



VILLAGE OF BALD HEAD ISLAND

Proposed Acquisition of the Bald Head Island Transportation System *Information Session and Q&A*

Wednesday, October 13, 2021



Meeting Format And Attendee Instructions

1. Audio-Video Format:

- a) Meeting via Zoom for audio and video of slide presentation.
- b) All meeting participants will be muted automatically when entering.

2. Question & Answer Period:

- a) Q&A period will be at the conclusion of a brief presentation.
- b) In-person meeting attendees will be given the opportunity to ask questions during the specified time.
- c) Virtual attendees' questions can be e-mailed during the meeting directly to the Village's PIO at: VBHITransportation@villagebhi.org
- d) Virtual attendee questions will be placed in queue in order of receipt for responses at the end of the presentation.
- e) Questions received but not answered during the Q&A portion of the meeting will be collected for a future FAQ's.



AGENDA

- 1. Intro & Brief Presentation** **Andy Sayre / Mike Brown**
- 2. Questions and Answers** **Andy Sayre**
Mike Brown
Peter Quinn
Emily Hill
Scott Gardner
- 3. Adjourn**

NOTE: This is not an official public meeting. It is an informational session only followed by a Q&A session. No action will be taken by the Village.

Background

- **July 2017:** Governor signs Senate Bill 391 creating The Bald Head Island Transportation Authority (BHITA) for the express purpose of acquiring the private transportation system.
- **December 2020:** First public presentation when BHITA presented its proposal for bond approval to the Local Government Commission (LGC).
 - Issues of sales price, resulting debt service obligation, deferred maintenance, governance, and transparency were raised by the public.
- **February 2021:** BHITA public meeting held. Questions were accepted with reports posted in response.
- **March 2021:** Village announced intent to step in the shoes of BHITA, if the need arose and it could offer a better alternative.



Background

- **April/May 2021:** The Village provided sufficient answers to legal questions raised by LGC regarding its ability to acquire and operate all elements of the transportation system.
- **May/June 2021:** Village secured bond counsel and financial advisor.
- **June/July 2021:** Village filed notice of intent to seek approval for issuance of General Obligation Bond (GO) and submitted proposal to the LGC.
- **August 6, 2021:** Village held a public informational session to provide background information and respond to questions and concerns from the community.
- **August 20, 2021:** Village held Public Hearing on Bond Order Authorizing the Issuance of \$54,000,000 Public Transportation Bonds. Village Council adopted resolution to adopt bond order & authorize Bond Referendum.
- **November 2, 2021:** Vote on General Obligation Bond to be held.





What We've Heard About Village Ownership

POSITIVES

- **Local Management and Control of Key Decisions**
 - Rates/Fees
 - Schedules
 - Improvements
- **Better Financing**
 - Lower debt and upfront issuance costs
 - Immediate cash to address critical capital needs
 - Increased cash each year for continual improvements
- **Village Organizational and Infrastructure**
 - HR, Finance, Communications, IT
 - Municipal experience with professional staff
 - Faster timeframe to ramp up organization



What We've Heard About Village Ownership

Concerns

- Property Tax Impact
- Debt Capacity
- Impact on Other Critical Projects
- Management and Governance
- LGC Approval Process
- BHI Limited's Willingness to Sell to Village



REVENUE BONDS VS. GENERAL OBLIGATION BONDS

BHITA REVENUE BONDS Totaling Almost \$56,000,000

- Secured by identified revenue stream (i.e., ferry system revenues).
- Strength of identified revenue stream is the primary driver of the credit rating.

VILLAGE GENERAL OBLIGATION BONDS Totaling Up to \$54,000,000

- Most secure form of debt
- Secured by full faith, credit and taxing power of entity but can be repaid from other available revenues (i.e., ferry system revenues).
- Strength and makeup of tax base is primary driver of the credit rating.
 - Reduced Interest rate
 - No debt service refund obligation
 - Reduced cost of issuance

Issuing GO Bonds DOES NOT mean Property Taxes are used for operational expenses



FINANCIAL PROPOSALS COMPARISON

TRANSPORTATION AUTHORITY

- Assumes sufficient revenues for operations and debt service.
- Pro forma calls for a 20% increase in ferry ticket prices to cover debt service and costs of improvements over time.
- If revenue shortfall or unexpected expenses occurs, Authority increases rates and/or decrease services to meet its debt obligation.

VILLAGE OF BALD HEAD ISLAND

- Assumes sufficient revenues for operations and debt service, therefore tax increase highly unlikely.
- Reduced issuance costs saves ~\$5.5M
- Reduced interest rate for GO Bond means annual savings of ~\$445,000.
- Revenue shortfall or unexpected expenses can be offset by additional financing or increasing rates. GO Bonds allow for adjustment of tax rates, however increasing ticket prices results in greater revenue than a moderate tax adjustment.



VILLAGE DEBT CAPACITY

- Village raises most of its funds through property taxes with a sizable amount from occupancy taxes paid through rentals. Additional funds can be raised through grant funds, issuing bonds or installment loans.
- The LGC oversees the sale and issuance of all local government debt, monitors repayment of debt and issues debt notices required under statute.
- For GO Bond Orders to be adopted, the net debt of the unit can not exceed 8% of the unit's total assessed property value subject to taxation.
- Based on current appraised property values and Village debt, our indebtedness is approximately 1.4%.
- The addition of the proposed GO bond would bring the total to approximately 5.9%-6.2% -- well below the 8% cap.



VILLAGE DEBT CAPACITY (cont'd)

- Local Gov't Bond Act (NCGS. 159-55(c)):

Summary: a bond order cannot be adopted if the net debt of the unit exceeds 8% of the assessed tax value of property within the unit.

| | |
|-------------------------------------|-------------------------------|
| Amount of Current Debt Outstanding | \$15,853,761 |
| Unissued Bonds authorized by Orders | \$2,300,000 |
| Proposed Transportation Bond | Not to exceed \$54,000,000 |
| Maximum Total Proposed Gross Debt | \$72,153,761 |

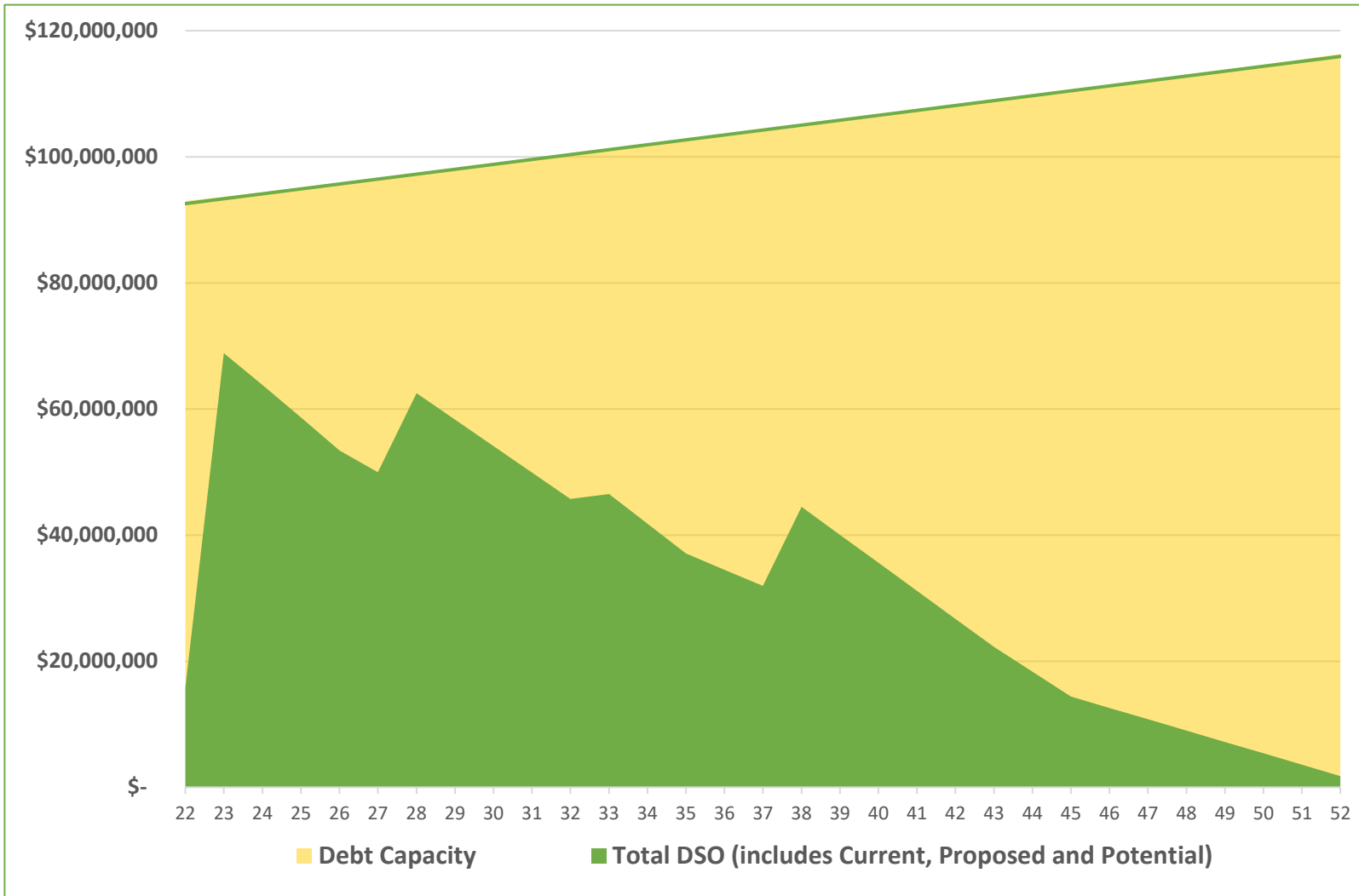
| | |
|---|-----------------|
| Assessed Value of Property | \$1,162,277,721 |
| 8% of Property Values | \$92,982,218 |
| Gross Debt/Prop. Values | 6.21% |
| Est. Amount of Additional Accessible Debt (FY 23) | \$20,828,457 |

| Proposed Future Projects Affecting Debt Capacity | Est. Costs |
|--|--------------|
| New Village Hall (FY 23) | \$2,200,000 |
| Future Beach Renourishment (FY 28) | \$15,000,000 |
| Wastewater Treatment Plant (if not financed by Rev. Bonds) | \$13,000,000 |





VILLAGE DEBT CAPACITY



Total Debt Service Outstanding (DSO) includes:

- **Current Debt Service:**
 - 2018 Beach Renourishment
 - Marina Park 1
 - Public Safety 1
 - Public Safety 2
 - Contractor Services
- **Proposed Debt Service:**
 - Transportation System
 - New Village Hall
 - 2028 Beach Renourishment
- **Potential Debt Service:**
 - Road Construction 2033
 - 2038 Beach Renourishment
 - *WWTP Upgrade Project **NOT** included; Proposed financing with grant funds, possible revenue bonds.*

- Debt Capacity assumes **0.75%** annual growth in property values due to new construction.



Current, Proposed and Potential Debt

Current Debt

Proposed Debt

Potential Debt

| FY | BEACH 2018 | MARINA | Pub. Safety 1 | Pub. Safety 2 | CS | FERRY | VILL HALL 2023 | BEACH 2028 | Road Construct. 2033 | BEACH 2038 | Totals |
|----|--------------|------------|---------------|---------------|--------------|---------------|----------------|---------------|----------------------|---------------|---------------|
| 22 | \$ 9,639,386 | \$ 134,375 | \$ 2,750,000 | \$ 1,650,000 | \$ 1,680,000 | | | | | | \$ 15,853,761 |
| 23 | \$ 7,501,920 | \$ - | \$ 2,250,000 | \$ 1,350,000 | \$ 1,583,084 | \$ 54,000,000 | \$ 2,200,000 | | | | \$ 68,885,004 |
| 24 | \$ 5,286,241 | | \$ 1,750,000 | \$ 1,050,000 | \$ 1,484,198 | \$ 52,200,000 | \$ 2,053,334 | | | | \$ 63,823,773 |
| 25 | \$ 2,989,486 | | \$ 1,250,000 | \$ 750,000 | \$ 1,383,302 | \$ 50,400,000 | \$ 1,906,668 | | | | \$ 58,679,456 |
| 26 | \$ 608,689 | | \$ 750,000 | \$ 450,000 | \$ 1,280,355 | \$ 48,600,000 | \$ 1,760,002 | | | | \$ 53,449,045 |
| 27 | \$ - | | \$ 250,000 | \$ 150,000 | \$ 1,175,314 | \$ 46,800,000 | \$ 1,613,336 | | | | \$ 49,988,650 |
| 28 | | | | | \$ 1,068,138 | \$ 45,000,000 | \$ 1,466,670 | \$ 15,000,000 | | | \$ 62,534,808 |
| 29 | | | | | \$ 958,784 | \$ 43,200,000 | \$ 1,320,003 | \$ 12,857,142 | | | \$ 58,335,929 |
| 30 | | | | | \$ 847,206 | \$ 41,400,000 | \$ 1,173,336 | \$ 10,714,285 | | | \$ 54,134,827 |
| 31 | | | | | \$ 733,360 | \$ 39,600,000 | \$ 1,026,669 | \$ 8,571,428 | | | \$ 49,931,457 |
| 32 | | | | | \$ 617,200 | \$ 37,800,000 | \$ 880,002 | \$ 6,428,571 | | | \$ 45,725,773 |
| 33 | | | | | \$ 498,678 | \$ 36,000,000 | \$ 733,335 | \$ 4,285,714 | \$ 5,000,000 | | \$ 46,517,727 |
| 34 | | | | | \$ 377,746 | \$ 34,200,000 | \$ 586,668 | \$ 2,142,857 | \$ 4,500,000 | | \$ 41,807,271 |
| 35 | | | | | \$ 254,356 | \$ 32,400,000 | \$ 440,001 | \$ - | \$ 4,000,000 | | \$ 37,094,357 |
| 36 | | | | | \$ 128,458 | \$ 30,600,000 | \$ 293,334 | | \$ 3,500,000 | | \$ 34,521,792 |
| 37 | | | | | \$ - | \$ 28,800,000 | \$ 146,667 | | \$ 3,000,000 | | \$ 31,946,667 |
| 38 | | | | | | \$ 27,000,000 | \$ - | | \$ 2,500,000 | \$ 15,000,000 | \$ 44,500,000 |
| 39 | | | | | | \$ 25,200,000 | | | \$ 2,000,000 | \$ 12,857,142 | \$ 40,057,142 |
| 40 | | | | | | \$ 23,400,000 | | | \$ 1,500,000 | \$ 10,714,285 | \$ 35,614,285 |
| 41 | | | | | | \$ 21,600,000 | | | \$ 1,000,000 | \$ 8,571,428 | \$ 31,171,428 |
| 42 | | | | | | \$ 19,800,000 | | | \$ 500,000 | \$ 6,428,571 | \$ 26,728,571 |
| 43 | | | | | | \$ 18,000,000 | | | \$ - | \$ 4,285,714 | \$ 22,285,714 |
| 44 | | | | | | \$ 16,200,000 | | | | \$ 2,142,857 | \$ 18,342,857 |
| 45 | | | | | | \$ 14,400,000 | | | | \$ - | \$ 14,400,000 |
| 46 | | | | | | \$ 12,600,000 | | | | | \$ 12,600,000 |
| 47 | | | | | | \$ 10,800,000 | | | | | \$ 10,800,000 |
| 48 | | | | | | \$ 9,000,000 | | | | | \$ 9,000,000 |
| 49 | | | | | | \$ 7,200,000 | | | | | \$ 7,200,000 |
| 50 | | | | | | \$ 5,400,000 | | | | | \$ 5,400,000 |
| 51 | | | | | | \$ 3,600,000 | | | | | \$ 3,600,000 |
| 52 | | | | | | \$ 1,800,000 | | | | | \$ 1,800,000 |
| 53 | | | | | | \$ - | | | | | \$ - |



OWNERSHIP COMPARISON: Capital Expenditures

TRANSPORTATION AUTHORITY

- Limited monies available to immediately remedy critical current needs but does include dollars for remedies in the future.

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- Village's interest rate advantage allows for substantial interest payment savings.
- These savings, along with reduced up-front costs, could be directed towards stabilizing and enhancing the system, including **immediate** equipment replacement and building improvements.



OWNERSHIP COMPARISON: Governance/Accountability

TRANSPORTATION AUTHORITY

- Majority of the Authority board (six of eleven) are state level appointees:
 - Governor (1), General Assembly (2), Dept. of Transportation (3)
 - One must be BHI resident
- Bald Head Island controls three of eleven seats on the Board.
- There is a proposal to establish an advisory committee constituted mainly with users of the system

VILLAGE OF BALD HEAD ISLAND

- Transportation system incorporated into the Village organization.
- Transportation to be a separate Department similar to Public Safety and Utilities with oversight by Village Manager and monthly reports to Council
- Transportation Advisory Committee of ~seven individuals representing a variety of users to provide input to Council on all matters related to the transportation system.
- Council elected by residents and accountable to all Island stakeholders.



OWNERSHIP COMPARISON: Operations

TRANSPORTATION AUTHORITY

- A new start-up organization under Authority control would be created.
- The organization would need to provide for financial services, human resources, IT, and communications.
- The Authority has no experience operating a utility and its members serve rotating terms.
- Village commends Limited's recent addition of a new experienced COO.

VILLAGE OF BALD HEAD ISLAND

- General manager and project managers will be identified to transition existing transportation system into Village structure
- Finance, Communications, Human Resources, and IT services are currently in place and are under the direction of a professional municipal government manager. All are employees of the Village.
- The Village has experience acquiring enterprise operations, as well as operating water and wastewater utilities, waste disposal and road maintenance.



POTENTIAL FINANCIAL RISKS FOR BHITA OWNERSHIP VS. VILLAGE

TRANSPORTATION AUTHORITY

- Has low BBB- credit rating which limits ability to raise cash when needed.
- Limited new funding sources.
- LGC and Bondholders could step in to run system if Authority fails to make bond payments.

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- The Village has obtained low Interest rates on financing based on strong credit history.
- The LGC has approved all Village financing requests for both previous GO bonds and installment financing.
- The Village remains well below the LGC's cap on indebtedness, even with the purchase of the Transportation System, making additional financing options available.



REVENUE SHORTFALL EXAMPLE

OPTIONS

- **Access available funds for immediate emergency:**
 - Bank Line of Credit
 - Bank Loans
 - Other General Fund reserves
 - Insurance (i.e., Hurricane)
- **Ticket price increase versus Property Tax Increase:**
 - 1 cent property tax increase raises ~\$115,000 (equates to ~\$100/home per year on a \$1M home)
 - \$1.00 Ferry Ticket increase raises ~\$375,000

A small ticket price increase is better and easier to implement than a tax increase



MOVING FORWARD

- The LGC staff has received the Village's GO Bond application to move forward.
- If Bond Referendum passes and LGC approves Village proposal:
 - The Village will initiate negotiations with BHI Limited on sales and a transition agreement.
 - The expected closing of the transaction and bond issuance would be in approximately 3 months.
 - The Village would formally establish and begin to take applications for the Transportation Advisory Committee.
 - Village staff would determine a Village staff transition team and be prepared to begin the transition process following closure of the transaction.

CONCLUSION

- 1. The Village has made every effort to inform the public of the transaction details and address the concerns raised.***
- 2. The Village is prepared to acquire and be a good steward of the transportation assets in the public interest.***
- 3. The Village has the financial resources to operate a first-class transportation system without raising property taxes.***
- 4. The Village has the political make-up to be responsive and responsible to the system users, including the Island property owners, residents, visitors, businesses, non-profits and others.***
- 5. Using General Obligation Bonds, the Village would save users of the transportation system approximately \$5.5M up front and \$13,342,000 over the 30-year financing term.***

