

# 1st Bald Head Island Transportation Authority FORUM

Presented by Project Longevity, BHI and the Bald Head Association

[Zoom Link](#)



**MONDAY, MAY 18, 1:30pm BHA Conference Room**

As in any good island community, rumors fly about our transportation system ~ our ferry and trams, our barge, and our parking at Deep Point. And what is the story with the Transportation Authority anyway?

The Chair and Vice-Chair of the Transportation Authority, Robert Howard and Rex Cowdry, will hold a briefing about our island's transportation system - a brief review of how we got to today's situation and two scenarios for the future of this lifeblood of our community.

Equally importantly, following the briefing there will be an open forum for islanders to ask questions and make comments. You can attend in person or by Zoom - and if you can't attend the forum, you can view it later online.

# Our thanks to:

## Our co-hosts:

- **Project Longevity**
  - Gayle Sanders, Anne Berry
- **Bald Head Association**
  - Doug Jones, Christine Osborne, Dora Richey

## Also, those who helped get the word out, especially

- The Village
  - Peter Quinn, Chris McCall, Carin Faulkner
- The Maritime Market
  - Claude Pope's newsletter

## Our goals today:

- introduce the Authority,
- give a brief history,
- explain the current state of discussions about the transportation system
- discuss what tomorrow's system may look like,
- address some rumors and correct some misunderstandings

## What we won't do:

- discuss the litigation
- speculate



Vision 20/20

**Multiple Choice**  
**Version 20/400**

# What Is a Transportation Authority? And Why?

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- In North Carolina, the legislature can form a regional authority for a specific purpose that has many of the powers of a municipality – except in most cases the power to levy taxes.
- The RDU Airport Authority is one example, whose board members are drawn from the cities of Raleigh and Durham and from Wake and Durham Counties. Obvi, it operates RDU Airport.
- An authority gets revenue from services, leases, and fees. It can issue “revenue bonds” secured by the Authority’s revenue stream.
- **It provides a way to assure regional governance and control with greater input from its users *without creating taxpayer liability*.**
- In 2017 the legislature applied the same regional authority approach to any private ferry system serving an island reached only by ferry. Limited and the Mitchell family supported the legislation, believing Bald Head Island’s transportation system should be owned and managed by a public authority
- The Village of Bald Head Island, the City of Southport, and Brunswick County passed resolutions authorizing the authority, which met for the first time in 2017.

# How Is the Bald Head Island Transportation Authority Governed?

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Key principle: broad representation from the local region, appointed by and accountable to elected officials (or the Secretary of Transportation who is accountable to the Governor and legislature)

- BHI Mayor (ex officio)
- BHI Mayor Pro Tem (ex officio)
- BHI Council appointment
- Governor's appointment
- State House of Representatives appointment
- State Senate appointment
- Sec of Transportation (DOT Board member)
- Sec of Transportation appointment
- Sec of Transportation (service area resident)
- City of Southport appointment
- Brunswick County appointment

# How Is the Bald Head Island Transportation Authority Governed?

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Key principle: broad representation from the local region, appointed by elected officials

Question: how well is the island represented on the governing board?

## Inherent representation

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- Governor's appointment
- State House of Representatives appointment
- State Senate appointment
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- Sec of Transportation
- Sec of Transportation (service area resident)
- City of Southport
- Brunswick County

## Initial appointees

- Andy Sayre
- Kit Adcock
- John Fisher
- Susan Rabon
- Brad Smith
- David Jessen
- Landon Zimmer
- Jed Dixon
- Rex Cowdry
- Jim Powell
- Richard Kopp

# Who's on the Current Board of the Bald Head Island Transportation Authority?

	Appointed by:	Brief background:
Robert Howard Chair	Brunswick County	Business and finance, former Mayor of Southport
Rex Cowdry Vice-Chair	Sec of Transportation (resident of the service area)	Physician, fed and state gov't administrator
Landon Zimmer Secretary	Sec of Transportation (Member of NCDOT Board)	Attorney, managing partner of development company
Jed Dixon	Sec of Transportation	Director, NC Ferry Division
Peter Quinn	Mayor BHI (ex officio)	Architect
Virginia White	Mayor Pro Tem BHI (ex officio)	Attorney (commercial and environmental litigation)
Claude Pope	BHI Council	President, CEO, Maritime Market Ventures
Jim Powell	City of Southport	Business (mgmt transportation and municipal infrastructure projects)
Joe Pat Hatem	Governor	Mayor of Southport, physician
Eric King	NC House of Representatives	Senior General Manager, Morningstar Marinas
Barron Young	NC Senate	Real estate development

# Time Machine: 2017-2020 Due Diligence and Negotiations

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- **Financial analyses**

- 10-year history and 20-year projections
- The regulated ferry operation had routinely lost money and been subsidized by Limited and the Mitchells
  - The last ferry rate case at the Utilities Commission was in 2010
- The unregulated parking and barge operations were profitable
- Financial projections used 3 growth assumptions and two stress tests
- Modeling assumption for ferry rates: There would be an initial 20% increase in ferry fares only; thereafter, ferry, barge, and parking would increase with inflation

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- **Inspections, appraisals**

- Vessels – full drydock inspections and appraisals
- Deep Point and Island real estate and terminals
- Docks and bulkheads
- Spoils basins for dredging the marinas

# Acquisition Due Diligence

## Due Diligence

- 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
  
- On behalf of the Seller, Mercator International LLC prepared a separate enterprise asset value report, which arrived at an enterprise value of \$55.8 Million as of January 2018.

## Asset Valuation

Assets	Valuation Source	FMV
<b>Land (DPM)</b>		
Deep Point Marina (mainland)	Worsley	36,325,000
Bald Head Island	Worsley	6,070,000
<b>Marine Vessels (adjusted for real market conditions)</b>		
Ranger	KOPCO/HMS	1,200,000
Patriot	KOPCO/HMS	975,000
Sans Souci	KOPCO/HMS	410,000
Adventure	KOPCO/HMS	592,500
Capt Cooper	KOPCO/HMS	2,100,000
USS Brandon Randall	KOPCO/HMS	245,000
<b>Vehicles</b>		
DPA 001 - 2014 Dodge Ram 1500	KBB	15,000
T 028 - 2003 GMC Sonoma	KBB	4,000
MM001 - 2006 Ford F250	KBB	5,500
MM002 - 2006 Ford F250	KBB	5,500
MM005 - 2004 Ford F250	KBB	5,000
Island Tram Trucks (19)	Mercator/Web	142,500
Passenger Trams (20)	Mercator/Web	140,000
Luggage Dollies (82)	Mercator/Web	61,500
Forklift (estimated)		30,000
<b>Furniture &amp; Equipment</b>		
	Pelican	1,400,324
<b>Information Technology</b>		
	Pelican	1,214,099
<b>Grand Total</b>		<b>50,940,923</b>

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- **Inspections, appraisals**

- Vessels – full drydock inspections and appraisals
- Deep Point and Island real estate and terminals
- Docks and bulkheads
- Dredging

- **Forecast of capital expenditures**

# Detailed CapEx Plan from Mercator Report

Table 14: Capital Expenditure Forecast for BHITA<sup>32</sup>

											Five Year Totals				
Capital Spending Forecast		FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	2031-'35	2036-'40	2041-'45	2045-'50
<b>Ferry and Tram System</b>		Jan-Jun													
Docks/Piers/Bulkheads	\$000s	0	107	74	155	0	0	527	538	188	0	0	0	0	0
Capital Dredging	\$000s	0	0	0	0	93	0	246	0	0	0	112	295	486	0
Ferry Vessel Overhaul	\$000s	0	160	0	166	0	172	0	183	187	187	404	651	966	805
Ferry Vessel Replacement (net)	\$000s	0	0	2,435	2,153	0	0	0	0	0	0	5,484	0	0	7,166
Vehicles (Trucks and Trams)	\$000s	54	55	56	86	207	181	216	220	444	164	757	491	709	650
Equipment - Luggage Dollies	\$000s	0	0	0	0	0	0	0	0	122	0	0	0	0	0
IT - Ticketing System	\$000s	0	250	0	0	0	0	0	0	0	0	0	0	0	0
Other / Sustaining	\$000s	38	77	79	81	82	84	86	87	89	91	482	532	587	648
<b>Subtotal Ferry and Tram</b>	\$000s	<b>92</b>	<b>649</b>	<b>2,645</b>	<b>2,640</b>	<b>383</b>	<b>437</b>	<b>1,075</b>	<b>1,028</b>	<b>1,030</b>	<b>441</b>	<b>7,238</b>	<b>1,969</b>	<b>2,747</b>	<b>9,269</b>
<b>Freight Barge System</b>															
Docks/Piers/Barge Ramps	\$000s	290	0	0	0	0	0	0	0	0	346	0	390	0	475
Barge / Towboat Replacement	\$000s	0	0	0	0	0	0	0	0	179	305	0	0	0	0
Other / Sustaining	\$000s	13	27	27	28	28	29	29	30	30	31	165	182	201	222
<b>Subtotal Freight Barge</b>	\$000s	<b>303</b>	<b>27</b>	<b>27</b>	<b>28</b>	<b>28</b>	<b>29</b>	<b>29</b>	<b>30</b>	<b>210</b>	<b>682</b>	<b>165</b>	<b>572</b>	<b>201</b>	<b>697</b>
<b>Parking Operations</b>															
Parking Lots: Land Acquisition	\$000s	0	0	0	0	0	0	0	0	0	0	0	1,231	0	0
Parking Lots: Development	\$000s	200	147	0	0	97	200	0	0	194	546	291	1,242	0	0
Other / Sustaining - Parking	\$000s	6	12	12	12	12	13	13	13	13	14	73	80	88	98
Other / Sustaining - Landlord	\$000s	65	133	135	138	141	144	146	149	152	155	825	911	1,006	1,110
<b>Subtotal Parking</b>	\$000s	<b>271</b>	<b>292</b>	<b>147</b>	<b>150</b>	<b>250</b>	<b>356</b>	<b>159</b>	<b>163</b>	<b>360</b>	<b>715</b>	<b>1,188</b>	<b>3,464</b>	<b>1,094</b>	<b>1,208</b>
<b>Grand Total Capital Spending</b>		<b>666</b>	<b>968</b>	<b>2,819</b>	<b>2,818</b>	<b>661</b>	<b>822</b>	<b>1,263</b>	<b>1,220</b>	<b>1,599</b>	<b>1,839</b>	<b>8,591</b>	<b>6,005</b>	<b>4,042</b>	<b>11,174</b>
Vessel Replacement Capex (net)		-	-	2,435	2,153	-	-	-	-	-	-	5,484	-	-	7,166
Other than Vessel Replacement Capex		666	968	384	665	661	822	1,263	1,220	1,599	1,839	3,107	6,005	4,042	4,009

# Time Machine: 2017-2020 Due Diligence and Negotiations: Summary

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- **Bond feasibility study (Mercator)**
  - 55 pages, 19 tables, 24 figures reflecting over 2 years of due diligence
- **Valuation of assets = \$50,940,923**
  - The value lies primarily in the land and improvements to and on the land, not in the ferry operation itself
  - Valuation based on the appraised value of the assets themselves, not an enterprise valuation (which would have been higher)
- **Negotiated purchase price = \$47,750,000**
  - **Included the purchase of all assets of the transportation system:** the land and improvements, the vessels and vehicles, the equipment and furnishings.
- **Bond rating for revenue bonds: S&P BBB- (investment grade)**
  - Bond consultant believed this to be the only non-subsidized ferry system to achieve an investment grade bond rating, and that this was the most thoroughly analyzed and documented bond offering of this size he had been involved in

# What Happened to Derail the Authority's Purchase?

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- **North Carolina's Local Government Commission, chaired by the State Treasurer, must approve all bond issuances by municipalities**
- **The then-State Treasurer refused to place the Authority's bond on the LGC agenda for a vote**
  - He and the State Auditor raised issues about the valuation of the deal, and specifically the real estate appraiser's valuation of the land and improvements
  - The authority engaged a second certified appraiser with special expertise in marine properties to provide an independent land and improvements valuation. The second valuation was within 7% of the initial valuation
  - The State Treasurer continued to refuse to bring the bond issue to a vote. \*
  - The State Treasurer suggested the Mitchells simply give the system to the Village.
  - He continued to refuse to bring the bond issue to a vote.
- **Limited agreed to sell the system and other properties to SharpVue, a private equity firm headquartered in Raleigh, for \$67,700,000**
  - **The transportation system assets were valued at \$56,000,000**, roughly the *enterprise* value of the transportation system three years earlier and substantially higher than the agreement with the Authority
  - The sale to SharpVue was subject to approval by the North Carolina Utilities Commission, which regulates ferry operations in the state. The Commission granted its approval, and the approval was upheld on appeal.

# What Is the Current State of Affairs?

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- **The Mitchells backed the Authority as operator of a unified system** eight years ago and continue to believe that the Authority would be the best operator
- **The litigation** about the right of first refusal, the regulatory status of barge and parking operations, and the NCUC's approval of SharpVue as a suitable purchaser and operator has ended
- **SharpVue has closed on** the private marina at Deep Point, the Deep Point barge landing, and a number of unrelated properties on the island.
  - The only component of the transportation system that is currently owned by SharpVue is the Deep Point barge landing, which is being leased back to BHI Transportation



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  - BHI Limited, BHI Transportation, the Authority, and SharpVue Capital entered into a **Memorandum of Understanding** in December 2025 to explore ownership and operating options for the transportation system.
  - **Negotiations about various purchase and lease options are underway**
  - There is a new State Treasurer - and the LGC is operating differently.
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# What Is the Current State of Affairs?

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- **The Authority has done preliminary financial modeling** that looks at the financial performance of the system under a variety of assumptions about growth rates and inflation, fares, lease payments, purchase prices and financing options, and capital expenditures. The modeling incorporates stress testing for an economic downturn affecting the system
- **The Authority has hired legal counsel and a financial advisor**, both of whom were involved in earlier negotiations and feasibility studies
- At the Authority's Board meeting on Wednesday, our financial advisor, Eric Golynsky of Piper Sandler, will make an initial presentation with a preliminary road map for financial modeling and due diligence that will update the work done six years ago
- We aim to keep our communities informed. However,...
  - There is a Non-Disclosure Agreement (NDA) that protects proprietary information of BHI Limited/Transportation and SharpVue. There is nothing unusual about this agreement during negotiations and due diligence.
  - Details about the negotiations will necessarily be confidential until there is a potential agreement that can be publicly discussed.
  - We will be open about whatever we can be over the coming months.

# A Partial List of a Few of the Many Challenges

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- **Financially challenging environment, substantially worse than in 2020**
  - Interest rates are substantially higher
  - Wages increased dramatically during and after COVID due to a challenging labor market
  - There may be fewer federal grant opportunities for vessel funding
  - Fuel costs are high, both at the moment and for the foreseeable future
- **The agreement with SharpVue set a higher price on the system**
  - In 2020, the Authority had negotiated a purchase price for the entire system of \$47,750,000, based on an appraised value of the assets of \$50,940,923
  - SharpVue agreed to purchase the transportation system for \$56,000,000, approximately the enterprise value of the system several years earlier.

# A Partial List of a Few of the Many Challenges

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- **Terminals**

- Major logistical challenges, especially in the summer
- The chaos at the island terminal is particularly challenging
- Waiting areas are not covered and may involve long periods standing
- The ticketing and check-in systems need improvements
  - The Authority has creative and flexible options not available to NCUC-regulated carriers

- **Parking:**

- Parking capacity issues at Deep Point on peak days
- Long-term issues regarding cart parking near the Island terminal
- EV charging capacity and logistics

- **Ferry vessels and trams**

- Significant investment by Limited has repowered the ferry vessels
- However, the appearance and comfort of vessels and trams leave much to be desired.
- The Brandon Russell barge is aging and looks... aged
- A new ferry vessel had been planned for 2022/3 and would be a high priority.
  - Consideration could be given to electric, hybrid electric, and electric hydrofoil vessels for lower environmental impact

- **Spoils basins** for dredge material from the two marinas – a long-term issue

- Agreements for marina maintenance

# What Are Our Non-Negotiable Principles?

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- **The system should be managed as a single, public entity**
  - The regional authority operates like a not-for-profit and has every incentive to operate a unified, efficient system
  - Ferry, barge, and parking have very different value propositions that under private ownership might lead to breakup of the system into its parts:
    - The barge is profitable and entirely unregulated; the potential for rate increases after the voluntary inflation-linked caps expire makes the barge appealing to a variety of purchasers
    - The parking is profitable and would be very appealing to a parking operator; the NCUC involvement in parking rates is currently limited and somewhat unclear, both currently and after a future sale of the parking operation.
    - In contrast, the ferry, as a stand-alone regulated entity, has run consistent operating losses; it has been subsidized by revenue from parking and by capital investments by the Mitchells. Rate cases to improve profitability would be costly, and substantial capital investments are needed in the coming decade.
  - Planning and rate setting should be done with the entire system in mind, by the Authority, with public input
- **There must be a path to full ownership of the assets including the real estate**
  - Any lease for the real estate assets must have a purchase option
- **There must be substantive input into policies and operations by customers and local government**
  - In 2020 the Authority approved formation of both a User's Council and an Operating Committee to assure meaningful input

# What Are Our Non-Negotiable Principles?

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## Operating the system as a whole must be financially feasible

- The purchase price for assets and the lease payments must meet the statutory requirement: at or below appraised value
- The system must generate net operating revenue sufficient to service the debt, build reserves, and make necessary infrastructure improvements

### A note about rate assumptions and financial feasibility

#### **Ferry fares have not changed in the 16 years since the 2010 rate case.\***

- The ferry operates in the red, subsidized by Limited.
- Operating costs have increased substantially since the 2010 rate case
- The CPI has increased 52% since December 2010

#### **A one-time increase in ferry fares is required for the ferry – and the system as a whole - to be financially feasible**

- In 2020, modeling assumed a 20% rate increase.
- In 2027 a one-time rate increase would be determined by the Authority based on financial feasibility modeling and public consultation
- Rates set by the Authority can be more innovative than rates set by the Utilities Commission

#### **Going forward, ferry, barge, and parking rates should increase at no greater than inflation**

- Volatile diesel fuel costs may require temporary fuel price adjustments up and down.

# What Will Due Diligence Look Like?

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- We start with the advantage of knowing the issues and having the extensive due diligence of 2017-2020
  - Nonetheless, updates to the due diligence reports will be necessary – fresh financial modeling will be needed, boats will be re-surveyed, pilings and bulkheads re-examined, capital expenditure needs identified.
- Assuming that we will lease the land and terminals, our bond issue would be much smaller
  - Lender requirements may be simpler than the previous process to obtain a bond rating from a rating agency
  - The Local Government Commission approval may be more straightforward
- We anticipate a faster and smoother process – but we are too early in the process to give specifics.

# What Are the Shoals That Must Be Avoided?

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## **There are shoals in every negotiation.**

- We must find a financial agreement that is viable, that can withstand economic stresses, and that can build the capital reserved necessary to improve our system.
- It must meet the statutory requirement that the acquisition be at or below appraised value.
- The agreement must be acceptable to Limited / the Mitchells, given their option of a sale to SharpVue
- The fact is: until we complete our due diligence and are well into negotiations, we won't know whether we can reach a suitable agreement with Limited (and with SharpVue)
- The other fact is: we are determined to try, believing that a regional authority is a better alternative than private equity, however well-intentioned the management of the private equity firm may be.

## **Some of the shoals are on-shore.**

- We would like to have the support of our community as the best alternative to private equity ownership.
- The support of the Village Council helps assure a united front in this effort.
- As there were in 2020, there will likely be voices who have their own agenda - or who believe:
  - that the price of assets or the lease payments are simply too high,
  - that they know more about the value of a system than professional appraisers, or
  - that they could have negotiated a better deal.
- Please take these pronouncements with a grain of salt – appropriate for our marine environment.

If you want to get more granular information, we suggest two sources from 2020 available on the Village's website. (More recent data are currently subject to the confidentiality agreement):

<https://villagebhi.org/residents-owners/view/bhita-documents/>



We will keep you informed as negotiations go forward – and if we are successful, island interests will be well represented on the Board and on its committees. Feedback will be welcomed.

# Speaking of which...

Comments from the Village and from Limited

Open floor for your comments and questions

- If you are here in the hall.... Please raise your hand and we'll try to go from speaker's left to right
- If you are online.... Please type your comment or question in the Chat