



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

SHARON EDMUNDSON
DEPUTY TREASURER

February 4, 2021

Bald Head Island Transportation Authority

Attention: Susan Rabon, Chair

Via U.S. Mail and email

Re: Bald Head Island Transportation Authority (the "Authority")
Application for Approval of Revenue Bonds (est. \$55,000,000)

Dear Chair Rabon:

At the February 2, 2021, meeting of the Local Government Commission (the "Commission"), the Commission decided by consensus to (1) ask the Authority to hold a public hearing and (2) postpone placing the Authority's Application on a Commission agenda for up to three (3) months. This will allow time for the Authority to carry out its due diligence in addressing the concerns of the Village of Bald Head Island (the "Village"), as expressed in a letter dated January 19, 2021, sent to Commission Chairman Dale R. Folwell, CPA (the "Village Letter") (copy attached).

In the interim, the Commission requests that the Authority specifically address all four (4) requests made in the Village Letter. We note that the Village Letter asks for public meetings and for an opportunity for the public to share verbal and written questions and concerns. The Commission requests that the Authority coordinate with the Village officials and conduct either public meetings, public hearings, information sharing sessions, or any combination thereof that the Authority and Village deem necessary to address the concerns outlined in the Village Letter in an efficient and transparent manner. Please notify the Commission with the plan and timeline of the methods and processes chosen to address the four (4) Village requests. In addition, please provide to the Commission (via this office) a summary of the meetings and/or hearings, including the topics discussed, questions and concerns expressed, and the Authority's responses to the questions and concerns.

Thank you in advance for responding to the Commission's request, which is made in the spirit of seeking transparency and information sharing. Please contact me if you have any questions.

Sincerely,

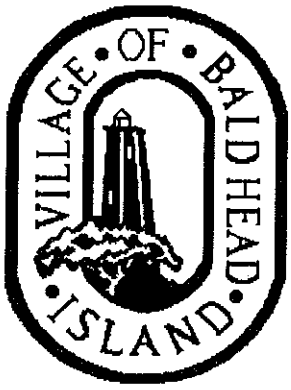
Sharon G. Edmundson, Secretary
N.C. Local Government Commission

cc via email:

Mayor J. Andrew Sayre, Village of Bald Head Island
Michael Brown, Mayor Pro Tempore, Village of Bald Head Island
Scott Gardner, Councilor, Village of Bald Head Island
Emily Hill, Councilor, Village of Bald Head Island
Peter Quinn, Councilor, Village of Bald Head Island
K. Christopher McCall, Village Manager, Village of Bald Head Island

Chad Paul, CEO, Bald Head Island Limited, LLC
Dale R. Folwell, CPA, State Treasurer, Local Government Commission Chairman
Ronald Penny, Secretary of RevenueElaine Marshall, Secretary of State
Beth Wood, State Auditor
Mr. Joshua Bass
Mrs. Viola Harris
Mayor Scott Padgett
Mr. Edward Munn
Mr. Michael Philbeck
Tim Romocki, Director, Debt Management

Attachment: Village Letter dated January 19, 2021



The Village of Bald Head Island

January 19, 2021

The Local Government Commission
North Carolina Department of State Treasurer
Attention: Dale R. Folwell, CPA
Chairman
3200 Atlantic Avenue
Raleigh, North Carolina 27604

Re: Bald Head Island Transportation Authority ("Authority")
Application for Approval of Bald Head Island Transportation Authority
Transportation System Revenue Bond Findings ("Application")

Dear Mr. Folwell:

The Village of Bald Head Island ("Village"), acting by and through its undersigned Council Members, requests that The Local Government Commission ("LGC"), for the reasons below described, defer consideration of the Application for a period of not less than six (6) months.

The Village supported the formation of the Authority and believes it is a good structure for the long-term ownership and operation of the transportation system assets. The Village also agrees with much of what the Authority has done correctly and well. However, there has been little public information or communication about the proposed transaction. There has been no opportunity for review and input by the transportation system users. The Village has some concerns that have not been addressed, as more fully described in its letter of December 15, 2020. These include:

- Insufficient cash reserves analysis or schedule for work/replacement, lacking, for example, items like a functional reservation system and a realistic tram modernization;
- Lack of Authority employee compensation study or projections;
- Projected net cash flow appears insufficient to implement needed operational requirements and improvements, including, without limitation:
 - Land acquisition and construction costs for necessary additional parking, including sufficiency of storm water management infrastructure;

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- Spoil disposal sites capacity, permitting, construction and acquisition costs (e.g., 10+/- additional acres near Deep Point) for disposal of dredged material from Bald Head Island and Deep Point Marina entrance channels and basins;
 - Analysis of baggage handling and cargo conveyor equipment and systems; and
 - Costs of potential increase in Coast Guard vessel and passenger security requirements.
- Lack of land planning report concerning passenger and vehicle ingress and egress at projected increased passenger levels.
 - Consideration of “BBB-” long-term bond rating received from S&P Global Ratings.

The Village and public should be satisfied that the Authority is purchasing the transportation system assets at or below fair market value and that the real estate and other valuations are thorough and sound. The methodology and projections should be suitable for a public entity, such as the Authority. The system users should be charged fair rates for a fair purchase.

We understand from the January 5, 2021 letter of Authority Chair Susan Rabon to you and from the Authority’s meeting of January 11, 2021 that, notwithstanding the substantial public concerns raised in the Village’s letter to you of December 15, 2020, the Authority intends to pursue LGC approval of its bond issuance at the LGC’s February 2, 2021 meeting. To date, negotiation of the transaction has occurred behind closed doors, as is proper. At this time, however, the Authority has not informed the public of the details of the proposed transaction and there has been no opportunity for public input or comment. As the public will be asked to repay the bonds, it is necessary and proper that public input and concerns be received and addressed. Public engagement by the Authority may develop confidence that there was a fair, reasonable, and objective approach to the asset and business valuation.

The Authority first released documents for public consumption concerning the proposed transaction just days ago, on January 11, 2021. The information produced consisted of seven (7) documents totaling three hundred fifty-seven (357) pages. There may be additional materials to be requested or produced. These documents are technical in nature and will require time for public review.

The Village Council respectfully requests that the LGC defer consideration of the Authority’s Application for a period of not less than six (6) months, in order for the Authority to:

1. Provide access to public records via an electronic document room or similar platform;
2. Conduct public meetings to provide details and information concerning the proposed transaction. These meetings should occur, at a minimum, in

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Chairman

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- Southport and at Bald Head Island (should pandemic conditions permit), and/or via Zoom or similar technology;
3. Provide an opportunity for verbal and written questions and comments from the public concerning the proposed transaction; and
 4. Provide a process for Authority consideration and meaningful response to questions, input and concerns from the public.

Because public bodies, such as the Authority, only meet periodically and time will be required for the Authority and public to participate in a meaningful process, six (6) months appears a reasonable period of time, unless it is determined through the process that additional time for study and response is required. Further, this process is likely to produce information that will be helpful to the LGC.

Thank you for your consideration.

Respectfully,

Village of Bald Head Island Council

/s/ J. Andrew Sayre
Mayor

/s/ Michael Brown
Mayor Pro Tempore

/s/ Scott Gardner
Councilor

/s/ Emily Hill
Councilor

/s/ Peter Quinn
Councilor

pc: Sharon Edmundson, Deputy Treasurer
Tim Romocki, Director, Debt Management
K. Christopher McCall, Village Manager
Susan Rabon, Chair, Bald Head Island Transportation Authority
Chad Paul, CEO, Bald Head Island Limited, LLC