

ATTACHMENT 1

BALD HEAD ISLAND TRANSPORTATION AUTHORITY
Board of Trustees
Special Meeting Minutes
Monday, July 26, 2021, 1:00 p.m.
Meeting Held Remotely with Simultaneous Communication
Pursuant to N.C.G.S. § 166A-19.24

ATTENDEES

Trustees

Susan Rabon, Chair - via Webex
David Jessen, Treasurer - via Webex
Andy Sayre - via Teleconference
Michael Brown - via Webex
Rex Cowdry - via Webex
Robert Howard - via Webex
Paul Cozza – via Webex
Claude Pope – via Webex
Jed Dixon - via Webex

Counsel and Clerk

Hal Kitchin, McGuireWoods LLP, Counsel to Authority - via Webex
Mary Nash Rusher, McGuireWoods LLP – via Webex
David Lance, McGuire Woods LLP - via Webex
Ted Cole, Davenport & Company, LLC – via Webex
Michele Windham, Acting Clerk - via Teleconference

Other Participants

Debra Straub, Interim Finance Officer for Authority - via Webex
Greg Becker, Newmark Knight Frank Valuation & Advisory, LLC - via Teleconference
Jim Leonard, Mercator - via Webex
Eric Golynsky, UBS - via Webex

I. Call to Order and Welcome

Chair Rabon called the meeting to order at 1:00 p.m.

Chair Rabon stated:

"Today, we are meeting fully remotely with simultaneous communication, pursuant Section 166A-19.24, a statute enacted by the General Assembly in May of last year. There are a few requirements for conducting a remote meeting pursuant to this statute, and I've been advised by our counsel that it'd be a good idea to explain these at the outset of the meeting. Those requirements are:

- *First*, this type of remote meeting can only occur when a declaration of emergency has been issued under Section 166A-19.20 of the General Statutes. In

Executive Order 116, dated March 10, 2020, the Governor declared a state of emergency based on the public health emergency posed by COVID-19, and that state of emergency remains in effect.

- *Second*, in order to hold this type of remote meeting, board members are participating by what the statute calls "simultaneous communication," and the board must have provided the public with notice of the means by which the members of the public can access the remote meeting as that remote meeting occurs. Such notice has been given with respect to this meeting.
- *Third*, except for trustees who are visible by video, each trustee must identify himself or herself before speaking and when voting. All votes will be taken by roll call.
- *Fourth*, the statute requires our minutes to reflect when each member joins or leave the remote meeting. So if you are going to step away from the phone or computer, or are going to leave the meeting, it is important that you let us know so that the Clerk can note that for the record.
- *Fifth*, any chats, instant messages, texts, or other written communications between members of the board regarding the transaction of the authority's business during the remote meeting are considered a public record.

If anyone has a question at this point about our procedure, I'm sure our counsel can try to answer it. Are there any questions?"

No questions asked.

II. Roll Call:

Ms. Windham called the roll with those listed above as present and confirming the existence of a quorum.

III. Ethics Statement: Chair Rabon read the following ethics statement:

Under the State Government Ethics Act, the Board Chair is required to remind all members of their duty to avoid conflicts of interest or appearance of conflicts of interest. If any member has a conflict or appearance of a conflict of interest with respect to any item on the agenda, please state this for the record and refrain from inappropriate participation on that item. Does any member of the Board have anything to state for the record?

No conflicts of interest reported.

IV. Presentation of Real Property Appraisal by Greg Becker of Newmark Knight Frank Valuation & Advisory, LLC

Mr. Becker presented the results of his work preparing the real property appraisal of **Deep Point Ferry Terminal and Parking Facility**. (Complete 186 page report on file with Authority Secretary)

Application of Approaches to Value

Cost Approach	\$33,900,000.
Sales Comparison Approach	Not used; inadequate market data to develop a value estimate
Income Capitalization Approach	\$33,000,000.

Mr. Becker provided detailed responses to questions posed by Trustees pertaining to:

- Parking revenue
- Property value without consideration of parking revenue
- Rental income
- Market Value

Responding to a query by Mr. Pope, Mr. Becker stated he had reviewed the previous appraisal but it did not influence him. He stated he had segregated the two parcels and noted that a Marina operation only would not need 1,950 parking spaces. The 11 acre parcel would support the marina parcel and have a higher value than the land to the rear.

Mr. Brown questioned the Cost Approach and Income Approach both being \$33M. Mr. Becker explained that the numbers are typically the same when looking at on a fee simple basis. If the property had a long term lease on it, the two numbers would likely be different.

There was discussion about the buildings at Deep Point that are leased to third parties and if the annual rent for the warehouse would have any increase/decrease effect on the overall value. Mr. Becker stated there would be no change in the overall value.

Trustee Cozza joins the meeting at 1:35 p.m.

Mr. Becker presented the results of his work preparing the real property appraisal of the **Bald Head Island Ferry Terminal**. (Complete 145 page report on file with Authority Secretary)

Application of Approaches to Value

Cost Approach	\$6,500,000
Income Capitalization Approach	\$6,500,000

Pointing out the appraisal sum of the two properties came in at \$39.5M, Mr. Brown asked for clarification of the level of confidence the numbers provide. Mr. Becker spoke of the specific knowledge and experience needed by an appraiser to properly value the property. He gave an example of a sea wall repair.

Noting duplication of information, Mr. Sayre asked if the two separate reports could be consolidated into one report. Chair Rabon pointed out the Authority was not in a position to ask for a change of presentation.

Mr. Sayre asked Mr. Becker when he visited the sites and the time of day. Mr. Becker stated he visited the site on Friday, July 16, arriving at 9:00 a.m., leaving at 1:00, the parking lots

were full, and lots of people were on the ferries.

Providing clarification to Mr. Brown and Mr. Pope, Mr. Becker reviewed the values attributed to deferred maintenance items listed on the due diligence report.

At 1:47 p.m., Mr. Becker left the meeting

V. Update and Discussion on Proposed Purchase of Ferry System and Financing Associated Therewith

Ms. Rusher stated that the two (2) new appraisal reports will be sent to the Local Government Commission and will be posted for review by the general public. She emphasized the Authority's charge to purchase the system at or below its appraised value. She reviewed the following:

First property appraisal	\$ 42,395,000
Add Vessels & Vehicles for total value of	\$ 50,900,000
Change in value with new appraisal:	
BHI went up	
Deep Point went down with reduction of the land	\$ (3,000,000)
New Total Value:	\$ 48,045,923

Mr. Pope asked if there was an assumption the Authority would lower the offering price by the \$3M difference in appraisals. Ms. Rusher noted that the total appraised value is above the offered and accepted purchase price of \$47,750,000.

Mr. Pope made a motion to reduce the purchase price by the amount of the appraisal. Motion tabled for consideration during Closed Session.

Ms. Rusher pointed out that during the recent meeting with the LGC, staff spoke about the fact that the Village of Bald Head is also seeking financing for acquisition of the ferry system.

Chair Rabon indicated she was circulating the document Mr. Sayre previously requested Trustees comment on.

Mr. Howard directed questions to Mr. Sayre relating to the Village purchasing the system, issuing General Obligation Bonds (G.O), raising property taxes to pay the debt, the bond rating for the Village, the percentage of debt the Village will incur and if there is a plan if the referendum fails. Mr. Sayre responded that the Village has not made a formal offer for the system, but suggested that the Village's modeling indicates that an increase in property taxes should not be necessary if the Village purchases the system. Mr. Sayre also suggested that the Village believes that the Village's bond rating would result in an interest rate in the 3% range.

Mr. Howard shared his concern over the difficulties of the Authority's Board discussing the Authority's strategy for purchasing the system given the Village's competing interest in the system and the inclusion of Village Council members on the Authority's board.

Mr. Pope expressed that as a member of the Authority, a member of the voting population of Bald Head Island, and as a community business member, his first priority is to take

care of the bulk of the users of the ferry system; owners, renters, day trippers, business visitors, employees, etc. He noted that the Village proposal cannot be discounted, that they can borrow money cheaper and save \$600,000 - \$800,000 a year on a \$12M enterprise, which is a lot of money that would be exceedingly difficult for the Authority to make up without a substantial reduction in the purchase price of the system. He stated the purchase price has been one of his biggest issues all along. He stated the Authority structure as the owner is a good structure, he thinks the Village could also manage it, both entities would have to contract that service out for a period of time until they learn how to operate the system. He emphasized that it is the customers, renters, etc. paying those fees. He stated his opinion that the Village's approach should not be discounted as the best for keeping the fees down and improving the quality of service. He added that if the Authority is to respond to the Village's approach, the Authority needs to come up with a way that is better, faster, cheaper.

Mr. Eric Golynsky, underwriter, spoke about the comparison between the Authority and Village:

- Authority now has an official published rating.
- There has been a significant decrease in rates since December 2020 when the original analysis was done.
- In the Village comparison the borrowing rate was referenced at 4.15%, not 3.49%.
- The debt service number was referenced as \$99M in the Village comparison, there is actually net debt service (the Village did not use a reserve fund in their analysis). The actual number for the Authority is now \$88M, not \$99M and there is nearly \$220,000 less average annual debt service.

Mr. Golynsky emphasized it is important to point out that the comparison was against very old numbers which were early in the process. Now that the Authority has a published S&P Rating, the highest for any ferry system in the world, it is important to point out that at that rating level, which is confirmed, unlike the Village rating which is not confirmed, that is the up to date comparison. He speculated the difference is going to be substantially less and it is still uncertain what the Village rating would be taking on a substantial amount of debt.

Mr. Brown spoke about the Village having other funding mechanisms in a worst case scenario while the Authority would not have access to such other funding mechanisms. He also shared his viewpoint that the Village Council would be closer and more attuned to the majority of ferry riders than would be the Authority Board. He also stated that in the event of a catastrophic failure of the Authority, the State of North Carolina will not intervene to bail out the Authority, although he believes some people think the State would do so.

Dr. Cowdry, resident of Bald Head Island, expressed his concern that the Village's proposed bond issuance would involve increasing the Village's general obligation debt sixfold. He also shared his viewpoint that in the worst case scenario, the Authority would have more flexibility to negotiate with holders of revenue bond debt than would the Village with holders of general obligation debt, because holders of general obligation debt could simply insist that the Village raise property taxes in order to cover any shortfall. He also shared that the suggested efficiencies of Village ownership are overstated. Additionally, he expressed concern over the inability of the Village Council to make difficult decisions in the past, and stated his belief that

the Authority Board's broader membership is more representative of the full range of users of the system.

Chair Rabon pointed out that the assets of the Authority would be insured at replacement value in case of a catastrophic event and would have the power to work with Emergency Management to handle situations at that time.

Dr. Cowdry asked whether the Village has any indication of whether Limited is actually willing to sell the system to the Village, as opposed to a private party buyer, and to what extent is the Village relying on the purported right of first refusal. In response, Mr. Sayre stated that although no contract is currently in place, informal discussions have taken place with the seller, and that he believes the Village has solid support from the taxpayers of Bald Head Island and that the Village Council has made wise decisions in the past and will continue to do so.

Mr. Brown stated the Village Council did work together with Limited in the beginning of the Pandemic and prioritized the people that could come over to the island, and that the Council takes in input from homeowners, property owners and permanent residents.

VI. Closed Session - 2:25 p.m.

Chair states:

"I will now entertain a motion to convene in closed session, based on the following: (i) to prevent the disclosure of information that is privileged or confidential pursuant to the law of this State or the United States, including without limitation Section 132-1.2 of the North Carolina General Statutes, or not considered a public record within the meaning of Chapter 132 of the General Statutes; (ii) to consult with an attorney employed or retained by the Authority in order to preserve the attorney-client privilege between the attorney and the Authority; or (iii) to discuss the Authority's position in negotiating price and other material terms of a contract or proposed contract for the acquisition of real property by purchase, option, exchange, or lease."

Mr. Pope made a motion to go into Closed Session. Mr. Cowdry seconded the motion.
Per Roll Call vote:

Ayes: Mr. Cozza, Mr. Brown, Dr. Cowdry, Mr. Howard, Mr. Jessen, Mr. Pope, Ms. Rabon, Mr. Sayre
Nay: 0

Note: No response from Mr. Dixon

Motion Carries 8-0

Open Session Resumes - 3:35 p.m.

Legal Counsel verified the existence of a quorum via Webex registration.

VII. Other Business

Chair Rabon reported the Board will continue to review the appraisal.

Board consensus: Mr. Sayre, as Mayor of The Village, to convene a meeting of The Village of Bald Head Council to advise on the Authority's position and to request the Council support purchase of the ferry system by the Authority.

Chair Rabon advised a Special Meeting for the Authority would be held Friday, July 30, 2021, beginning at 9:15 a.m. via simultaneous communication.

Chair Rabon advised the next Regular Meeting for the Authority would be held August 18, 2021, beginning at 9:15 a.m. at the Southport Community Building.

VIII. Adjourn

Chair Rabon adjourned the meeting at 3:37 p.m.

Susan Rabon, Chair

Attest: _____
Landon Zimmer, Secretary

(SEAL)

Trustee _____ moved to approve the foregoing, Trustee _____ seconded, and the motion was passed by the following vote:

Ayes: _____

Nays: _____

Not Voting: _____

Board Action Control Number: 2022 - _____

ATTACHMENT 2

BALD HEAD ISLAND TRANSPORTATION AUTHORITY
Board of Trustees
Regular Meeting Minutes
Wednesday, September 15, 2021, 9:15 a.m.
Southport Community Building

ATTENDEES

Trustees

Susan Rabon, Chair
David Jessen, Treasurer - Via Teleconference
Andy Sayre - Via Teleconference
Michael Brown - Via Teleconference
Rex Cowdry
Jim Powell
Robert Howard
Claude Pope
Paul Cozza - Via Teleconference

Counsel and Clerk

Hal Kitchin, McGuireWoods LLP, Counsel to Authority
Mary Nash Rusher, McGuireWoods LLP - Via Teleconference
Ted Cole, Davenport & Company, LLC - Via Teleconference
Michele Windham, Acting Clerk

Other Participants

Chad Paul, CEO, Bald Head Island Limited LLC

I. Call to Order and Welcome

Chair Rabon called the meeting to order at 9:20 a.m.

II. Roll Call:

Ms. Windham called the roll with those listed above as present and confirming the existence of a quorum.

III. Ethics Statement: Chair Rabon read the following ethics statement:

Under the State Government Ethics Act, the Board Chair is required to remind all members of their duty to avoid conflicts of interest or appearance of conflicts of interest. If any member has a conflict or appearance of a conflict of interest with respect to any item on the agenda, please state this for the record and refrain from inappropriate participation on that item. Does any member of the Board have anything to state for the record?

No conflicts of interest reported.

IV. Approval of Minutes from the July 21, 2021 Regular Meeting of the Board of Trustees and from the July 26, 2021 and July 30, 2021 Special Meetings of the Board of Trustees

Mr. Howard made the motion to adopt, as proposed, the minutes included as Attachments 1, 2 & 3 to the Agenda Packet. Mr. Powell seconded the motion.

Discussion

Dr. Cowdry raised concerns about the inclusion of direct quotes in the July 26, 2021 Special Meeting Minutes.

Mr. Howard amended the motion to adopt, as proposed, the minutes included as Attachments 1 & 3 to the Agenda Packet and to defer approval of the July 26, 2021 Special Meeting Minutes, included as Attachment 3. Mr. Powell seconded the motion. **Unanimous vote; motion carried (9-0)**

V. Update and Report on Financial Affairs of the Authority

Report included as Attachment 4 to the Agenda:

Financial Report as of Augusts 31, 2021

Total Revenue: Grants (since inception)	\$ 440,000.00	
Total expenditures (since inception)		\$ 410,900.96
Checking Acct. Balance at 8-30-21		\$ 29,099.04
Estimated Receivables thru November 15, 2021		\$ 10,000.00
Estimated Payables thru November 15, 2021		\$ (31,600.00)
Projected Fund Balance at 11-15-21		\$ 7,499.04
Total Anticipated Costs - from bond proceeds	\$ 445,625.00	

VI. Consideration of Proposed Grant from Bald Head Island Limited

Mr. Jessen made the motion to adopt the Resolution Approving Funding Agreement, as proposed, included as Attachment 5 to the Agenda. Dr. Cowdry seconded the motion. **Unanimous vote; motion carried (9-0)**

**BOARD OF TRUSTEES OF THE
BALD HEAD ISLAND TRANSPORTATION AUTHORITY
RESOLUTION AUTHORIZING EXECUTION, DELIVERY AND
PERFORMANCE OF SECOND FUNDING AGREEMENT BETWEEN
THE BALD HEAD ISLAND TRANSPORTATION AUTHORITY
AND BALD HEAD ISLAND LIMITED, LLC**

WHEREAS, pursuant to N.C. Gen. Stat. § 160A-685(c)(19), the Bald Head Island Transportation Authority (the “Authority”) may obtain grants and assistance from any private source whatsoever; and

WHEREAS, with the assistance of counsel to the Authority, the Executive Committee has negotiated or will negotiate a funding agreement with Bald Head Island Limited, LLC (“Limited”) in the form attached hereto as Exhibit A (the “Second BHIL Funding Agreement”); and

WHEREAS, under the terms of the Second BHIL Funding Agreement, BHIL would agree to grant to the Authority a sum of \$10,000 to finance organizational tasks and pay operating expenses during the period prior to the issuance of indebtedness necessary to acquire the System (“Start-up Period”); and

WHEREAS, Limited has placed no restrictions, limitations, or conditions on the Authority’s use of such funds other than as expressly set forth in this Agreement, so long as such funds are used according to the powers of the Authority as set forth in Chapter 160, Article 29 of the North Carolina General Statutes; and

WHEREAS, the Authority desires to accept such funds granted by Limited to the Authority; and

WHEREAS, the Board of Trustees has reviewed the Second BHIL Funding Agreement, and deems it advisable and in the best interests of the Authority to authorize the execution, delivery and performance of the Second BHIL Funding Agreement.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE AUTHORITY:

1. The Board of Trustees hereby (i) approves the Second BHIL Funding Agreement in substantially the form presented to this meeting, (ii) authorizes any officer of the Authority to execute and deliver the Second BHIL Funding Agreement, and (iii) authorizes the Authority’s performance under the terms of the Second BHIL Funding Agreement.
2. All other acts of the Board of Trustees and the officers of the Authority which are in conformity with the purposes and intent of this resolution and in furtherance of carrying out the intent and purposes of the Second BHIL Funding Agreement are hereby ratified, approved and confirmed.

So resolved by the Bald Head Island Transportation Authority Board of Trustees, this the 15th day of September, 2021.

By: _____
Susan Rabon, Chair

ATTEST: _____
Landon G. Zimmer, Secretary

**EXHIBIT A
Form of Second BHIL Funding Agreement**

**SECOND FUNDING AGREEMENT
BETWEEN BALD HEAD ISLAND LIMITED, LLC
AND BALD HEAD ISLAND TRANSPORTATION AUTHORITY**

This Second Funding Agreement ("Agreement") is made and entered into this the 15th day of September, 2021 ("Effective Date"), by and between BALD HEAD ISLAND LIMITED, LLC ("Limited"), a Texas limited liability company authorized to conduct business in North Carolina and BALD HEAD ISLAND TRANSPORTATION AUTHORITY ("the Authority"), a public body corporate and politic of the State of North Carolina created pursuant to Chapter 160, Article 29 of the North Carolina General Statutes ("the Act").

RECITALS:

WHEREAS, the purpose of the Authority is to acquire and operate within its service area as defined by the Act a water-borne transportation system consisting of real and personal property, structures, improvements, buildings, equipment, ferries, tugs, barges, vehicles, vehicle parking, trams, shuttle buses, docks, terminals and other vessels, equipment and facilities necessary for the maintenance and operation of a water-borne transportation service (the "System");

WHEREAS, pursuant to N.C. Gen. Stat. § 160A-685(c)(19), the Authority may obtain grants and assistance from any private source whatsoever; and

WHEREAS, Limited has decided to donate funds to the Authority to help finance organizational tasks and pay operating expenses during the period prior to the issuance of indebtedness necessary to acquire the System ("Start-up Period"); and

WHEREAS, Limited has placed no restrictions, limitations, or conditions on the Authority's use of such funds other than as expressly set forth in this Agreement so long as it is used according to the powers of the Authority as set forth in the Act; and

WHEREAS, the Authority desires to accept such funds granted by Limited to the Authority; and

WHEREAS, Limited and the Authority each have duly authorized the execution and delivery of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, Limited and the Authority agree as follows:

1. Limited agrees to grant to the Authority an amount equal to Ten Thousand and 00/100 Dollars (\$10,000.00) (the "Grant Amount") and the Authority agrees to accept the Grant Amount from Limited in accordance with the terms of this Agreement.
2. The Authority shall use the proceeds of the Grant Amount to finance operational expenses of the Authority during the Start-Up Period, including, but not limited to, fees, costs and expenses related to vessel, dock, land, and other surveys and appraisals necessary for the Authority to assess the current condition and/or value of the System (such surveys and appraisals to be publicly available upon their completion), and any and all necessary and appropriate expenditures related to the Authority's acquisition, improvement, maintenance, operation, and financing of a ferry transportation system as allowed by the Act.
3. No later than ten (10) days following the Effective Date, Limited shall deposit the Grant Amount to a bank account designated to Limited in writing by the Authority.
4. Any amendment to this Agreement must be in writing, authorized by the Board of Trustees of the Authority and signed by authorized persons on behalf of Limited and the

Authority.

- 5. This Agreement shall be construed in accordance and governed by the laws of the State of North Carolina. Venue for any action between the parties, whether at law or in equity, shall be in a court of competent jurisdiction for Brunswick County, North Carolina.

IN WITNESS WHEREOF, this Agreement has been executed the day and year first above written by the duly authorized representatives of the parties and pursuant to a resolution duly adopted by the Board of Trustees of the Authority.

BALD HEAD ISLAND
TRANSPORTATION AUTHORITY

BALD HEAD ISLAND LIMITED, LLC,
A Texas limited liability company

By: _____, Chair

By: _____
Its _____

Name: _____

Name: _____

Attest: _____

_____, Secretary

This instrument has been pre-audited in the manner required by the Local Government Budget and Fiscal Control Act.

Authority Finance Officer

VII. Administrative Items

Update on Status of Ferry Operations

Mr. Paul reported the Coast Guard has issued requirement #3 regarding COVID operations; a lengthy document that covers all vessels. He indicated he is going through the document and working with Coast Guard command to understand what is required. He stated his understanding of the requirement that while in the gate area and boarding or disembarking a vessel, wearing a mask would be mandated. He indicated that signs would be posted and a sandwich board made with the Coast Guard logo to communicate the requirement to all users.

VIII. Update on Status of Proposed Purchase of Ferry System and Financing Proposal Pending Before Local Government Commission (LGC)

Ms. Rusher reported that Greg Becker, appraiser, was unable to attend the meeting. She pointed out that during a further review of the appraisal, mathematical errors were found in the appraisal that traced back to the wrong Excel spreadsheets being uploaded. She reported that the updated spreadsheets had been received, were publicly posted, and delivered to the LGC.

Ms. Rusher reported that the Village of Bald Head Island had contracted with Loftis

Appraisal Company of Winston-Salem to review the appraisal prepared by Newmark. She stated the company pointed out a number of things they found lacking in the Newmark appraisal and those concerns have been forwarded to Mr. Becker for any response. Ms. Rusher indicated she would circulate any responses when they are received.

Ms. Rusher addressed a fundamental point: the Authority operates under a statute which directs the Authority to purchase the assets used and useful for the ferry transportation system, at or below their appraised value, and that the defined term in that ferry transportation system talks about real property, buildings, vessels, trams, etc. She stated that based on the statutory language, all of the work that the Authority has done is to get an appraisal of the assets to figure out the appraised value of the various assets. The appraiser was instructed to do a real estate appraisal not an enterprise valuation.

Ms. Rusher added that Loftis appears to think Newmark did the appraisal wrong. Ms. Rusher stated she believes the goal of Loftis was to undermine the appraisal overall rather than provide any specific value which she believes would have increased the value. She stated the review has been made public and provided to the LGC.

Discussing the criticism by Loftis, and Newmark's use of the current use as the basis of valuation, Dr. Cowdry provided that the current use would be the highest and best use by definition. If there were other uses that were higher and better they would result in a higher appraisal.

Mr. Cozza reported on an August 19th meeting with Mr. Paul, Ms. Mayfield and Dr. Cowdry to discuss the current situation, the appraisal, and to consider a change in purchase price based on the new appraisal. Dr. Cowdry further reported that there were discussions about the steps that Limited has taken to market a parking operations separately, or the system as a whole, to private parties while waiting the LGC and further developments with The Village. Dr. Cowdry pointed out that The Village had a recent meeting with Limited to discuss similar issues and he suggested Mr. Sayre provide the Board with an update on those discussions. Mr. Sayre reported there was no particular agenda for the meeting, there was discussion of status, and trying to work through various scenarios.

Mr. Cozza asked Mr. Sayre if in those discussions there was talk about purchasing and/or talk about a purchase price? Mr. Sayre responded that it was a wide ranging discussion about the status of the ferry system, about the various proposals, and how The Village is proceeding. He stated that there were no decisions or anything concrete came out of it, and that the Village do not make any specific proposal as to a price.

IX. Closed Session - 9:58 a.m.

Chair states:

"I will now entertain a motion to convene in closed session, based on the following: (i) to prevent the disclosure of information that is privileged or confidential pursuant to the law of this

State or the United States, including without limitation Section 132-1.2 of the North Carolina General Statutes, or not considered a public record within the meaning of Chapter 132 of the General Statutes; (ii) to consult with an attorney employed or retained by the Authority in order to preserve the attorney-client privilege between the attorney and the Authority; or (iii) to discuss the Authority's position in negotiating price and other material terms of a contract or proposed contract for the acquisition of real property by purchase, option, exchange, or lease."

Dr. Cowdry made a motion to go into Closed Session. Mr. Powell seconded the motion.
Unanimous vote; motion carried (9-0)

Resume Open Session - 10:04 a.m.

Mr. Powell made a motion to return to Open Session. Dr. Cowdry seconded the motion.
Unanimous vote; motion carried (9-0)

X. Other Business

Chair Rabon advised the next Regular Meeting for the Authority would be held October 20, 2021, beginning at 9:15 a.m. at the Southport Community Building.

XI. Adjourn

Mr. Powell made the motion to adjourn at 10:06 a.m. with Mr. Howard seconding.
Unanimous vote; motion carried (9-0).

Susan Rabon, Chair

Attest: _____
Landon Zimmer, Secretary

(SEAL)

Trustee _____ moved to approve the foregoing, Trustee _____ seconded, and the motion was passed by the following vote:

Ayes: _____

Nays: _____

Not Voting: _____

Board Action Control Number: 2022 - _____

ATTACHMENT 3



Report to the
Board of Trustees

**Bald Head Island
Transportation
Authority**

June 30, 2021



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Contacts

John Frank, CPA

Partner

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Senior Manager

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Veronica Butler, CPA

Manager

Dixon Hughes Goodman LLP

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Veronica.Butler@dhg.com



Communication with Those Charged with Governance

September 30, 2021

Board of Trustees
Bald Head Island Transportation Authority
Southport, NC

We have audited the financial statements of the business-type activities of Bald Head Island Transportation Authority (the “Authority”) for the year ended June 30, 2021, and have issued our report thereon dated September 30, 2021. Professional standards require that we provide you with information about our responsibilities in accordance with auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 15, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management’s knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We did not note any significant accounting estimates.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.



Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management that are included in the management representation letter included at Appendix A.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Matters, Findings, or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basis financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.



We were engaged to report on the budgetary schedule, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees and management of Bald Head Island Transportation Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Dixon Hughes Goodman LLP

High Point, NC



Appendix A

Management Representation Letter

Bald Head Island Transportation Authority
1029 North Howe Street
Southport, North Carolina 28461

September 30, 2021

Dixon Hughes Goodman LLP
1829 Eastchester Drive
High Point, North Carolina 27265

This representation letter is provided in connection with your audit of the financial statements of the Bald Head Island Transportation Authority (the "Authority"), which comprise the respective financial position of the business-type activities as of June 30, 2021, and the respective changes in financial position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm that, to the best of our knowledge and belief, as of September 30, 2021, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 15, 2021, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for the preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The following have been properly accounted for and disclosed in the financial statements:
 - a. Related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the Authority is contingently liable.
 - c. Other liabilities or gain or loss contingencies

5. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Authority vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
- 6) Significant assumptions we used in making accounting estimates are reasonable.
- 7) The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP, as applicable.
- 8) We are not aware of any uncorrected misstatements and omitted disclosures noted by you during your audit.
- 9) We represent to you the following for the Authority's fair value measurements and disclosures:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- 10) Related-party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 12) We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - e. Minutes of the meetings of the Authority, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, regulators, or others.
- 17) There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
- 18) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements, except as made known to you and disclosed in the financial statements.
- 19) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
- 20) We have disclosed to you the identity of the entity's related parties and all of the related-party relationships and transactions of which we are aware.
- 21) We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
- 22) We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.

Government-Specific

- 23) We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
- 24) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 25) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 26) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund balance.

- 27) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 28) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 29) In regard to the preparation of the financial statements, advising management about the application of accounting principles, completion of the Data Input Worksheet, and uploading of the audited financial statements and Data Input Worksheet to the North Carolina State Treasurer's website, which are services performed by you, we have:
 - a. Assumed all management responsibilities.
 - b. Overseen the service by designating an individual within senior management who possesses suitable skill, knowledge, or experience.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services.
 - e. Evaluated and maintained internal controls, including monitoring ongoing activities
- 30) The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as made known to you and disclosed in the notes to the financial statements, as applicable.
- 31) The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 32) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 33) The financial statements properly classify all funds and activities.
- 34) All funds that meet the quantitative criteria in GASB Statements Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 35) Components of net position (net investment in capital assets; restricted; and unrestricted) and fund balance amounts are properly classified and, if applicable, approved.
- 36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 37) Revenues are appropriately classified in the statement of activities within program revenues or general revenues.
- 38) Deposits and investment securities and derivative instruments, if any, are properly classified as to risk and are properly disclosed.

- 39) We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 40) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 41) With respect to the combining and individual fund financial statements, budgetary schedule, and other schedules.
 - a. We acknowledge our responsibility for presenting the combining and individual fund financial statements, budgetary schedule, and other schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the combining and individual fund financial statements, budgetary schedule, and other schedules, including their form and content, are fairly presented in accordance with accounting principles generally accepted in the United States of America. We have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b. If the combining and individual fund financial statements, budgetary schedule, and other schedules are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

We have evaluated subsequent events through the date of this letter, which is the date the financial statements were available to be issued. No events have occurred subsequent to the date of the statement of financial position and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Bald Head Island Transportation Authority

Signed: *David W. Jensen*

Signed: _____

Title: *Treasurer / Board of Trustees*

Title: _____

- 39) We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
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We have evaluated subsequent events through the date of this letter, which is the date the financial statements were available to be issued. No events have occurred subsequent to the date of the statement of financial position and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Bald Head Island Transportation Authority

Signed: _____

Title: _____

Signed: *Debra M. Straub*

Title: *Interim Finance Director*

ATTACHMENT 4

Bald Head Island Transportation Authority

Financial Report as of October 31, 2021

Revenue:			
Grants		\$	450,000.00
Total revenue (since inception)			
Expenditures:			
Trustees	\$	16,450.00	
Insurance & R/E Appraisals	\$	35,200.00	
Finance Director	\$	20,185.20	
City of Southport/Village of Bald Head	\$	9,773.59	
Bank Charges & Misc	\$	325.63	
Legal	\$	39,100.00	
KOPCO - surveys	\$	20,125.06	
Mercator - Feasibility	\$	35,375.00	
Moffatt & Nichol - ferry terminals	\$	56,000.00	
Newmark Knight Frank - Appraisal	\$	17,750.00	
S&ME - Environ Assessments	\$	42,536.48	
Ratings (Moody's and S&P)	\$	115,000.00	
Audit Services 6-30-18 & 6-30-19	\$	13,000.00	
Total expenditures (since inception)	\$	420,820.96	\$ 420,820.96
Revenues over Expenses at 9-30-21		\$ 29,179.04	Checking Acct Balance at 10-31-21
Estimated Receivables			
Grant Receivable		\$	-
Total Est. Receivables thru November 30, 2021		\$	-
Estimated Payables			
Moody's - <i>Paid 1/18/21</i>		\$	-
Fitch - <i>Paid 2/4/21</i>			
S&P - <i>Paid 1/20/21</i>		\$	-
Finance, Trustees, Clerk, Audit & Consultants		\$	25,764.00
Total Estimated Payables thru November 30, 2021		\$	25,764.00
Projected Revenue over Expenditures		\$ 3,415.04	Projected Fund Balance at 11-30-21
Costs Anticipated to be paid from bond proceeds:			
HMS - Phase I	\$	70,000.00	Not to exceed
HMS - Phase II & III		TBD	Time & Materials
Davenport - Planning	\$	75,000.00	Not to exceed
Davenport - Financing	\$	100,000.00	Not to exceed
UBS-Underwriter-set up & annual admin + exp	\$	4,500.00	
Mercator-bond feasibility	\$	106,125.00	Not to exceed
McGuire Woods:			
Bond Counsel work	\$	90,000.00	Not to exceed
Transaction counsel		TBD	hourly + exp
Issuer's counsel		TBD	hourly + exp
Total Anticipated Costs - from bond proceeds then add " TBD" (To Be Determined) expenses"	\$	445,625.00	

ATTACHMENT 5

**BOARD OF TRUSTEES OF THE
BALD HEAD ISLAND TRANSPORTATION AUTHORITY**

**AN ORDINANCE OF THE BALD HEAD ISLAND TRANSPORTATION AUTHORITY
AMENDING THE BUDGET ORDINANCE FOR FISCAL YEAR 2021-2022
(BUDGET AMENDMENT NO. 1)**

WHEREAS, the Board of Trustees (the “Board”) of the Bald Head Island Transportation Authority (“Authority”) desires to amend the budget ordinance of the Authority for fiscal year 2021-2022; and

WHEREAS, after consultation with the finance officer of the Authority, the Board of the Authority has deemed it to be in the best interests of the Authority to amend the budget ordinance of the Authority upon the terms and conditions set forth herein.

NOW, THEREFORE, BE IT ORDAINED by the Board of Trustees of the Bald Head Island Transportation Authority as follows:

1. The fiscal year 2021-2022 budget of the Authority, as amended, covering the financial operations of the Authority for the fiscal year ending June 30, 2022 inclusive, is set forth in the table below. The Board hereby approves and appropriates the following anticipated fund revenues, departmental expenditures and interfund transfers set forth in such table for the Bald Head Island Transportation Authority General Fund for the fiscal year ending June 30, 2022:

<u>Expenditures:</u>	
Governing Body	\$ 2,460
Administration	\$ 6,040
Management/Consultants	\$ 35,500
Total	<hr/> \$ 44,000
 <u>Revenues:</u>	
Grants	\$ 10,000
Fund Balance Appropriated	\$ 34,000
Total	<hr/> \$ 44,000

2. Except as specifically amended herein, all provisions of the prior budget ordinance of the Authority for fiscal year 2021-2022 shall remain in full force and effect.

[remainder of page intentionally left blank]

So adopted by the Bald Head Island Transportation Authority Board of Trustees, this the 17th day of November, 2021.

By: _____
Susan Rabon, Chair

ATTEST:

Landon G. Zimmer, Secretary

(SEAL)

Trustee _____ moved to approve the foregoing, Trustee _____ seconded, and the motion was passed by the following vote:

Ayes: _____

Nays: _____

Not Voting: _____

Board Action Control Number: 2022 - _____