

# Bald Head Island Transportation Authority Frequently Asked Questions

## ***What is the Bald Head Island Transportation Authority (BHITA) and what is its purpose?***

In July 2017, the North Carolina General Assembly enacted the “Ferry Transportation Authority Act,” to add Article 29 to Chapter 160A of the General Statutes authorizing the creation of an Authority “to provide reliable and safe public ferry transportation services in its service area.” The Bald Head Island Transportation Authority received its Certificate of Incorporation from the Department of the Secretary of State in August 2017.

The purpose of the BHITA is to provide the following: safe, dependable passenger and baggage transport to and from Bald Head Island via ferry; mainland parking; on-island tram transportation between the island ferry terminal and island destination for those ferry passengers seeking such service; and safe and dependable tug and freight barge service to and from Bald Head Island. Together, all these services are defined as the “Ferry Transportation System.”

In its defined role, the BHITA will also establish rates, fees, charges, routes, and schedules for transportation services.

## ***Who governs the BHITA?***

The BHITA is a public body governed by an 11-member Board of Trustees appointed by local governments and the State of North Carolina. Board of Trustees members, as shown below, serve three-year staggered terms.

The Board of Trustees held its initial meeting on December 14, 2017 and has held regularly scheduled monthly meetings since then.

**Board of Trustees as of 12/1/2020**

<b>Trustee</b>	<b>Appointed By:</b>	<b>Trustee</b>	<b>Appointed By:</b>
Ms. Susan Rabon (Chair)	Governor	Mr. Paul Cozza	General Assembly
Mr. Robert Howard (Vice Chair)	Brunswick County	Mr. Jim Powell	City of Southport
Mr. Landon Zimmer (Secretary)	NCDOT	Mayor Andy Sayre	Village of Bald Head Island
Mr. David Jessen (Treasurer)	General Assembly	Mayor Pro Tem Michael Brown	Village of Bald Head Island
Dr. Rex Cowdry	NCDOT	Mr. Claude Pope	Village of Bald Head Island
Mr. Jed Dixon	NCDOT		

## ***Why is it in the public interest for the BHITA to acquire Bald Head Island’s Ferry Transportation System?***

Currently, Bald Head Island Limited, LLC owns and operates the mainland parking and the barge and tug services. It also owns Bald Head Island Transportation, Inc., the owner and operator of the ferry and island tram services.

The BHITA asset purchase agreement approved by the BHITA Board of Trustees on December 8, 2020 consolidates ferry, barge, tram and parking services for Bald Head Island under a single public entity, providing long-term, reliable and safe transportation for passengers and freight to and from the island while ensuring public ownership and local management of this essential infrastructure. The BHITA has no profit motive and would reinvest revenues into the Ferry Transportation System.

One alternative to BHITA ownership of the Ferry Transportation System could be that the ferry, barge and parking systems be sold separately to one or more private companies, each with a profit motive. Moreover, private ownership of Ferry Transportation System component parts by multiple for-profit companies could limit the capability for an integrated system and potentially increase the cost of operations, ultimately resulting in higher fees for ferry, parking or barge for the traveling public.

***What is the appraised value of the ferry system? What is the purchase price of the ferry system and how was this price determined?***

The assets of the Ferry Transportation System have an aggregate appraised value of \$50,900,000. Assets include mainland real estate, including Deep Point ferry terminal, furniture and fixtures, parking lots, marine maintenance facilities and barge landing; the Bald Head Island ferry terminal and barge landing; four passenger ferry vessels; a barge and tugboat; island trams and other vehicles. By law, the BHITA is required to purchase the ferry system assets at or below their appraised value.

The Asset Purchase Agreement has been intensely negotiated and vetted by the BHITA Board of Trustees, using the expertise of its hired counsel, financial advisers, feasibility consultants, vessel and marine surveyors, maritime engineers, and real estate appraisers. At the purchase closing, the BHITA will pay the Sellers, Bald Head Island Transportation, Inc. and Bald Head Island Limited, LLC, \$47,750,000 for the Ferry Transportation System assets.

***Are taxpayers funding the BHITA purchase of the ferry system?***

No. The purchase price will be funded with the proceeds from the issuance of revenue bonds, which will be issued in connection with the closing. The revenue bonds are payable solely from the revenues of the Ferry Transportation System generated through passenger ferry ticket sales, barge and parking charges and other fees. Neither the State of North Carolina nor any local government other than the BHITA has any obligation to make payments on the revenue bonds.

***What financial modeling was used to determine the purchase price and ensure the Ferry Transportation System is financially stable and sustainable for the long term?***

The BHITA has negotiated an acquisition price based on financial modeling that ensures the Ferry Transportation System will be affordable and sustainable not only under a median-growth scenario, but also in a low-growth scenario. In all scenarios, we have assumed fares that increase at the rate of inflation and we have included key capital expenditures, such as vessel replacements and major repairs to the ferry and barge landings. Additionally, Standard & Poor has assigned an investment grade BBB- long-term rating to the BHITA's Ferry Transportation System revenue bonds and indicated a stable outlook.

***What is the anticipated timing for the sale? Who will operate the ferry system once the BHITA purchase takes place?***

Closing on the system purchase is expected to occur in March 2021, at which time operations will be overseen and conducted by the BHITA, using the same assets and employees formerly utilized by Bald Head Island Limited, LLC and Bald Head Island Transportation, Inc. The BHITA will engage in a management transition services agreement with Bald Head Island Transportation, Inc. on an interim basis to provide daily operational management under BHITA direction.

It is anticipated that Bald Head Island Ferry Transportation System customers will experience "status quo" services resulting from the BHITA's purchase of the system.

***How will ferry, parking and barge ticket prices be determined and approved?***

Any change to ferry, parking and barge ticket prices must be approved by the BHITA Board of Trustees. The BHITA Board of Trustees must give at least 30 days' public notice of any change to rates, fees, charges, routes or schedules. Additionally, the Board of Trustees must report any change to rates, fees, charges, routes or schedules to the Secretary of the Department of Transportation and to the Joint Legislative Commission on Governmental Operations.

It is anticipated that rate setting determinations will be performed at least annually as part of the BHITA's budget process, taking into consideration its revenue bond covenants and the BHITA's desire to maintain/enhance its credit ratings and its general creditworthiness such that future capital investments can be funded effectively. It is anticipated any future rate determinations would be based on a number of factors, which could include operating costs, inflation, system improvements, capital expenditures and/or establishing reserves.

A rate increase from \$23 to \$27 for a Class I General ticket, in line with inflation since the last increase in 2011, is expected to go in effect on July 1, 2021. A parking rate increase from \$2-\$3, consistent with inflation, is expected to occur on July 1, 2021. Barge rates are expected to increase from \$55 to \$60 per six linear feet on July 1, 2021, also consistent with inflation.

***Does the BHITA purchase of the Ferry Transportation System create any additional advantages, efficiencies or opportunities?***

Yes. Profit motives are removed with a publicly owned ferry transportation system structure. Additionally, a single-entity structure creates opportunities for operational efficiencies by consolidating four separate operations into one vertically integrated system. For example, ferry, baggage, tram, and parking processing systems may be merged into a single streamlined digital ticketing system over time, improving efficiency and customer convenience.

***How will the BHITA's ownership and oversight of the ferry transportation system affect Bald Head Island property owners?***

The transition from a privately owned transportation system to a publicly owned system addresses Bald Head Island's critical need for long-term governance and stewardship of ferry service and related logistics operations, while allowing seamless integration of and interoperability between the various parts of the transportation system. The BHITA ensures the efficiency, viability and stability of Bald Head Island's Ferry Transportation System going forward.