

Questions & Answers

- 1) **Question:** Why is a bond referendum called for and why does the referendum say, “the annual levy of property tax without restriction as to rate or amount for the payment thereof, be approved” when the Village Council keeps saying there is a slim possibility our taxes will increase?

Answer: A bond referendum is a voting process that gives voters the power to decide if a municipality should be authorized to raise funds through the sale of bonds, for specific purposes. A general obligation (G.O.) bond is long-term borrowing in which a municipality pledges its full faith and credit (taxing power) to repay the debt over a specified term. G.O. bonds are the least costly financing option available to the Village to finance major capital costs and offer significant savings to taxpayers over the repayment period. The language that must be included in the referendum language is required by NC General Statute ([§159-61](#)) and bond purchasers. The purpose of this language is to make clear that the full faith and credit of the taxing authority of the Village secures the bond. However, the projected revenues of the transportation system are adequate to cover operational expenses and debt service. A tax increase to offset a revenue shortfall or unexpected major expense is unlikely, particularly given the Village’s cash reserves, other operating fund balances, and growing tax base.

- 2) **Question:** Will anyone beyond the 360 or so registered voters on the island, have the ability to vote on go or no on the GO Bond?

Answer: Who can vote is under the jurisdiction of the Brunswick County Board of Elections which has to follow State law. The Village cannot grant anyone the right to vote, that is outside of the Village’s authority. Recently, the Brunswick County Board of Elections posted some information ([HERE](#)) that addressed second homeowners, since there are several beach communities in the county. The answer from Brunswick County Board of Elections was no, second homeowners cannot vote.

- 3) **Question:** It appears that the seller has come out and said that there is no way no how that they will sell to the Village. If that is the case, why would we be having all these meetings and information exchanges and such about a GO bond? Why are we talking about the bond if the seller won’t sell to the village?

Answer: The Village currently does not have a seat at the table with the seller of the transportation system and cannot be in active negotiation with the seller because there is a contract between the seller and the Transportation Authority (TA). If the bond referendum passes, and the bond application is approved by the LGC, the Village will be able to have a seat at the table and can negotiate with the seller.

The Village’s position is that it must step into the shoes of the authority and has the responsibility to address the concerns Islanders have with the TA such as the current price of the system, governance, lack of transparency and responsiveness. The Village must ensure it has control in decision making for the Island’s future. The Village’s actions are nothing against the Mitchell family or BHI Limited (the seller), they have done an amazing job developing the island and protecting it. The Village understands that the Mitchells want what is best for the island and they deserve an outcome that protects their rights and their values.

In passage of the bond referendum, the Village sends a message that it wants to work with the Mitchells. The goal is to reach a deal that works for the Village and Mitchells.

- 4) **Question:** The Village financial advisor has suggested that the Village will obtain an AA rating on a GO Bond. Has the advisor ever done a GO bond issue for a town of comparable size, effectively all residential and no industry that has obtained an AA rating?

Answer: Sullivan's Island, SC is a similar community to BHI in that it is about the same size and is mainly residential. A general obligation bond was approved in this community, which was given the second highest rating, an AA rating.

The Village is confident that because of its tax base and history of paying off debt, it will receive an AA bond rating. The Village has borrowed money and issued bonds to restore its shoreline and has a shoreline protection program that is one of the best in the state. State funds are not being asked for and should not be used on BHI island like it is for other North Carolina communities which have state roads, and which rely on the NC Department of Transportation to subsidize the ferry system and maintain these roads. BHI is in a unique situation but has the capacity to take on this expense. It is a necessity and is the best option for all Island stakeholders.

- 5) **Question:** Can the advisor point to any other North Carolina municipality of similar size, effectively all residential, that has obtained such a rating?

Answer: Blowing Rock, NC is another community in North Carolina that is like BHI in that its economy is visitor driven. It has an AA bond rating.

- 6) **Question:** Can 2nd homeowners on BHI have a vote with policies regarding the Village of BHI and the Transportation System when the primary residence is not in Brunswick County? Can we get 2nd homeowners to vote on BHI Policies?

Answer: See answer for Question #2.

- 7) **Question:** What percentage of island property owners and taxpayers will get to vote on the referendum? The supporters of the BHITA purchase of the ferry system claim its only 5-6% that get to vote in BHI elections. This is a critical issue that you should address.

Answer: See answer for Question #2. It is difficult to estimate the number as there are persons who own multiple properties on the island. It is known that the number of voters does not represent most property owners, and that the number of voters is growing. About 100 voters were added to the voter roll in the last two election cycles.

- 8) **Question:** Will the Village petition the Utilities Commission to regulate Limited's parking and barge operations, much as the Village, the Bald Head Island Club and the Bald Head Association did in 2010 when Limited last filed a request with the Utility Commission to increase regulated BHI passenger ferry rates?

Answer: The Village could petition the Utilities Commission to regulate the parking and barge operations and is prepared to so, but the Village does not think this will be necessary. If the bond referendum passes, and the LGC approves the bond application, the Village will work with the seller and move forward with a deal.

9) Question: Would the threat of regulation effect what another commercial operator might be willing to pay Limited for its parking or barge operations?

Answer: Absolutely. The Utilities Commission works hard to make sure the public is protected. In the case of the users, they rely on the parking and ferries and the barge system, all of these should be combined into one function and would affect commercial buyers.

10) Question: Would the passenger ferry remain regulated by the Utilities Commission if Limited sold the transportation system to one or more commercial buyers?

Answer: Yes, if the system is purchased by a commercial buyer, it would be regulated by the Utilities Commission. The Village thinks the likelihood of this happening is very low. The seller would have a hard time finding a buyer for just the ferry system.

If the Village or the Transportation Authority owns the transportation system, it would not work under the Utilities Commission regulations and could change fees and ticket prices. The Village could be creative with the pricing and service options. The system would still operate under the authority of the United States Coast Guard. The USCG is responsible for closing the river after hurricanes and will inspect the transportation system's vessels.

11) Question: What guarantee is there with Village ownership that income from the transportation system will be spent exclusively on transportation assets and improvements and not on other Village priorities, needs, or functions?

Answer: The Transportation Department will be set up with an enterprise fund much like the Utilities Department. All revenues generated by the enterprise goes into the enterprise itself. For example, for the utility enterprise fund, the monies from water and sewer bills cannot go to operations of other Village departments. Every year, the Village's budget and spending capacity is audited. A municipality's budget works different than a personal or business budget, in addition to general accounting principles there are regulations and statutes that require a municipality to meet certain criteria. The Village has not in any prior year had any violations. The Village keeps the enterprise funds separately and the Village must have a balanced budget, meaning the revenues must equal the expenses.

12) Question: Much has been said about what could happen if an emergency were to reduce ridership for an extended period of time (such as another pandemic). Has the transportation system experienced a financial crisis during past Island emergencies such as major storms and the pandemic? Does this inform any predictions about the likelihood of needing to use a tax increase to support the system if such an emergency were to occur again?

Answer: The transportation system remained profitable even after Hurricane Florence and the peak of the COVID-19 pandemic restrictions. There has not been an instance in which the transportation system has had to do any kind of equity borrowing, financing or bank loan to continue operations. There was a time when fuel prices were high, and the owner asked the Utility Commission to allow an increase in ticket prices. Ticket prices were later decreased after the fuel prices went down.

The Village would keep healthy cash flows and reserves to address emergencies and is required to have a fund balance for this reason. The Village was able to get FEMA reimbursement for using the transportation system in its response to Hurricane Florence. The Village (and the TA) would be eligible for FEMA reimbursements and grants for emergencies.

13) Question: The last Village-funded beach renourishment cost double the previous renourishment. Why do you assume the next one will be the same as 2019, especially with proposed channel deepening?

Answer: The cost per cubic yard of sand for these projects range from \$10-\$15 per cubic yard and there are other variables that affect the cost. The terminal groin structure has had a positive effect in that less sand is required in the terminal groin area because of decreased erosion. With the last Corps project, the disposal of sand started further away from the point and made it all the way down South Beach, unlike prior years. If the proposed channel deepening moves forward, it is expected that the material used to deepen the channel would result in disposal on Bald Head Island beaches and could delay or lessen the amount of sand needed to restore BHI beaches during future Village restoration efforts, thus decreasing costs.

14) Question: There are no capital improvements listed for resiliency. Sea level rise is occurring. BHI is an island. This is a real and costly issue that must be addressed. Has the Village Council considered how such expenses will affect its borrowing needs?

Answer: The Village's August 6, 2021 presentation ([HERE](#) – Slide #29) highlights necessary improvements such as addressing the BHI marina dock that floods during King tides. The \$5.5 million that the GO bond would provide upfront gives the Village the opportunity to make those improvements far sooner than what the Transportation Authority would. The additional ½ million per year savings could also be used to mitigate, or hold in reserve, funds for these types of expenses. The Village has already completed significant planning efforts to address its resiliency needs through its shoreline protection efforts and the stormwater management improvements that were identified by the Hurricane Florence Task Force and its related studies. These efforts are budgeted annually and included in the Village's future debt projections.

15) Question: What happens if the GO Bond is voted down on Nov. 2...what is the backup plan for funding?

Answer: The Village's back-up plan would be a revenue bond, if the LGC will give the Village the opportunity. The bond financing is a LGC decision. The voting down of the GO bond would give the LGC a signal that the island community does not want the Village to own the system. If that is the case, the Transportation Authority will likely become the owner of the system and there will not need to be a backup. If the TA owns the system, the Village will do what it takes to ensure that the TA's transportation system is a high-quality system. The Village continues to maintain that the TA has not addressed all the Village's concerns, there is not a valid appraisal and there are many unanswered questions.

16) Question: If the voters approve the bond referendum, but the elected Council members do not support it, are they bound to the voter's approval of the bond referendum?

Answer: No. Even if the bond referendum passes the Council members could vote to withdraw the Village's LGC bond application and the Village will therefore not receive funding to purchase the transportation system.

17) Question: The owner of the ferry system and the Transportation Authority (TA) have both indicated that the Village's Right of First Refusal Agreement is invalid and ineffective, what is the Village's response to this?

Answer: The Village possesses a Right of First Refusal agreement with Bald Head Island Limited (BHIL) to acquire all of the transportation system assets, recorded at Book 1329, Page 932, Brunswick County Registry (“ROFR Agreement”) ([link to document](#)). The purpose of the ROFR Agreement is to avoid issues and disputes about the transportation system assets, and it is important for the Village to have a voice in the potential disposition of the assets. The Village disagrees that any further action was required to make the ROFR effective and disagrees that the rule against perpetuities prevents its enforcement. The validity and effectiveness of the ROFR are evidenced by the fact that BHIL and the Bald Head Island Transportation Authority (BHITA) requested in 2020 that the Village agree to a termination of the ROFR in connection with negotiating the sale of the transportation system assets. In May 2021, after the Village had delivered a conditional termination to be held in escrow pending final agreement and closing on a sale, BHITA Chair Susan Rabon further requested in writing that the Village extend the date on which that conditional termination would be returned to, and withdrawn by, the Village. Those actions by BHIL and BHITA are inconsistent with any contention that the ROFR Agreement is invalid and ineffective. The Village therefore hopes that BHIL and BHITA will honor the terms of the ROFR.