



## North Carolina Department of Commerce

Pat McCrory, Governor

Sharon Allred Decker, Secretary

A. John Hoomani, General Counsel

January 24, 2014

E-Mail: [Art.Pope@osbm.nc.gov](mailto:Art.Pope@osbm.nc.gov)

### VIA E-MAIL ONLY

Mr. Art Pope  
State Budget Director  
Office of State Budget and Management  
20320 Mail Service Center  
Raleigh, NC 27699-0320

Re: Third Amended Proposal for Establishment of Public-Private Partnership

Mr. Pope:

I am writing to follow-up on our recent conversations regarding the second draft proposal the Department of Commerce submitted to you on December 20, 2013. As you know, since that submission, the Department has been making great strides in moving forward with this transition, including the hiring of an Interim CEO. Richard A. Lindenmuth was hired on a Personal Services Contract with the Department on January 6, 2014, in order to proceed with the reorganization authorized by Session Law 2013-360, s. 15.7A. Mr. Lindenmuth's duties include the following:

1. Serving as Interim-CEO for the new non-profit corporation;
2. Developing targets for restructuring the Business Development, Marketing, Small Business and Entrepreneurship, International Trade, and Travel & Tourism divisions to align them with current and future market realities;
3. Working with the Department to construct a plan for developing the structure of the organization for the future; and
4. Developing programs and processes as required to build a strong organization.

### ***Thrive NC***

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Mr. Art Pope  
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Page 2 of 4

As we previously discussed, we anticipated that once a CEO was in place the proposed plan would be revised. To that end, based upon discussions with Mr. Lindenmuth, we are revising the plan to reorganize the Department to establish a public-private partnership.

First, two (2) additional filled positions have been removed from the transfer – one (1) from Business Development and one (1) from Small Business and Entrepreneurship. In addition, six (6) vacant positions in Small Business and Entrepreneurship that are supported by federal funds have been removed. As a result, it is anticipated that positions totaling approximately \$4,709,442.53 in salary and benefits (59 FTE's, including 58 currently filled and 1 vacancy) could be part of the reorganization of the Department.

We have also updated Attachment 3 to the original draft, which detailed the maximum possible severance wages that were involved with the associated positions, to reflect these changes. We anticipate that the total amount of severance wages that will actually be paid will be significantly less than this total.

Next, in our previous submission we anticipated that the transition from the public side to the private side would take place in two phases, with two of the divisions transferring to the public-private partnership by the end of the second quarter of the 2014 calendar year, and the remaining three divisions transferring to the new public-private partnership during the third and fourth quarters of 2014. However, based upon conversations with Mr. Lindenmuth, we are slowing down the transition process.

We now do not anticipate transferring over any of five divisions in total until the next fiscal year (3<sup>rd</sup> quarter of the 2014 calendar year). At this time, Mr. Lindenmuth has identified key leaders from the affected divisions to serve as a transition team. This transition team will work together to create a business plan, build an organizational structure for the new public-private partnership, establish budgets for the various divisions, establish benefit plans for employees (including medical insurance, retirement plans, etc.), and other new business startup matters. Once this work is done, we will share it with your office, as well as with the leadership of the N.C. General Assembly, so that we can all work together through this important process. One of our primary goals is to ensure a seamless transition so that the important services provided by our employees are not interrupted. We believe this new approach goes a long way towards achieving that goal.

One of the major tasks that this new transition team is undertaking is to identify the potential savings in public funds that can be realized by transitioning some of the core functions of the Department to the new public-private partnership. The chart below details the anticipated savings that can be realized:

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	<b>CURRENT EXPENSES</b>	<b>TOTAL REDUCTION</b>	<b>TOTAL EXPENSES WITH REDUCTION</b>
Personnel Expenses	\$4,709,442.53	\$550,000.00	\$4,238,498.28
International Offices	\$2,517,920.00	\$200,000.00	\$2,317,920.00
Other Expenses	\$11,208,408.00	\$280,000.00	\$10,928,408.00
<b>Total Expenditures</b>	<b>\$18,435,770.53</b>	<b>\$1,030,000.00</b>	<b>\$17,484,826.28</b>

As you can see, with a little more than a ten percent (10%) reduction in personnel expenses, the savings are significant, with a minimum of \$550,000.00 in savings. In addition, three of the divisions (Business Development, International Trade and Travel & Tourism) have various international offices and contracts across the globe. At this time, we are estimating that at least \$200,000.00 in cost efficiency savings can be realized. And finally, we have identified at least \$280,000.00 in savings for other expenses, which include such things as computer equipment, telephone services, advertising, etc. In sum, the total anticipated savings at this time is \$1,030,000.00, although we will use every effort to identify other efficiencies while still maintaining a high level of service.

As a result of the decision to not transfer over any of divisions in total until the next fiscal year, the costs of reorganizing the positions during this fiscal year should not exceed the cost-savings resulting from the establishment of the public-private partnership. The anticipated expenses will be professional expenses, obtaining benefit plans for new employees, obtaining new office space, establishing telephone and computer services at the new offices, etc.

In addition, as we move forward with the establishment of the new public-private partnership, we are continuing to use the provisions of Senate Bill 127 as a guide. For instance, the By-Laws that have been prepared for the new non-profit include the following provisions:

1. Composition of the Board of Directors is consistent with the 17 member board established in Section 1.1 of Senate Bill 127;
2. A provision requiring the new public-private partnership to adhere to the requirements of the N.C. Public Records laws (Chapter 132 of the N.C. General Statutes); and

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Mr. Art Pope  
State Budget Director  
Office of State Budget and Management  
January 24, 2014  
Page 4 of 4

3. A provision requiring the new public-private partnership to adhere to the requirements of the N.C. Open Meetings laws (Chapter 143, Article 33C of the N.C. General Statutes).

I hope that this letter finds you well, and appreciate your attention to this matter. We look forward to continuing to work through this process with your input and guidance.

Best regards,



A. John Hoomani

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## **ATTACHMENT 3**

**N. C. Office of State Budget and Management**

**Severance Request**

**For Fiscal Year 2013-14**

**Department: Commerce**

**Date of Request: 9/27/2013**

**Due to OSBM by Monday, September 30, 2013**

Budget Code	Agency/LEA/College	Position Title(s)	Position Number(s)	Separation Date	FTE	Salary	Percentage Supported by General Fund	Salary Supported by GF	Requested GF Severance Reserve	Social Security	Health Premium	Total Request	Justification	Item Number (see note)
14600	Commerce/Sm Busin	Economic Developer	60080972		1.00	\$78,644.00	100%	\$78,644.00	\$26,215.00	\$2,005.45	\$5,377.32	\$33,597.77	Senate Bill 402, Section 15.7A - Commerce	
14600	Commerce/Sm Busin	Economic Developer	60080996		1.00	\$46,352.00	100%	\$46,352.00	\$30,901.00	\$2,363.93	\$5,377.32	\$38,642.25	"	
14600	Commerce/Sm Busin	Economic Developer	60080992		1.00	\$44,114.00	100%	\$44,114.00	\$7,352.00	\$562.43	\$5,377.32	\$13,291.75	"	
14600	Commerce/Sm Busin	Economic Developer	60080990		1.00	\$43,059.00	100%	\$43,059.00	\$24,021.00	\$1,837.61	\$5,377.32	\$31,235.93	"	
14600	Commerce/Sm Busin	Economic Developer	60080993		1.00	\$42,504.00	100%	\$42,504.00	\$7,084.00	\$541.93	\$5,377.32	\$13,003.25	"	
14600	Commerce/Sm Busin	Economic Developer	60080995		0.50	\$23,029.00	100%	\$23,029.00	\$15,353.00	\$1,174.50	\$5,377.32	\$21,904.82	"	
14600	Commerce/Sm Busin	Economic Developer	60080995		0.50	\$23,029.00	100%	\$23,029.00	\$15,353.00	\$1,174.50	\$5,377.32	\$21,904.82	"	
14600	Commerce/Bus & Ind	Economic Developer	60080970		1.00	\$85,505.00	100%	\$85,505.00	\$40,615.00	\$3,107.05	\$5,377.32	\$49,099.37	"	
14600	Commerce/Bus & Ind	Economic Developer	60080960		1.00	\$84,467.00	100%	\$84,467.00	\$56,311.00	\$4,307.79	\$5,377.32	\$65,996.11	"	
14600	Commerce/Bus & Ind	Industrial Devel Representative III	60080952		1.00	\$82,846.00	100%	\$82,846.00	\$55,230.00	\$4,225.10	\$5,377.32	\$64,832.42	"	
14600	Commerce/Bus & Ind	Economic Developer	60080969		1.00	\$79,453.00	100%	\$79,453.00	\$52,969.00	\$4,052.13	\$5,377.32	\$62,398.45	"	
14600	Commerce/Bus & Ind	Economic Developer	60080948		1.00	\$83,081.00	100%	\$83,081.00	\$31,155.00	\$2,383.36	\$5,377.32	\$38,915.68	"	
14600	Commerce/Bus & Ind	Economic Developer	60080964		1.00	\$79,860.00	100%	\$79,860.00	\$53,240.00	\$4,072.86	\$5,377.32	\$62,690.18	"	
14600	Commerce/Bus & Ind	Economic Developer	60080984		1.00	\$75,826.00	100%	\$75,826.00	\$6,319.00	\$483.40	\$5,377.32	\$12,179.72	"	
14600	Commerce/Bus & Ind	Economic Developer	60080950		1.00	\$75,182.00	100%	\$75,182.00	\$37,591.00	\$2,875.71	\$5,377.32	\$45,844.03	"	
14600	Commerce/Bus & Ind	Economic Developer	60080989		1.00	\$75,047.00	100%	\$75,047.00	\$50,031.00	\$3,827.37	\$5,377.32	\$59,235.69	"	
14600	Commerce/Bus & Ind	Economic Developer	60080961		1.00	\$72,989.00	100%	\$72,989.00	\$48,659.00	\$3,722.41	\$5,377.32	\$57,758.73	"	
14600	Commerce/Bus & Ind	Economic Developer	60080978		1.00	\$72,798.00	100%	\$72,798.00	\$18,200.00	\$1,392.30	\$5,377.32	\$24,969.62	"	
14600	Commerce/Bus & Ind	Economic Developer	60080956		1.00	\$68,084.00	100%	\$68,084.00	\$13,049.00	\$998.25	\$5,377.32	\$19,424.57	"	
14600	Commerce/Bus & Ind	Economic Developer	60080954		1.00	\$66,725.00	100%	\$66,725.00	\$33,363.00	\$2,552.27	\$5,377.32	\$41,292.59	"	
14600	Commerce/Bus & Ind	Economic Developer	60080947		1.00	\$68,923.00	100%	\$68,923.00	\$34,462.00	\$2,636.34	\$5,377.32	\$42,475.66	"	
14600	Commerce/Bus & Ind	Economic Developer	60080959		1.00	\$66,918.00	100%	\$66,918.00	\$22,306.00	\$1,706.41	\$5,377.32	\$29,389.73	"	
14600	Commerce/Bus & Ind	Economic Developer	60080965		1.00	\$66,063.00	100%	\$66,063.00	\$11,011.00	\$842.34	\$5,377.32	\$17,230.66	"	
14600	Commerce/Bus & Ind	Economic Developer	60080951		1.00	\$63,870.00	100%	\$63,870.00	\$10,645.00	\$814.34	\$5,377.32	\$16,836.66	"	
14600	Commerce/Bus & Ind	Economic Developer	60080962		1.00	\$60,126.00	100%	\$60,126.00	\$20,042.00	\$1,533.21	\$5,377.32	\$26,952.53	"	
14600	Commerce/Bus & Ind	Economic Developer	60080957		1.00	\$58,591.00	100%	\$58,591.00	\$9,765.00	\$747.02	\$5,377.32	\$15,889.34	"	
14600	Commerce/Bus & Ind	Economic Developer	60080994		1.00	\$56,625.00	100%	\$56,625.00	\$4,719.00	\$361.00	\$5,377.32	\$10,457.32	"	
14600	Commerce/Bus & Ind	Economic Developer	60080981		1.00	\$54,545.00	100%	\$54,545.00	\$9,091.00	\$695.46	\$5,377.32	\$15,163.78	"	
14600	Commerce/Bus & Ind	Administrative Assistant I	60080968		1.00	\$44,888.00	100%	\$44,888.00	\$3,741.00	\$286.19	\$5,377.32	\$9,404.51	"	
14600	Commerce/Bus & Ind	Program Assistant IV	60080958		1.00	\$35,036.00	100%	\$35,036.00	\$23,357.00	\$1,786.81	\$5,377.32	\$30,521.13	"	
14600	Commerce/Bus & Ind	Office Assistant IV	60080966		1.00	\$30,328.00	100%	\$30,328.00	\$20,219.00	\$1,546.75	\$5,377.32	\$27,143.07	"	
14600	Commerce/Bus & Ind	Program Assistant IV	60080975		1.00	\$28,058.00	100%	\$28,058.00	\$14,029.00	\$1,073.22	\$5,377.32	\$20,479.54	"	
14600	Commerce/Bus & Ind	Program Assistant IV	60080980		1.00	\$28,619.00	100%	\$28,619.00	\$9,540.00	\$729.81	\$5,377.32	\$15,647.13	"	
14600	Commerce/Bus & Ind	Program Assistant IV	60080976		1.00	\$26,477.00	100%	\$26,477.00	\$13,239.00	\$1,012.78	\$5,377.32	\$19,629.10	"	
14600	Commerce/Marketing	Economic Development Manager	60081258		1.00	\$86,141.00	100%	\$86,141.00	\$28,714.00	\$2,196.62	\$5,377.32	\$36,287.94	"	
14600	Commerce/Marketing	Economic Developer	60081260		1.00	\$52,845.00	100%	\$52,845.00	\$17,615.00	\$1,347.55	\$5,377.32	\$24,339.87	"	
14600	Commerce/Tourism	Director Film Industry Development	60080938		1.00	\$97,328.00	100%	\$97,328.00	\$21,088.00	\$1,613.23	\$5,377.32	\$28,078.55	"	
14600	Commerce/Tourism	Director Of Tourism Development	65005907		1.00	\$89,780.00	100%	\$89,780.00	\$29,927.00	\$2,289.42	\$5,377.32	\$37,593.74	"	
14600	Commerce/Tourism	Social/Clinical Research Specialist	60080939		1.00	\$70,253.00	100%	\$70,253.00	\$18,734.00	\$1,433.15	\$5,377.32	\$25,544.47	"	
14600	Commerce/Tourism	Travel Relations Specialist	60080868		1.00	\$64,930.00	100%	\$64,930.00	\$21,643.00	\$1,655.69	\$5,377.32	\$28,676.01	"	
14600	Commerce/Tourism	Community Development Specialist II	60080866		1.00	\$58,768.00	100%	\$58,768.00	\$9,795.00	\$749.32	\$5,377.32	\$15,921.64	"	
14600	Commerce/Tourism	Travel & Tourism Marketing Coord.	60080869		1.00	\$52,212.00	100%	\$52,212.00	\$13,053.00	\$998.55	\$5,377.32	\$19,428.87	"	
14600	Commerce/Tourism	Info & Communications Spec III	60080863		1.00	\$51,778.00	100%	\$51,778.00	\$17,259.00	\$1,320.31	\$5,377.32	\$23,956.63	"	
14600	Commerce/Tourism	Travel Relations Specialist	60080867		1.00	\$50,834.00	100%	\$50,834.00	\$8,472.00	\$648.11	\$5,377.32	\$14,497.43	"	

**N. C. Office of State Budget and Management**

**Severance Request**

**For Fiscal Year 2013-14**

**Department: Commerce**

**Date of Request: 9/27/2013**

**Due to OSBM by Monday, September 30, 2013**

Budget Code	Agency/LEA/College	Position Title(s)	Position Number(s)	Separation Date	FTE	Salary	Percentage Supported by General Fund	Salary Supported by GF	Requested GF Severance Reserve	Social Security	Health Premium	Total Request	Justification	Item Number (see note)
14600	Commerce/Tourism	Development Officer	60080931		1.00	\$46,636.00	100%	\$46,636.00	\$3,886.00	\$297.28	\$5,377.32	\$9,560.60	"	
14600	Commerce/Tourism	Photographer II	60080864		1.00	\$44,237.00	100%	\$44,237.00	\$29,491.00	\$2,256.06	\$5,377.32	\$37,124.38	"	
14600	Commerce/Tourism	Info & Communications Spec II	60080941		1.00	\$43,436.00	100%	\$43,436.00	\$7,239.00	\$553.78	\$5,377.32	\$13,170.10	"	
14600	Commerce/Tourism	Administrative Assistant II	60080851		1.00	\$43,164.00	100%	\$43,164.00	\$26,258.00	\$2,008.74	\$5,377.32	\$33,644.06	"	
14600	Commerce/Tourism	Program Assistant IV	60080872		1.00	\$39,224.00	100%	\$39,224.00	\$6,537.00	\$500.08	\$5,377.32	\$12,414.40	"	
14600	Commerce/Tourism	Tourist Information Specialist	60080928		1.00	\$38,632.00	100%	\$38,632.00	\$6,439.00	\$492.58	\$5,377.32	\$12,308.90	"	
14600	Commerce/Tourism	Office Assistant V	60080929		1.00	\$35,420.00	100%	\$35,420.00	\$5,903.00	\$451.58	\$5,377.32	\$11,731.90	"	
14600	Commerce/Intl Trade	Division Director, International Trade	60080999		1.00	\$104,424.00	100%	\$104,424.00	\$34,808.00	\$2,662.81	\$5,377.32	\$42,848.13	"	
14600	Commerce/Intl Trade	Business Development Manager	60081009		1.00	\$85,505.00	100%	\$85,505.00	\$42,753.00	\$3,270.60	\$5,377.32	\$51,400.92	"	
14600	Commerce/Intl Trade	Business Development Manager	60081008		1.00	\$77,779.00	91%	\$70,778.89	\$12,963.00	\$991.67	\$5,377.32	\$19,331.99	"	
14600	Commerce/Intl Trade	Business Development Manager	60081005		1.00	\$74,888.00	100%	\$74,888.00	\$12,481.00	\$954.80	\$5,377.32	\$18,813.12	"	
14600	Commerce/Intl Trade	Business Development Manager	60081003		1.00	\$70,677.00	100%	\$70,677.00	\$21,203.00	\$1,622.03	\$5,377.32	\$28,202.35	"	
14600	Commerce/Intl Trade	Economic Developer	60081006		1.00	\$70,000.00	100%	\$70,000.00	\$11,667.00	\$892.53	\$5,377.32	\$17,936.85	"	
14600	Commerce/Intl Trade	Business Development Manager	60081002		1.00	\$67,418.00	100%	\$67,418.00	\$33,709.00	\$2,578.74	\$5,377.32	\$41,665.06	"	
14600	Commerce/Marketing	Administrative Assistant I	60081259		1.00	\$38,456.00	100%	\$38,456.00	\$6,409.00	\$490.29	\$5,377.32	\$12,276.61	"	
					<b>58.00</b>			<b>TOTAL</b>	\$1,243,860.00	\$97,707.56	\$317,261.88	\$1,692,192.44		

\* Note: Severance figures are only estimates as of January 31, 2014. The total amount represented is the maximum amount of severance that may be owed as a result of the reorganization.