

**AGREEMENT BETWEEN THE CITY OF FAYETTEVILLE
AND THE PUBLIC WORKS COMMISSION OF THE CITY OF FAYETTEVILLE
ESTABLISHING A FORMAL AGREEMENT TO FUND THE CONSTRUCTION
OF WATER AND SANITARY SEWER SYSTEMS IN THE ANNEXED AREA
REFERRED TO AS PHASE V**

THIS AGREEMENT is made and entered into this 12th day of May, 2008 between the City of Fayetteville, North Carolina (CITY) and the Public Works Commission of the City of Fayetteville, North Carolina (PWC). CITY and PWC may hereinafter be referred to collectively as the **PARTIES**.

RECITALS

WHEREAS, the CITY and the PWC have a relationship defined under Chapter 6 of the CITY Charter (CHARTER), and

WHEREAS, the PARTIES desire to extend approximately 600 water services and 7,000 sewer services to an area identified as Annexation Phase V (the PROJECT), exclusive of Project 1 which is currently under construction and funded by a separate agreement, and

WHEREAS, the PARTIES have estimated that the total cost of extending such services is approximately \$244,043,600 and funding of the PROJECT is expected to be through assessments, interest earnings and the PARTIES contributing \$90,553,140 each, and

WHEREAS, the PARTIES estimate the PROJECT to be completed within 14 years, and

WHEREAS, the CHARTER specifies in Chapter 6 that the PWC shall have charge of and control over and supervise the construction of plant, and

WHEREAS, the CHARTER specifies in Chapter 6 that the PWC is authorized and empowered to extend its water and sanitary sewer systems within Cumberland County, and

WHEREAS, the PWC operates as a Commission of the CITY as set forth in Chapter 6 of the Charter; and

WHEREAS, the CITY and PWC have executed an Agreement establishing a formal Operating Transfer, and

WHEREAS, the Local Government Budget and Fiscal Control Act, NCGS 159-7 (c) specifies that it is the intent of the General Assembly by enactment of this Article to prescribe for local governments and public authorities a uniform system of budget adoption and administration and fiscal control, and

WHEREAS, the Local Government Budget and Fiscal Control Act NCGS 159-13.2 specifies that a Project Ordinance shall be adopted if it intends to authorize a capital project and finance it in whole or in part by the proceeds of bonds or notes or debt instruments, and

WHEREAS, the Local Government Budget and Fiscal Control Act NCGS 159-13.2 (c) specifies that it shall not begin the project until it has adopted a balanced project ordinance for the life of the project, and

WHEREAS, Article 10, Chapter 160A, of the NCGS authorizes the CITY to make special assessments for water and sanitary sewer improvements,

specifies the basis for making assessments and allows interest to accrue on unpaid assessments, and

WHEREAS, in the interest of providing the best service with the least possible expenditure of funds, full and timely cooperation between the PWC and CITY is necessary.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises, covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the PARTIES and the PARTIES do now agree to the stipulations regarding the funding and construction of water and sanitary sewer systems in the annexed areas as follows:

ARTICLE ONE: AREA COVERED

Section 1: The area covered for the installation of water and sanitary sewer service is the area annexed into the CITY on September 30, 2005 and referred to as Phase V.

Section 2: This agreement excludes and does not supersede nor replace the "Sewer Extension Funding Policy for Annexation Phase V – Project 1" adopted by City Council on June 26, 2006 (Exhibit 1).

ARTICLE TWO: PROJECT DESCRIPTION

Section 1: PWC's proposed construction schedule for installation of water and sanitary sewer services in the subject area is outlined in Exhibit 2. PWC reserves the right to adjust and regroup lots to maximize any benefits to construction cost and provide services to the areas most needed.

Section 2: Sanitary sewer services will be made available to approximately 7,000 lots in the subject area within an estimated 14 year period beginning July 2010.

Section 3: Water services will be installed to approximately 600 lots in the subject area. Installation will be made in areas that are under construction for the installation of sanitary sewers.

Section 4: Streets and roadways will be repaired with permanent patch where they have been disturbed while installing water and sanitary sewer lines.

Section 5: Rights-of-way will be seeded where the soil was disturbed. Easements and private property where the soil was disturbed will be repaired with sod.

ARTICLE THREE: FUNDING

Section 1: ASSESSMENTS: The CITY, at a minimum, shall assess each residential lot the full cost for water and sanitary sewer improvements or \$5,000 whichever is less. Non-residential lots will be assessed on a per front foot basis at the computed per foot rate with a 90 foot minimum and the appropriate lateral charge (NCGS 160A-218).

(a.) In the event the CITY assesses less than the amount stated above, the difference shall be deducted from the Operating Transfer.

(b.) In the event the CITY assesses more than the amount stated above, the difference shall be credited to the CITY's total contribution amount.

Section 2: INTEREST RATE: The CITY will resolve, on each assessment roll, that any portion of an assessment that is not paid within 30 days after publication of the notice that the assessment roll has been confirmed, shall bear interest until paid, at a rate to be fixed in the assessment resolution, at the greater of eight percent (8%) per annum or the highest allowable by statute. If the CITY sets a lower interest rate, the difference shall be deducted from the Operating Transfer.

Section 3: CITY Contributions:

- (a.) The CITY's contribution to fund the PROJECT shall be calculated as follows and withheld monthly by PWC from the Electric Operating Transfer payable to the CITY. The CITY's contribution will be the amount below divided in equal 12 month installments:
 - 1. The operating transfer as computed in accordance with Article One, Section 3(a) and 3(b) of the resolution establishing a formal Operating Transfer adopted by PWC and CITY on May 7th, 2008 and May 12th, 2008, respectively,
 - 2. LESS, the Base Year Transfer defined in Section 3(c) herein escalated by 0.85% in 2010 and annually thereafter until the CITY's maximum total contribution in Section 5(a) herein has been reached.
- (b.) The amount withheld in Section 3(a) above shall be accounted for as transfer from the CITY to PWC or a PWC Project Fund and be recorded as such in the accounting records and financial statements of the PARTIES.
- (c.) The Base Year Transfer is the FY 2009 Electric Operating Transfer adjusted by written agreements as defined in Section 3(a)1 above.
- (d.) Example of the CITY Contribution in FY 2011:
 - 1. PWC FY 2009 estimated Net Assets, \$272,707,158
 - 2. Total estimated Operating Transfer, \$8,453,922
($\$272,707,158 \times 3.1\%$)
 - 3. Base year Amount to the CITY General Fund estimate, \$7,236,956
 - 4. Black and Decker estimated reduction, \$31,000
 - 5. Annexation Debt Service reduction, \$400,000
 - 6. Amount to the CITY General Fund, \$7,360,507
($\$7,236,956 \times 1.0085 = \$7,298,470 \times 1.0085 = \$7,360,507$)
 - 7. Amount to the Project Fund, \$662,415
($\$8,453,922 - \$31,000 - \$400,000 - \$7,360,507 = \$662,415$)

Section 4: PWC CONTRIBUTIONS:

- (a.) PWC will contribute \$1,500,000 to the Project Fund for the FY beginning July 1, 2010.
- (b.) Each fiscal year the contribution will escalate 3% until the maximum annual contribution of \$3,000,000 is reached and it shall remain at this amount each FY thereafter until the debt financing related to the PROJECT is discharged.
- (c.) PWC shall assume all financial risk associated with the PROJECT (debt financing cost, construction inflation, and project fund short falls).

Section 5: CONTRIBUTION CAPPED:

- (a.) The CITY's total contribution to the PROJECT shall be \$90,553,140.
- (b.) The PWC contribution to the PROJECT shall not exceed \$3,000,000 in any fiscal year (FY).

Section 6: Other sources:

- (a.) In the event other funding sources become available to the PARTIES, the outside funding amount shall be credited to the total contribution amount according to the involvement of the PARTIES in obtaining such funding.
- (b.) Examples:
 - (1.) A grant becomes available for sanitary sewer installation and it requires the resources of the PARTIES to complete the grant application. The PARTIES shall split the proceeds 50-50 to be applied to their respective contribution commitment.
 - (2.) A grant becomes available to the CITY for the PROJECT and it does not require any resources of the PWC in the application process, the full amount shall be credited to the total contribution of the CITY.
 - (3.) A grant becomes available to the PWC for the PROJECT and it does not require significant resources of the CITY in the application process, other than routine signatures and Council approvals, the full amount shall be credited to the total contribution of the PWC.
- (c.) Such proceeds shall be deposited into the project fund account upon receipt.

ARTICLE FOUR: OTHER PROVISIONS

Section 1: PWC shall have full control of the PROJECT, and shall be responsible for the construction, engineering, project management and the Project Funds necessary for the management and accounting of the PROJECT for those purposes.

Section 2: If at any time the CITY fails to meet its financial or fiduciary obligations, the PROJECT will cease once PWC's legal construction contract obligations are met related to the PROJECT. No contract will be let for future sections of the PROJECT unless the PARTIES hereto have met all of their respective obligations hereunder and all payments due from each are current.

Section 3: To complete the installation of water and sanitary sewer in the Phase V PROJECT area within the fourteen (14) year period, it will require the full cooperation of the staffs of PWC and the CITY and the Commission of the PWC and the Council of the CITY, acting expeditiously to approve and execute contracts, financing documents, budgets, capital project funds, conduct public hearings and performing all requirements related to assessing the property for water and sanitary sewer improvements (Article 3, Section 1).

Section 4: There will be no true up of cost between the PWC and CITY [Article 3, Section 4 (c.)]

Section 5: All PROJECT costs will be accounted for in Capital Project Funds.

ARTICLE FIVE: OTHER SERVICES

Additional services requested, in the Phase V annexed area, will be evidenced by written Agreements between the CITY and PWC.

ARTICLE SIX: TERM

The term of this agreement shall begin on July 1, 2009 and end June 30, 2047.

ARTICLE SEVEN: INDEMNIFICATION

In any suit against CITY or PWC there shall be no indemnification of either by the other, except as provided by law, and each party shall be obligated to present and pay for its own defense.

IN WITNESS WHEREOF, the CITY and PWC have executed this AGREEMENT as of the date first written above.

Approved by PWC on May 7th, 2008 and the CITY on May 12th, 2008.

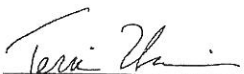
PUBLIC WORKS COMMISSION OF THE CITY OF FAYETTEVILLE, N.C.

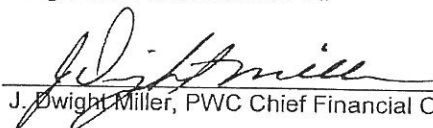
BY: 

Michael G. Lallier, Chairman

This Instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.

ATTEST:


Terri Union, Secretary


J. Dwight Miller, PWC Chief Financial Officer

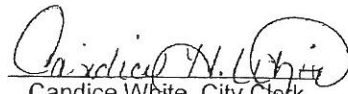
CITY OF FAYETTEVILLE, N.C.

BY: 

Anthony G. Chavonne, Mayor

This Instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.

ATTEST:


Candice White, City Clerk

 5/14/2008
Lisa Smith, CITY Chief Financial Officer

**City of Fayetteville and Public Works Commission
Sewer Extension Funding Policy
Annexation Phase V – Project Number 1
June 21, 2006**

This is a Policy adopted by both the City of Fayetteville and its Public Works Commission concerning the funding of water and sewer installation ordered by the City of Fayetteville for areas within the City of Fayetteville that were annexed through the involuntary annexation process and designated as Phase V – Project Number 1 and funding other annexation cost through Phase IV-B.

- 1) The City and PWC will establish a project fund to support the financial cost accounting of Phase V – Project Number 1.
- 2) Phase V – Project Number 1 will include the extension of sewer to approximately 1,117 lots in annexation areas 2-C and 1-A. PWC will manage all aspects of the implementation of this plan to include construction management, assessment administration and financing the construction of Project Number 1 as adopted by the City Council. All capital cost directly attributable to the project will be funded through the project fund. The City will assess \$5,000 per lot to each lot where sewer is extended. The assessment will have an 8% interest rate set by the City.
- 3) Over the next two (2) fiscal years (FY2007 and FY2008), PWC and the City will equally fund three (3) specific areas. They are as follows:
 - a) The cost of Annexation Phase V – Project Number 1 less proceeds available for construction based on the \$5,000 per lot assessment.
 - i) Estimated project cost is \$10,653,025.
 - ii) The PWC will issue bonds to cover the amount of the assessments; net bond proceeds are estimated to be \$5,007,933.
 - iii) The balance required to pay for construction is \$5,645,092.
 - b) City debt service for FY2007 and FY2008 for previous water and sewer annexation (\$2,189,377).
 - c) The City's balance of Phase IV-B annexation cost (estimated at \$2,000,000).

The total of these three areas is \$9,834,469. This equals \$2,458,617.25 per year for FY2007 and FY2008 for PWC and the City. These are the best estimates at this time and contributions by both the City and PWC will be adjusted to maintain the equal (50%-50%) split for the two-year period in order to fully fund the three areas.

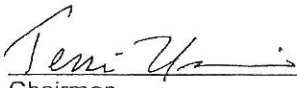
Sewer Extension Funding Policy
Annexation Phase V – Project Number 1
Page 2

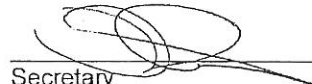
- 4) During FY2007, the City's water and sewer debt associated with previous annexations will be moved from the City's General Fund to the PWC Water Fund. The total debt service is estimated at \$12,510,115. How best to make this transition will be determined after consultation with appropriate bond team financial and legal advisors.

Debt service payments will be the responsibility of the City until the debt is successfully transferred to the PWC. PWC will then be responsible for debt service payments through maturity in FY 2021. The City and PWC will fund its share of the debt service for FY2007 and FY2008 as defined in number 3 above. PWC will withhold \$400,000 from the Electric Fund transfer to the City's General Fund each fiscal year, beginning in FY2009 and ending in FY2021, and transfer that amount to the PWC Water Fund to offset a portion of the additional bond debt payments. The present Electric Fund transfer is based on 5% of gross electric sales to residential, commercial and industrial customers, plus the transfer to pay for street light costs charged to the City.

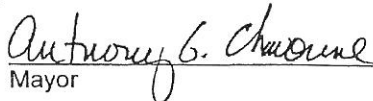
- 5) This Policy will be disclosed and referenced in all future bond issues that occur through FY2021.

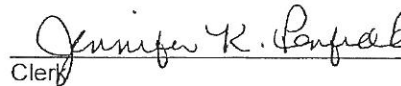
This Policy was approved by the Public Works Commission on June 21, 2006.


Chairman


Secretary

This Policy was approved by the Fayetteville City Council on June 26, 2006.


Mayor


Clerk

(June 21, 2006)

Phase V Annexation Construction Initiation Period Beginning in 2007				
Construction Year	Construction Area	Subdivisions	Rank	Improved Lots Without Sewer
2007	1	Brentwood	5	143
2007	2	LaGrange - Section 2	2	309
2007	3	LaGrange - Section 1	2	169
2008	4	Arran Lakes - West	5	188
2008	5	Arran Lakes - East	5	209
2009	6	LaGrange	1	240
2009	7	LaGrange, Summerhill	4	214
2010	8	LaGrange	1	313
2010	9	Summerhill	4	228
2011	10	Arran Hills, Arran Park	7	325
2011	11	Arran Hills, Arran Park	7	292
2012	12	Arran Lakes West	8	197
2012	13	Shenandoah, Shenandoah North	8	205
2013	14	Arran Park, Winterhills	8	237
2013	15	Arranhills, Hilcrest, Shadowlawn	8	175
2014	16	Hampton Oaks, Southgate	6	256
2014	17	Blue Springs Woods, Beacon Hill, Emerald Garden	17	344
2015	18	Southgate, South Gate Village	6	249
2015	19	Arran Lakes West	14	237
2016	20	Hackney Hills, Lake Point, Robinhill Est., Hickory Grove	17	306
2016	21	Arran Lakes West	14	264
2017	22	Arran Lakes West, Emerald Gardens	14	212
2017	23	Rayconda, Wells Place	15	296
2018	24	Cliffdale Estates	12	72
		Village Hills, Kings Mill	13	198
2018	25	Lake Rlm Estates	13	273
2019	26	Cliffdale West, Woodmark	12	287
2019	27	Cliffdale Forest	13	234
2020	28	Cliffdale West	12	308
2020	29	Montibello	20	131
		Farrington	18	38
		Lake William	18	33
		Tunbridge	18	60
2021	30	Green Briar Lake, McArthur Rd. / Ramsey St.	3	150
		Carver Falls, Cedar Falls, Ramsey St.	16	83
2021	31	Northwood Estates, Raynor Dr.	11	124
		N. Plymouth St.	19	21
		Gillespie St.	10	113
2022	32	Kingswood, Porter Place, Pine Crest Park	9	225
		Wendover Place, Hickory Run	18	85
2022	33	McDougald, Springdale, Raeford Rd. Est.	18	285
2023	34	Fairfield, Springfield Crossing	9	125
		Large, Mainly Vacant Areas in Phase 5	21	158

AMENDMENT #1

AGREEMENT BETWEEN THE CITY OF FAYETTEVILLE AND THE PUBLIC WORKS COMMISSION OF THE CITY OF FAYETTEVILLE ESTABLISHING A FORMAL AGREEMENT TO FUND THE CONSTRUCTION OF WATER AND SANITARY SEWER SYSTEMS IN THE ANNEXED AREA REFERRED TO AS PHASE V

The agreement adopted May 7 and May 12, 2008 by the Public Works Commission and the City of Fayetteville, respectively, requires modification to the formula, calculating the CITY's annual contribution to fund the Phase V PROJECT, directing the CITY's share of the recent annual savings derived from the 2009 GO Refunding transaction of \$14,800 to the CITY's General Fund. Under the current formula, such savings are transferred to the Annexation Phase V Reserve Fund and credited towards the CITY's contribution to the Fund. It is the desire of the CITY for these funds to be transferred to its General Fund:

Section 3(a) is amended to add item 3 as follows:

Section 3(a) 3: LESS, an annual amount of \$14,800 for fiscal years 2010 through 2021 representing the City's share of the 2009 GO Bond refunding transaction savings.

Section 3(d) 5, 6 and 7 are amended as follows:

Section 3(d) 5: Annexation Debt Service reduction, \$385,200.

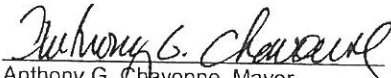
Section 3(d) 6: Amount to the CITY General Fund, \$7,375,307
($\$7,236,956 \times 1.0085 = \$7,298,470 \times 1.0085 = \$7,360,507 + \$14,800 = \$7,375,307$)

Section 3(d) 7: Amount to the Project Fund, \$662,415
($\$8,453,922 - \$31,000 - \$385,200 - \$7,375,307 = \$662,415$)

Amendment #1 to the AGREEMENT BETWEEN THE CITY OF FAYETTEVILLE AND THE PUBLIC WORKS COMMISSION OF THE CITY OF FAYETTEVILLE ESTABLISHING A FORMAL AGREEMENT TO FUND THE CONSTRUCTION OF WATER AND SANITARY SEWER SYSTEMS IN THE ANNEXED AREA REFERRED TO AS PHASE V is hereby adopted by the Public Works Commission on December 9, 2009 and the City of Fayetteville on December 14, 2009.


Terri Union, Chairman


Michael G. Lallier, Secretary


Anthony G. Chavonne, Mayor


Rita Perry, City Clerk

This Instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.

 12/17/09
Lisa Smith, CITY Chief Financial Officer


J. Dwight Miller, PWC Chief Financial Officer

(May 12, 2008) City
(Amended December 14, 2009) City

AMENDMENT #2

AGREEMENT BETWEEN THE CITY OF FAYETTEVILLE AND THE PUBLIC WORKS COMMISSION OF THE CITY OF FAYETTEVILLE ESTABLISHING A FORMAL AGREEMENT TO FUND THE CONSTRUCTION OF WATER AND SANITARY SEWER SYSTEMS IN THE ANNEXED AREA REFERRED TO AS PHASE V

BACKGROUND: The agreement adopted May 7 and May 12, 2008 by the Public Works Commission (PWC) and the City of Fayetteville (CITY), respectively, as amended December 9 and December 14, 2009, respectively, requires modification to the formula calculating the CITY's annual contribution to fund the Phase V Project Fund in fiscal years 2011 and 2012. This short term modification was agreed upon by both parties to assist the CITY in balancing its budget shortfalls by diverting \$1 million in 2011 and in 2012 from the CITY's contribution to the Project Fund to its General Fund. There is no change to the CITY's total Project Fund contribution of \$90,553,140 and therefore the additional \$2 million transferred to the City's General Fund as a result of this modification will be recouped in the final year(s) of the agreement and transferred into the Project Fund. PWC receives no benefit from this modification and has increased its risk to balance the fund over its life. Consideration to establishing risks limits may be necessary upon any future adjustments to the terms of the agreement which may be deemed to increase risks to PWC.

Amended items are as follows:

Section 3(a) is amended to add item 4 as follows:

Section 3(a) 4: LESS, an annual amount of \$1,000,000 for fiscal years 2011 and 2012, representing a short term mutually agreed upon additional amount to be transferred to the City's General Fund. Such amounts will be withheld from the contribution to the City in the final years and transferred into the Project Fund.

Section 3(d) is amended as follows:

Section 3(d):

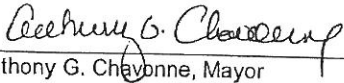
- 1: PWC FY 2009 actual Net Assets, \$290,400,441
- 2: Total Operating Transfer, \$9,002,414 ($\$290,400,411 \times 3.1\%$)
- 3: Base year Amount to the CITY General Fund, \$7,236,892
- 4: Black and Decker reduction, \$20,847
- 5: Annexation Debt Service reduction, \$385,200
- 6: Amount to the CITY General Fund, \$8,375,242
($\$7,236,892 \times 1.0085$ \$7,298,405 $\times 1.0085 = \$7,360,442 + \$14,800 + \$1,000,000 =$
\$8,375,242)
- 7: Amount to the Project Fund, \$221,125
($\$9,002,414 - \$20,847 - \$385,200 - \$8,375,242 = \$221,125$)

Amendment #2 to the AGREEMENT BETWEEN THE CITY OF FAYETTEVILLE AND THE
PUBLIC WORKS COMMISSION OF THE CITY OF FAYETTEVILLE ESTABLISHING A
FORMAL AGREEMENT TO FUND THE CONSTRUCTION OF WATER AND SANITARY

SEWER SYSTEMS IN THE ANNEXED AREA REFERRED TO AS PHASE V is hereby adopted by the Public Works Commission on May 12, 2010 and the City of Fayetteville on May 24, 2010.


Terri Union, Chairman


Michael G. Lallier, Secretary


Anthony G. Chavonne, Mayor


Rita Perry, City Clerk

This Instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.


Lisa Smith, CITY Chief Financial Officer
Officer


Dwight Miller, PWC Chief Financial

(May 7, 2008 and May 12, 2008)
(Amended December 9, 2009 and December 14, 2009)
(Amended May 12, 2010 and May 24, 2010)

AMENDMENT #3

AGREEMENT BETWEEN THE CITY OF FAYETTEVILLE AND THE PUBLIC WORKS COMMISSION OF THE CITY OF FAYETTEVILLE ESTABLISHING A FORMAL AGREEMENT TO FUND THE CONSTRUCTION OF WATER AND SANITARY SEWER SYSTEMS IN THE ANNEXED AREA REFERRED TO AS PHASE V

BACKGROUND: The agreement adopted May 7 and May 12, 2008 by the Public Works Commission (PWC) and the City of Fayetteville (CITY), respectively, as amended December 9 and December 14, 2009 and May 12 and May 24, 2010, respectively, requires modification to the formula calculating the CITY's annual contribution to fund the Annexation Phase V Reserve Fund (PROJECT) in fiscal year 2013 and thereafter. Subject to the condition stated below, this modification is mutually agreed upon by both parties to assist the CITY in balancing its anticipated budget shortfalls by diverting funds per the schedule below from the CITY's contribution to the Project Fund to its General Fund. There is no change to the CITY's total Project Fund contribution of \$90,553,140. PWC receives no benefit from this modification and as a result, will have increased its risk to balance the fund over its life. To mitigate such risks, if PWC determines at any time that the net anticipated cash flows are insufficient to fund the PROJECT, this funding modification will be adjusted, and/or, if in the case that construction is not complete, delay or cease design and construction of the remaining project areas.

Amended items are as follows:

Article Three, Section 3(a) is amended to add item 5 as follows:

Section 3(a) 5: LESS, annual amounts per the following schedule for fiscal years 2013 and thereafter, representing a conditional mutually agreed upon annual amount to be transferred to the City's General Fund. If PWC determines that funding for the PROJECT becomes insufficient, this schedule will be adjusted as necessary and/or PWC will act according the terms of Article Four, Section 2 of this agreement.

2013	\$ 526,000	2023	\$ 2,062,000
2014	\$ 547,000	2024	\$ 2,109,000
2015	\$ 938,000	2025	\$ 2,158,000
2016	\$ 1,232,000	2026	\$ 2,208,000
2017	\$ 1,801,000	2027	\$ 2,259,000
2018	\$ 1,842,000	2028	\$ 2,311,000
2019	\$ 1,884,000	2029	\$ 2,364,000
2020	\$ 1,927,000	2030	\$ 2,418,000
2021	\$ 1,971,000	2031	\$ 2,474,000
2022	\$ 2,016,000	2032	\$ 2,601,036

Article Three, Section 4(c) is amended as follows:

Section 4(c): PWC shall assume all financial risk associated with the PROJECT (debt financing cost, construction inflation, and project fund short falls) except in the case

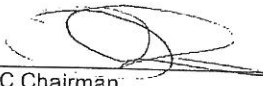
where the funding adjustments provided for in Section 3(a) 5 can be modified and/or completely cancelled to improve the net cash flow for the PROJECT.

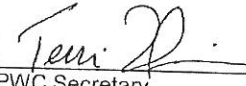
Article Three, Section 3(d) is amended as follows:

Section 3(d): Example of the CITY Contribution in FY 2013:

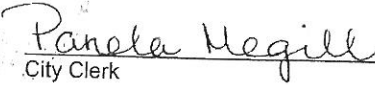
1. PWC FY 2011 actual Net Assets, \$353,593,524
2. Total Operating Transfer, \$10,961,399 ($\$353,593,524 \times 3.1\%$)
3. Base year Amount to the CITY General Fund of \$7,236,892 adjusted annually from 2009 by 0.85%, \$7,486,101
4. Black and Decker reduction, \$20,847
5. Annexation Debt Service reduction, \$385,200
6. Amendment #1, Section 3(a)3 above, \$14,800
7. Amendment #3, Section 3(a)5 above, \$526,000
8. Amount to the CITY General Fund = \$8,026,901 ($\$7,486,101 + \$14,800 + \$526,000$)
9. Amount to the Project Fund, \$2,528,451 ($\$10,961,399 - 20,847 - \$385,200 - \$8,026,901$)

Amendment #3 to the **AGREEMENT BETWEEN THE CITY OF FAYETTEVILLE AND THE PUBLIC WORKS COMMISSION OF THE CITY OF FAYETTEVILLE ESTABLISHING A FORMAL AGREEMENT TO FUND THE CONSTRUCTION OF WATER AND SANITARY SEWER SYSTEMS IN THE ANNEXED AREA REFERRED TO AS PHASE V** is hereby adopted by the Public Works Commission on June 13, 2012 and the City of Fayetteville on June 25, 2012.

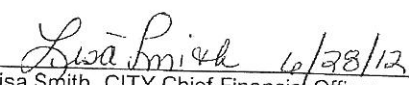

PWC Chairman

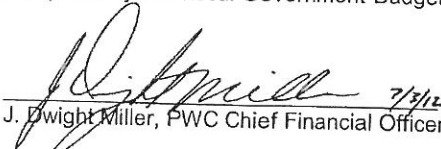

PWC Secretary


Mayor


City Clerk

This Instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.


Lisa Smith, CITY Chief Financial Officer


J. Dwight Miller, PWC Chief Financial Officer

(May 7, 2008 and May 12, 2008)
(Amended December 9, 2009 and December 14, 2009)
(Amended May 12, 2010 and May 24, 2010)
(Amended June 13, 2012 and June 25, 2012)