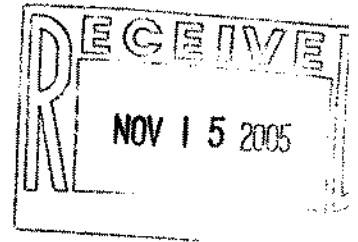


MEMORANDUM
Guilford County Finance Department



To: Willie A. Best, County Manager
Administration

From: Brenda Jones Fox
Finance Director

Date: November 15, 2005

Subject: Financing of Two Proposed Jail Facilities

In response to your request for a recommended financing strategy for the two proposed jail facilities, I have the following comments and recommendations:

1. A Certificate of Participation (COPs) approach would be the most expedient, efficient, and desirable option. COPs will cost approximately 25 basis points more than a General Obligation (GO) issue and will require sixty to ninety days to execute. A GO issue will require an election, with several required Board actions and advertisings preceding the actual vote which will at least double the time frame for a COPs financing. Further, in the event a proposed jail bond referendum fails, the required disclosure in our Official Statement may negatively impact the interest rate on a subsequent COPs issue and will enhance the possibility of a lawsuit to stop the process. In addition, the rating agencies will look closely at this sequence of events.
2. Prison Farm Minimum Security Facility - The annual debt service, assuming a level principal and interest payment over the next 20 years on a \$20 million COPs issue to meet our immediate needs through construction of a minimum security facility at the Prison Farm, would be approximately \$1.5 million at today's interest rates, translating into just under \$.004/\$100 increase in the property tax rate.
3. New jail facility in Greensboro - The annual debt service, assuming a level principal and interest payment over the next 20 years on a \$100 million COPs issue to expand the Greensboro jail would cost approximately \$7.588 million annually and would add approximately \$.019/\$100 to the annual tax rate.
4. According to the Kimme & Associates, Inc. study, Option A (single, new remote facility) has the projected lowest life cycle costs over the next 17 years of the four options. It is approximately \$110 million less than the other options which is approximately \$6.5 million per year or approximately \$.016/\$100 on the current tax rate.

If you have any questions or require any further information, please do not hesitate to contact me.


Brenda Jones Fox
Finance Director

BJF:tpd