

LGC Informational Item

Bald Head Island Transportation Authority Series 2021 Revenue Bonds

December 1, 2020

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Overview of Authorizing Legislation

- On July 18, 2017 Senate Bill 391, known as the Ferry Transportation Authority Act, was approved.
 - The purpose of the Ferry Transportation Authority Act is to authorize the creation of an Authority to provide reliable and safe public ferry transportation services in its service area.
 - The Ferry Transportation Authority Act established an 11 member Board of Trustees consisting of the Mayor and Mayor Pro Tempore of the municipality only accessible by the vessel (Village of Bald Head Island), as well as 9 appointed members. The appointed members include 1 by the Governor, 2 by the General Assembly, 3 by the Secretary of the Department of Transportation, 1 by the Board of Commissioners of the County where the Authority is located (Brunswick County), 1 by the elected Board of the municipality where the mainland terminal of the Authority is located (Southport), and 1 by the elected Board of a municipality only accessible by vessel (Village of Bald Head Island). The Board of Trustees will serve various three-year staggered terms.
 - Additionally, the Ferry Transportation Authority Act establishes the Financial Accountability, Funds, General Powers, and the process for establishing Rates, Fees, Charges, Routes, and Schedules.
- The Bald Head Island Transportation Authority (“BHITA” or the “Authority”) received its Certificate of Incorporation from the Department of the Secretary of State on August 23, 2017.

BHITA Board, Staff, and Consultants

Board of Trustees

Trustee	Appointed By:
Ms. Susan Rabon (Chair)	Governor
Mr. Robert Howard (Vice Chair)	Brunswick County
Mr. Landon Zimmer (Secretary)	NCDOT
Mr. David Jessen (Treasurer)	General Assembly
Dr. Rex Cowdry	NCDOT
Mr. Jed Dixon	NCDOT
Mr. Paul Cozza	General Assembly
Mr. Jim Powell	City of Southport
Mayor Andy Sayre	Village of Bald Head Island
Mayor Pro Tem Michael Brown	Village of Bald Head Island
Mr. Claude Pope	Village of Bald Head Island

Staff

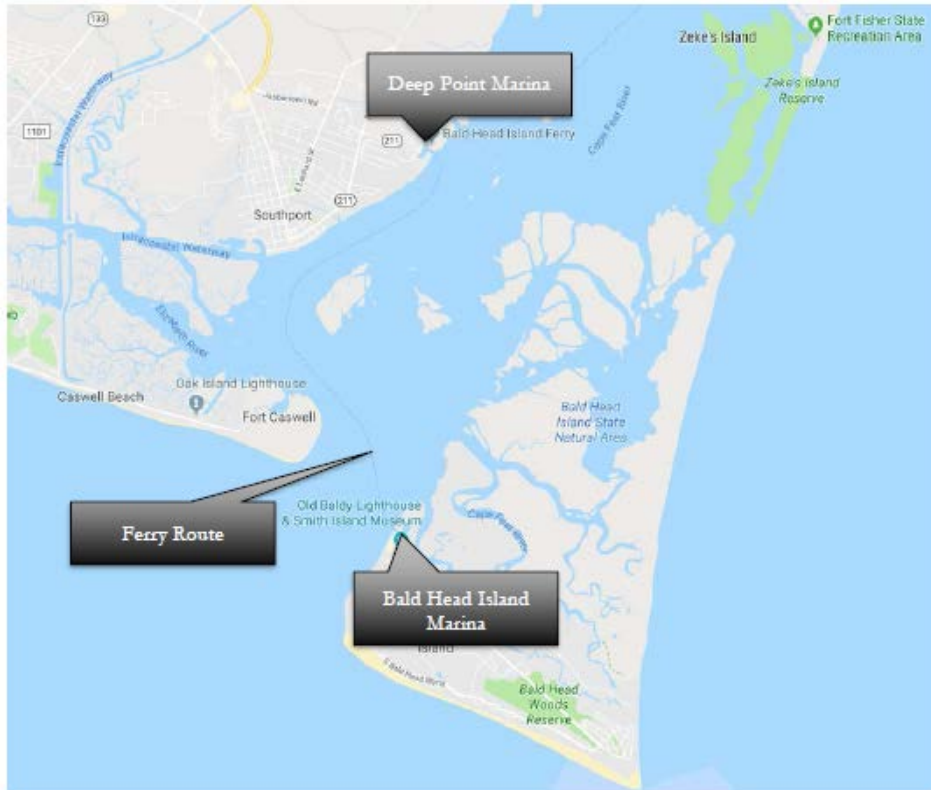
Staff	Role
Ms. Deb Straub	Interim Finance Director

Consultants

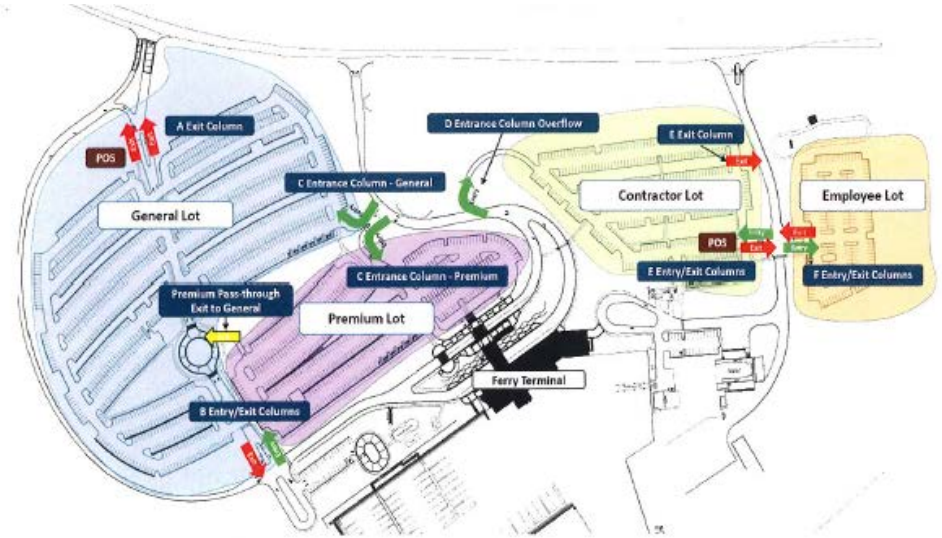
Consultant	Role
Davenport & Company LLC	Financial Advisor
McGuireWoods LLP	Bond Counsel
UBS Financial Services Inc.	Bond Underwriter
Parker Poe Adams & Bernstein LLP	Underwriter's Counsel
HMS Global	Feasibility & Valuation Consultant
Mercator International LLC	Bond Feasibility Consultant
KOPCO	Vessel Surveys
Moffatt & Nichol	Marina Infrastructure Surveys
Earl Worsley	Real Estate Appraiser
S&ME	Environmental Consultant
Dixon Hughes Goodman	Auditor
US Bank National Association	Bond Trustee

BHITA Service Area

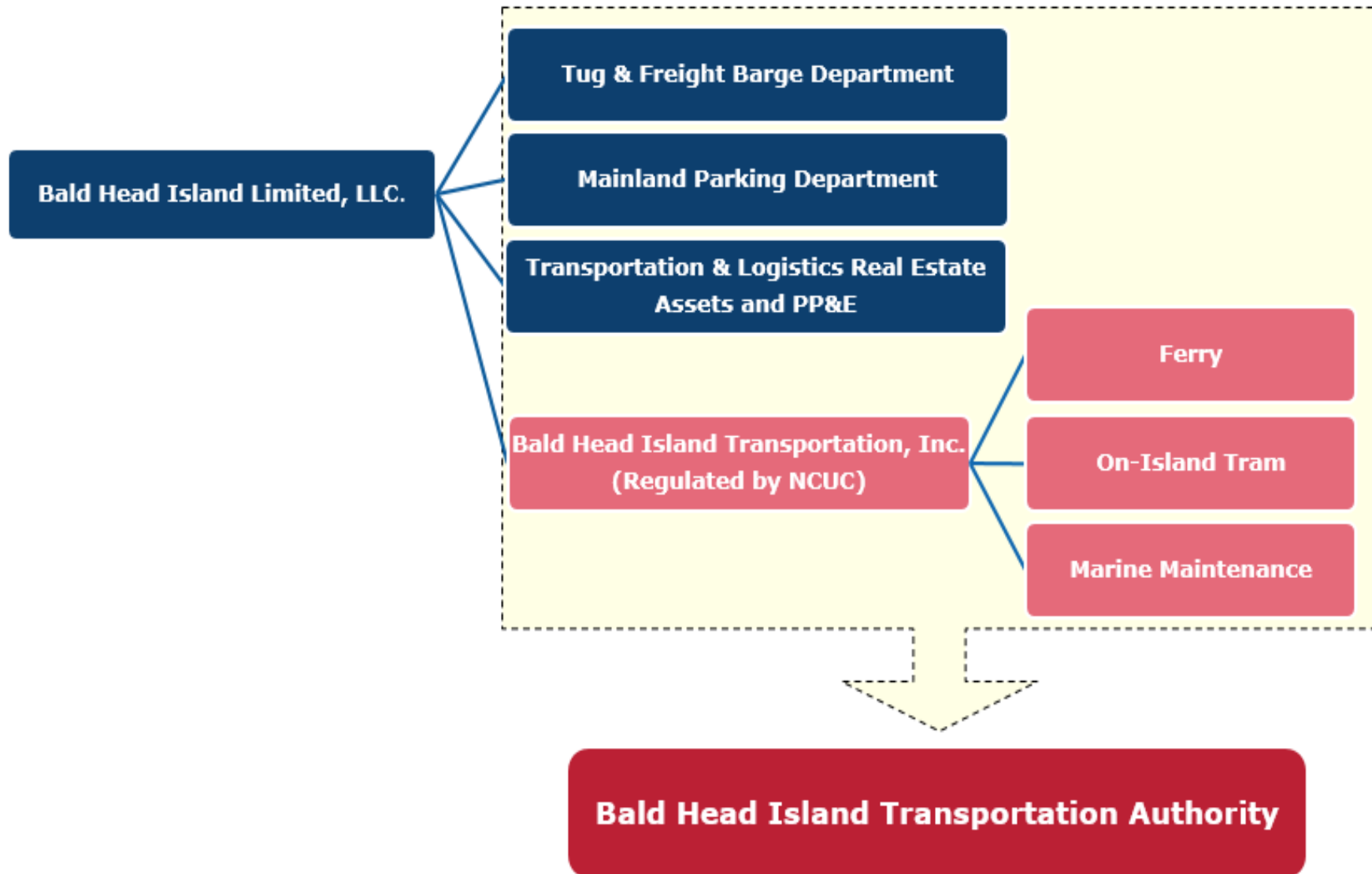
BHITA Facilities & Ferry Route



Deep Point Marina Facilities (Southport)



Bald Head Island Companies to be Acquired by Authority



Completed BHITA Due Diligence Initiatives

- Asset / Infrastructure Due Diligence
 - Vessel Survey Reports – KOPCO
 - Marina Infrastructure Due Diligence Report (Deep Point Marina and Bald Head Island Marina) – Moffatt & Nichol
 - Real Estate Appraisals (Deep Point Marina and Bald Head Island Marina) – Earl Worsley
 - Environmental Reports (Deep Point Marina and Bald Head Island Marina) – S&ME
 - Title and Surveys on Real Estate (Deep Point Marina and Bald Head Island Marina)
 - System Valuations and Financial Projections – HMS Global

- Financial Due Diligence
 - Historical Financial Review (Monthly, Calendar Year, and Fiscal Year)
 - Pro Forma Financial Models (Monthly and Fiscal Year)
 - Bond Feasibility Study – Mercator International LLC
 - Operational Plan Option Analysis
 - Credit Rating Indicative Ratings – Moody's, S&P and Fitch

- Legal Due Diligence / Documentation
 - Asset Purchase Agreement
 - Operating and Transition Services Agreement
 - Bond Documents

Transaction Summary

Transportation System Revenue Bonds, Series 2021A (Tax-Exempt) and Series 2021B (Taxable)			
Issuer:	Bald Head Island Transportation Authority		
Seller and Operator:	Bald Head Island Limited, LLC		
Par Amount*:	\$52,370,000		
Ratings:	TBD, indicative ratings requested from Moody's, S&P and Fitch		
Tax Status and Structure:	Series A: Senior Lien Tax-Exempt (non-AMT) fixed rate, fully amortizing 30-year level debt comprising ~95% of par issued Series B: Senior Lien Taxable fixed rate, fully amortizing 30-year level debt comprising ~5% of par issued (subject to tax opinion) Up to \$ 6 million of the financing may be issued as deferred, level debt with interest only for the first ten years		
Purpose:	Proceeds of the Bonds will 1) finance the \$47,750,000* acquisition of the Bald Head Island Ferry Transportation System (the "System") from Bald Head Island Limited, LLC (the "Seller"); 2) fund a debt service reserve and operating and maintenance reserve fund; 3) fund \$1.0 million of working capital; 4) pay (up to 3 months) capitalized interest on the Bonds; 5) fund certain costs of issuance		
The System:	The System is comprised of four primary service functions: (1) the transportation of passengers via ferry to-and-from the Island and the mainland City of Southport, North Carolina; (2) the on-Island tram transportation of ferry passengers; (3) the vehicle parking operation at the Deep Point Marina in the City; and (4) the tug & freight barge operation, which transports supplies and equipment to-and-from the Island		
Pledged Revenues:	Net revenue pledge after providing for the Operating and Maintenance Expenses. Includes all revenues, income, proceeds, tolls, rents, proceeds of ticket sales, parking revenue, lease moneys, returns and charges derived from the ownership of the Facilities and the operation of the System. Not payable from any other funds and not a debt of the State nor of any Political Subdivision thereof.		
Rates and Charges:	Independently set by the Authority, no external approvals required.		
Rate Covenant:	To produce Net Revenues in each Fiscal Year in an amount equal to 130% of the Annual Principal and Interest Requirements of all Senior Bonds Outstanding in such Fiscal Year; decreases to 105% for any Subordinate Bonds		
Additional Bonds Test:	The rate covenant on a historical basis and 145% of the Annual Principal and Interest Requirements on all Senior Bonds then proposed to be Outstanding on a forward basis based on net revenues projected by a independent feasibility consultant		
DSRF Requirement:	Funded with the Bonds at the lesser of the 3-pronged test		
O&M Reserve Requirement:	Funded with the Bonds at 25% of FY 2022 Operating and Maintenance Expenses as projected in the Feasibility Report, revised each year based on the budgeted O&M for the following year		
Capital Improvement Fund Requirement:	20% of the five-year cash funded capital improvement plan for the System, funded in equal monthly installments over 12 months beginning July 1, 2021; minimum required balance of \$500,000		
Interest:	Semi-annually on February 1 and August 1 of each year, commencing August 1, 2021		
Optional Redemption*:	10-year par call		
Financial Advisor:	Davenport & Company LLC	Senior Manager:	UBS Financial Services Inc.
Bond/Authority Counsel:	McGuireWoods LLP	Underwriter's Counsel:	Parker Poe Adams & Bernstein LLP
Seller's Counsel:	Murchison, Taylor & Gibson PLLC	Feasibility Consultant:	Mercator International LLC

Estimated Sources and Uses of Funds*

Sources of Funds

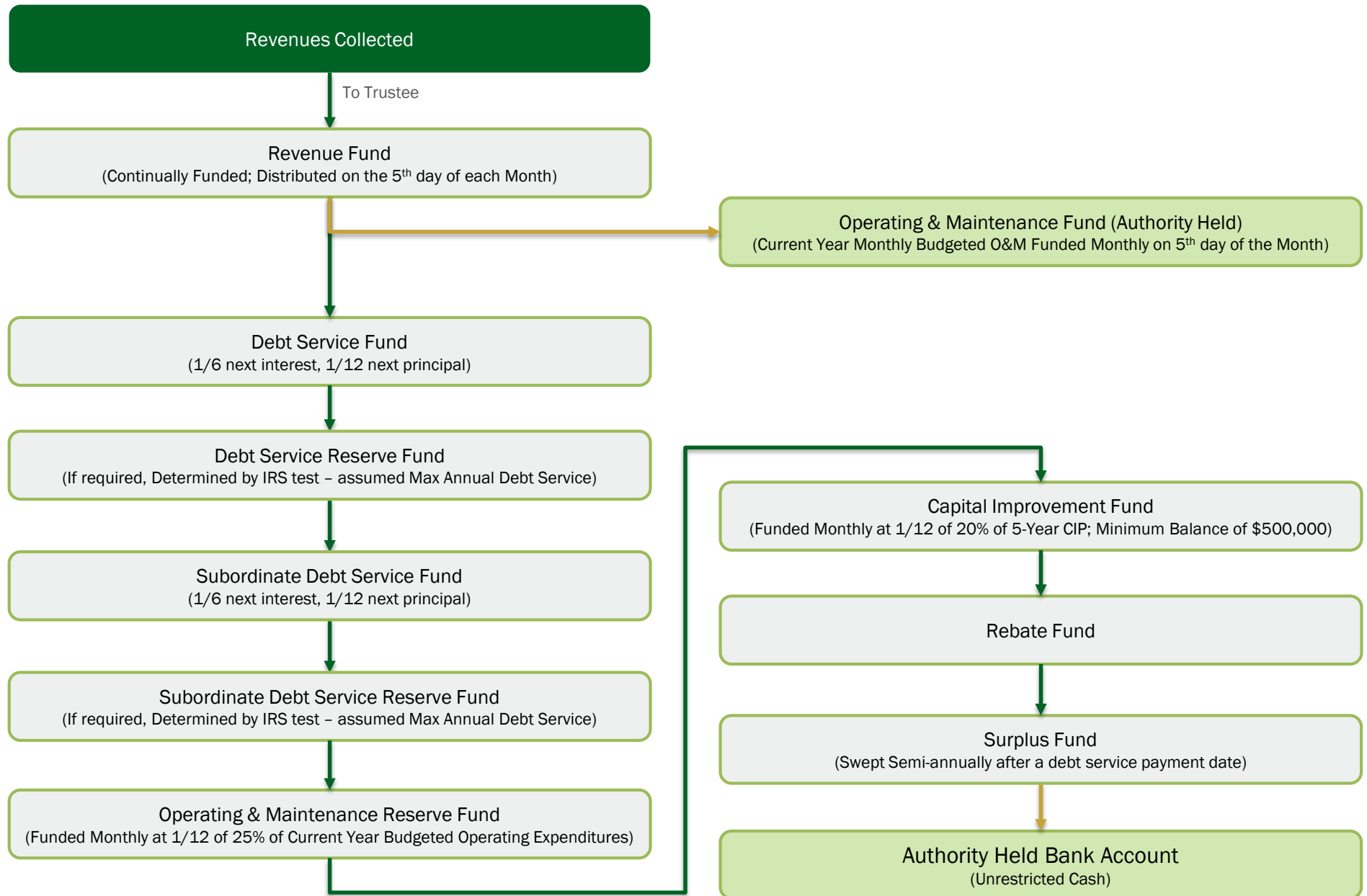
Par Amount	\$52,370,000.00
Premium	3,774,303.30
Total	\$56,144,303.30

Uses of Funds

Cash Due at Closing for Acquisition	\$47,750,000.00
Working Capital	1,000,000.00
Debt Service Reserve Fund	3,463,875.00
Operating and Capital Reserve Fund	1,640,868.00
Cost of Issuance	1,500,000.00
Underwriter's Discount	785,550.00
Additional Proceeds	4,010.30
Total	\$56,144,303.30

Bald Head Island Transportation Authority

Draft Indenture Flow of Funds as of 12/1/2020



Pro Forma Financial Results – Base Case (Median Scenario)

- The feasibility consultant, Mercator, has prepared a detailed feasibility study projecting the Net Revenue Available for Debt Service under a base case (median) scenario as well as a series of sensitivity scenarios. The results of the base case projections are summarized below:

A	B	C	D	E	F	G	H	I
Fiscal Year	Revenues	Expenses	Net Revenue Available for Debt Service	Debt Service	Debt Service Coverage	Unrestricted Cash Balance	Restricted Cash Balance (Excluding DSRF)	Total Cash Balance
Jan 2021-Jun 2021	\$ 4,947,227	\$ 3,258,794	\$ 1,688,433	\$ -	0.00x	\$ 1,380,088	\$ 1,640,868	\$ 3,020,956
2022	11,838,585	6,563,472	5,275,113	2,596,679	2.03x	1,797,247	2,172,976	3,970,222
2023	12,205,164	6,921,656	5,283,508	3,373,269	1.57x	2,201,390	2,850,633	5,052,023
2024	12,501,761	7,121,036	5,380,725	3,839,693	1.40x	2,454,910	3,448,657	5,903,566
2025	13,511,564	7,319,201	6,192,362	3,837,763	1.61x	3,542,261	4,186,898	7,729,159
2026	13,780,558	7,519,122	6,261,436	3,838,945	1.63x	4,599,100	4,411,932	9,011,032
2027	14,028,367	7,722,112	6,306,256	3,838,114	1.64x	5,826,334	4,572,820	10,399,154
2028	15,197,584	7,937,189	7,260,395	3,840,145	1.89x	8,076,321	4,305,119	12,381,440
2029	15,491,674	8,154,259	7,337,415	3,835,037	1.91x	10,585,305	3,889,086	14,474,391
2030	15,814,597	8,385,250	7,429,346	3,837,665	1.94x	13,337,286	3,200,946	16,538,233
2031	17,051,370	8,609,081	8,442,289	3,837,779	2.20x	17,244,949	3,398,872	20,643,821
2032	17,362,809	8,838,843	8,523,966	3,945,048	2.16x	20,320,141	3,479,243	23,799,384
2033	17,697,436	9,079,876	8,617,560	4,682,651	1.84x	23,717,348	3,998,231	27,715,579
2034	19,103,685	9,325,336	9,778,349	4,130,453	2.37x	28,288,862	4,438,756	32,727,618
2035	19,472,854	9,581,381	9,891,473	4,129,573	2.40x	32,961,405	4,693,769	37,655,174
2036	19,833,428	9,840,817	9,992,610	4,125,178	2.42x	37,794,031	4,603,340	42,397,371
2037	21,364,920	10,114,551	11,250,369	4,127,017	2.73x	43,935,970	3,773,579	47,709,550
2038	21,753,907	10,388,810	11,365,096	4,124,839	2.76x	50,401,326	3,854,593	54,255,919
2039	22,186,342	10,678,942	11,507,400	4,128,395	2.79x	56,810,359	4,119,405	60,929,764
2040	23,925,314	10,973,337	12,951,977	4,127,432	3.14x	64,630,145	4,590,817	69,220,962

Key Financing Elements and Next Steps

- Bond, Legal and Financial Documents
 - Preliminary Official Statement
 - Trust and Supplemental Indentures
 - Findings Resolution
 - Asset Purchase Agreement
 - Operating and Transition Services Agreement
 - Audited Annual Financials From December 31, 2017 Through December 31, 2019 and Reviewed Financials Through June 30, 2020

- Bond Feasibility Report
 - Objective
 - Ferry and On-Island Tram
 - Parking, tug and freight barge operations
 - Demand Analysis
 - Financial Analysis, cash flow forecasts and fare increases
 - Conclusion

- Key Dates
 - December 8: Special BHITA Meeting to Approve Findings Resolution and Asset Purchase Agreement
 - Week of December 14: Receipt of Indicative Ratings
 - Week of January 4: LGC Approval Request and BHITA Approval of Bond Documents
 - Week of January 18/25: Pricing
 - Week of February 2: Closing

Municipal Advisor Disclosure

The enclosed information relates to an existing or potential municipal advisor engagement.

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