: June 27, 2011

REQUESTED BY: Dave McCole, Finance Officer

SHORT TITLE: Resolution Authorizing Contract and Purchase Order to Bingham Arbitrage Rebate Services Inc.: \$17,790

BACKGROUND: The County will be required to have an arbitrage rebate calculation performed on Water Ban Series 2004A-B, 2005A-B, 2006 and Water Bonds Series 2006A-E and School Bonds Series 2007, as related to the arbitrage rebate requirements contained in Section 148 of the Internal Revenue Code and those Regulations promulgated there under. The calculation is performed to determine whether the county will have to pay back interest that was earned on the proceeds of the bonds. Normally a liability is incurred to the IRS on interest earned on bond proceeds that is higher than the bond yield. Due to the complexity of the arbitrage rebate calculation, it is common practice to hire an outside firm that specializes in performing such returns. The County has contacted Bingham Arbitrage Rebate Services Inc. to perform the arbitrage rebate calculation for these bonds. The firm has over 22 years experience in performing the rebate calculation and has provided such services for several counties in North Carolina, including Pender County.

SPECIFIC ACTION REQUESTED: To consider a resolution authorizing a contract with and purchase order to Bingham Arbitrage Rebate Services Inc. for arbitrage rebate calculation services in the amount of \$17,790.

COUNTY MANAGER'S RECOMMENDATION

Respectfully recommend approval.

GB
Initial

RESOLUTION

NOW, THEREFORE BE IT RESOLVED by the Pender County Board of Commissioners that:

the Board hereby authorizes a contract with and purchase order to Bingham Arbitrage Services Inc. to prepare the arbitrage rebate calculation for the Water Ban Series 2004A-B, 2005A-B, 2006, Water Bonds Series 2006A-E and School Bonds Series 2007, in the amount of \$17,790. The Chairman/County Manager is authorized to execute any/all documents necessary to implement this resolution.

67-329200 Interest \$2,627.28
67-409500 Arbitrage Rebate \$2,627.28

69-329200 Interest \$5,579.57
69-409500 Arbitrage Rebate \$5,579.57

63-329130 Interest \$9,583.15
63-409500 Arbitrage Rebate \$9,583.15

AMENDMENTS:

MOVED _____ SECONDED _____

APPROVED _____ DENIED _____ UNANIMOUS

YEA VOTES: Brown ___ Tate ___ Rivenbark ___ Ward ___ Williams ___

George Brown, Chairman Date

ATTEST Date



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www.bingham-ars.com

May 12, 2011

Mr. David J. McCole
Finance Officer
Pender County
P. O. Box 1578
Burgaw, NC 28425

RE: \$4,823,000 GO Water BAN Series 2004
\$900,000 GO Water BAN Series 2004B
\$5,723,000 GO Water BAN Series 2005A
\$5,723,000 GO Water BAN Series 2005B
\$5,723,000 GO Water Bonds Series 2006A and 2006B
\$12,154,000 GO Water BAN Series 2006
\$12,154,000 GO Water Bonds Series 2006C, 2006D, and 2006E
\$20,875,000 GO School Bonds Series 2007

Dear David,

Bingham Arbitrage Rebate Services, Inc., is pleased to submit this fee quote for arbitrage rebate services on the above referenced tax-exempt issues. This fee quote describes the proposed scope of services and fees associated with the required arbitrage rebate calculations.

SCOPE OF SERVICES

Bingham will conduct a comprehensive review of the above-referenced bond issues. The analysis will consist of the items listed below for each issue.

- Review of Certificate Regarding Use, Federal Form 8038-G, Official Statement and other pertinent closing documents.
- Determination of funds subject to spending exception, arbitrage rebate calculation and/or yield reduction calculation.
- Calculation of bond yield, if applicable.
- Calculation of arbitrage rebate liability due, in compliance with Section 148(f) of the Internal Revenue Code of 1986, and preparation of Federal Tax Form 8038-T if payment is due.
- Provision of written report to Pender County describing the calculation method used, assumptions, and conclusions.

SCOPE OF SERVICES (continued)

Factors involved in our fee quotes include the size and complexity of an issue, the number of funds included in the calculation, the type of calculations required, if the issue is a fixed rate or variable rate issue, if the issue is a Build America Bond (BAB), commingled money, qualified hedges and the number of years involved.

We will first test each issue for an exception. The spending exceptions are: the Six Month Exception, the Eighteen-Month Spending Exception or the Two-Year Construction Exception. In order to meet one of the exceptions, the gross proceeds need to be spent as follows:

SIX-MONTH EXCEPTION

Within Six Months of Closing	100% *
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* Under certain conditions, the Six Month Exception can be extended to one year for governmental or 501(c)(3) bonds.

EIGHTEEN-MONTH SPENDING EXCEPTION

Within Six Months of Closing	15%
Within Twelve Months of Closing	60%
Within Eighteen Months of Closing	100% *

* A 5% retainage is allowed at eighteen months as long as the proceeds are fully expended by thirty months.

TWO-YEAR CONSTRUCTION EXCEPTION

Within Six Months of Closing	10%
Within Twelve Months of Closing	45%
Within Eighteen Months of Closing	75%
Within Twenty-Four Months of Closing	100% *

* A 5% retainage is allowed at twenty-four months as long as the proceeds are fully expended by thirty-six months.

If a spending exception is missed, the arbitrage rebate calculation is required. If there is a Debt Service Reserve Fund, that fund will require the arbitrage rebate calculation for the life of the issue.

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FEE SCHEDULE

These schedules only apply to the herein-referenced bond issues. Either Scenario A or B will apply.

A. Exception Period <i>(if an exception is met for all gross proceeds)</i>	Fee per issue¹
Six-Month Spending Exception Report	\$650
Eighteen-Month Exception Report	\$650 per semi-annual period
Two-Year Exception Report	\$650 per semi-annual period
Reasonable Retainage, if applicable	\$650

¹ Once gross proceeds are spent in full, our fee stops for that semi-annual period.

B. First Installment Period <i>(if an exception is not met, the ARC is required)</i>	
Bond Year	Fee per issue ²
1 - 2	\$1,300 per year
3 - 5	\$500 per year
Total First Installment Fee, if 5 years of activity	\$4,100

² Once gross proceeds have been spent in full, our fee would stop. Our annual fee would apply even for a partial year of investment activity.

These additional fees may be added if applicable:	Fee per issue
Excess Investment Yield Calculation (Years 4 and 5) ³	\$150 per year
Uncommingling &/ or Transferred Proceeds Fee ⁴	\$250 per year

³ This fee would not be a factor as long as all of the Project proceeds are spent in full prior to the end of the three-year temporary period.

⁴ If at any time bond proceeds are mixed with non-proceeds, it may be necessary to uncommingle the fund.

(See attached Fee Proposal)

Bingham may withdraw, or renegotiate, this contract if our involvement is greater than originally anticipated. This would include Bingham's time commitment increasing if it became necessary to research and locate missing investment activity, or if bond proceeds are mixed with other non-proceeds funds. Invoices will be sent along with our reports. Payment is expected within 30 days of the invoice date.

If this fee quote remains outstanding following 90 days, the quote will expire. Additionally, if the requested information is not sent to Bingham within 90 days, this quote will expire.

The documentation and information requested for the arbitrage rebate calculation should cover the entire history of the Bonds. Any investment changes that occur during our review period would be considered necessary.

In order to begin the calculation, the following information would be necessary. Please mail copies and not original statements or documents.

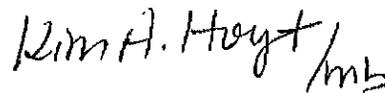
- 1) **All trust statements from bonds delivery date through current date for each issue. This includes any funds that were opened on the Bonds delivery date that may have since closed.**
- 2) **Proof of debt service payments from bond delivery date through current date for each issue.**

It would be helpful for our office to receive the future bank statements on a monthly basis. If you would, please coordinate this set up with the bank. By receiving these statements directly from the bank, it relieves your office from having to copy and mail the statements.

If you are in agreement with these terms, please have an authorized representative sign both originals included in this package and return one to Bingham at your earliest convenience.

I hope these fees meet with your approval, and please feel free to call me at (804) 864-9564 if you have any questions. Thank you and I look forward to hearing from you.

Sincerely,



Kim A. Hoyt
President

KH/mb

BINGHAM

SIGNATURE PAGE

Signature

Name (printed)

Title

Date

FEE QUOTE

These schedules only apply to the herein-referenced bond issues. If an exception is met for all gross proceeds, Bingham would provide an exception report. If an exception is not met, then the Arbitrage Rebate Calculation (ARC) is required. Once gross proceeds have been spent in full, our fee would only cover the years with investment activity. Our annual fee would apply even for a partial year of investment activity. Additional Fees for Transferred Proceeds have been factored into this fee schedule.

Issue	Evaluation Date	Notes	Spending Exceptions	Report Provided	Fee Schedule	Fees Charged
Series 2004	June 1 6/1/2004 – 2/23/2005	Project Proceeds (Refunded by Series 2005A on 2/23/2005)	Missed Spending.	ARC is required for missed spending from 6/1/2004 through 2/23/2005 Final.	Bond Years/Fee Schedule 1-2 @ \$1,300 per year 3-5 @ \$ 500 per year	\$1,300
Series 2004B	November 2 11/2/2004 – 2/23/2005	Project Proceeds (Refunded by Series 2005A on 2/23/2005)	Missed Spending.	ARC is required for missed spending from 11/2/2004 through 2/23/2005 Final.	Bond Years/Fee Schedule 1-2 @ \$1,300 per year 3-5 @ \$ 500 per year	\$1,300
Series 2005A	February 22 2/22/2005 – 11/16/2005	Project Proceeds and Current Refund of Series 2004, 2004B (Refunded by Series 2005B on 11/16/2005)	Not eligible.	ARC is required for transferred proceeds of Series 2004 and Series 2004B from 2/22/2005 through 11/16/2005 Final.	Bond Years/Fee Schedule 1-2 @ \$1,300 per year 3-5 @ \$ 500 per year	\$1,000 (Discount \$300)
Series 2005B	November 15 11/15/2005 – 3/29/2006	Project Proceeds and Current Refund of Series 2005A (Refunded by Series 2006A & B on 3/29/2006)	Not eligible.	ARC is required for transferred proceeds of Series 2005A from 11/15/2005 through 3/29/2006 Final.	Bond Years/Fee Schedule 1-2 @ \$1,300 per year 3-5 @ \$ 500 per year	\$1,000 (Discount \$300)
Series 2006A & Series 2006B	March 27 3/27/2006 – 3/27/2011	Project Proceeds and Current Refund of Series 2005B	Not eligible.	ARC is required for transferred proceeds of Series 2005B from 3/27/2006 through 3/27/2011, end of 1 st Installment Period.	Bond Years/Fee Schedule 1-2 @ \$1,300 per year 3-5 @ \$ 500 per year	\$4,100
Series 2006	June 6 6/6/2006 – 10/25/2006	Project Proceeds (Refunded by Series 2006C, D, E)	Missed Spending.	ARC is required for missed spending from 6/6/2006 through 10/25/2006 Final.	Bond Years/Fee Schedule 1-2 @ \$1,300 per year 3-5 @ \$ 500 per year	\$1,000 (Discount \$300)
Series 2006C Series 2006D Series 2006E	October 23 10/23/2006 – 10/23/2011	Project Proceeds and Current Refund of Series 2006	Not eligible.	ARC is required for transferred proceeds of Series 2006 from 10/23/2006 through 10/23/2011, end of 1 st Installment Period.	Bond Years/Fee Schedule 1-2 @ \$1,300 per year 3-5 @ \$ 500 per year	\$4,100
Series 2007	September 1 9/25/2007 – 9/1/2012	Project Proceeds	Missed Spending.	ARC is required for missed spending from 9/25/2007 through 9/1/2012, end of 1 st installment Period.	Bond Years/Fee Schedule 1-2 @ \$1,300 per year 3-5 @ \$ 500 per year	\$4,100
TOTAL FEES						\$17,790