

From: [Kit Adcock](#)
To: Beth_wood@ncauditor.net; [Dale Folwell](mailto:Dale.Folwell); [Tim Romocki](mailto:Tim.Romocki); ronald.penny@ncdor.gov; [Cindy Aiken](mailto:Cindy.Aiken); emum@carolina.rr.com; scottpaggett693@gmail.com; violaharris39@yahoo.com; SharonEdmundson@nctreasurer.com
Cc: [Susan Rabon](mailto:Susan.Rabon); [Chad Paul](mailto:Chad.Paul)
Subject: BHITA Bond Financing - Vote "YES"
Date: Friday, July 9, 2021 2:32:12 PM

To the Honorable Members of the NC Local Government Commission and Staff -

As former Mayor Pro Tempore of Bald Head Island and as an active member of the Bald Head Island Transportation Authority [BHITA], I enjoyed a unique perspective on the activity of the Village, BHITA, and their individual and joint interactions with Bald Head Island Limited/Transportation.

Attached please find the first of three letters you will receive from me regarding the acquisition of the Bald Head Island transportation system.

1. Why previous statements to the Local Government Commission in support of Village ownership should be discounted. These include misrepresentations to the Village community about the grants that funded BHITA's work and the factual actual representation on the negotiating committee. I believe that these misrepresentations have created a distrust of BHITA and its legitimate and ethical management of its due diligence, leading to the bond request *the Village* has presented to you.
2. Why I believe the Village of Bald Head Island is ill-prepared and ill-equipped to manage any aspect of the transportation system, except possibly trams as part of a long-term on-island transportation/shuttle system.
3. Why the ONLY option for fair and proper governance of transportation to and from Bald Head Island is the genius concept of the Bald Head Island Transportation Authority.

I urge you, PLEASE, approve the bond request of the Bald Head Island Transportation Authority. (Letter 1 follows my signature and is also attached.)

Sincerely,
Kit Adcock

Mayor Pro Tempore, December 2015-December 2019
BHITA, December 2017-December 2019

Honorable NC Treasurer Folwell
Honorable NC Auditor Wood
Distinguished Members of the Local Government Commission

Re: Approval of BHITA Bond Submission

Letter 1. Why previous statements in support of Village ownership should be discounted.

The future of Bald Head Island lies in your hands.

As the recent past Mayor Pro Tempore of Bald Head Island, and thus a member of the Bald Head Island Transportation Authority (BHITA) from December 2017 until my resignation for medical reasons in December 2019, I urge you to APPROVE the BHITA bond request.

The ONLY issue before you is whether the valuation of assets from which the BHITA bond request is based, is appropriate. Your legitimate questions about how that figure arose will be answered by BHITA. A second appraisal is now underway.

It has been appalling to me to read the letters that have been sent to you. All of them are based on items of misinformation, disinformation, and innuendo. Implying that BHI Limited selected the appraisers for BHITA, is NOT true. I urge you to read and parse carefully all correspondence submitted questioning the appraisals performed by BHITA. I have spent hours enlightening my neighbors with facts. You will note that many of the signatories to the initial letters sent to you about transparency now fully support BHITA.

As you know, no funding was provided to BHITA to manage the duties assigned to it by the NC legislature. BHI Limited offered funding for the work of BHITA through intergovernmental agreements where BHITA would request grants to manage operations and expenses. BHI Limited/Transportation then provided lump sums

paid to the Village of Bald Head Island, which then forwarded funds to BHITA. Each of these transfers was approved by the Village of Bald Head Island in public sessions.

[See 4/28/21 Community Letter opposed to BHITA bond: "First, because the Act provided BHITA with no state funds, BHITA was forced to rely on Limited, the seller, to select and pay various consultants that BHITA would use in carrying out its statutory mandate."

...We are bringing this matter to your attention because the figures and circumstances cited above underscore a potentially very serious conflict of interest in the manner in which BHITA has relied on Limited's resources in valuing Limited's transportation System."]

At the very first opportunity, I and others insisted that BHITA perform all its own appraisals and valuations. We knew that Islanders would never accept any values determined by BHI Limited/Transportation. Simply because BHI Limited funded ALL the operations of BHITA, it does not equate to BHI Limited selecting or hiring the companies and individuals who performed the due diligence for BHITA. BHI Limited DID NOT choose ANY of the contractors chosen by BHITA.

My term on BHITA ended in December 2019. All due diligence regarding valuations requested of outside consultants had been received. Financial records from Limited had been provided at the very outset of the meetings held by BHITA. Any additional information requested was freely provided. I have no recollection of BHI Limited or its representatives EVER interfering or refusing to provide information needed to evaluate the system properly.

[See 4/28/21 Community Letter opposed to BHITA bond: "Second, in the course of appraising the market value of the System, BHITA failed to account for, or evaluate, the System's prior financial performance (e.g., for the years 2013-2018), apparently at Limited's insistence."]

Originally, there were seven members of BHITA with Bald Head Island connections: the three official BHI designees, Mayor Andrew Sayre, John Fisher, and me, Susan Rabon (Chair), Brad Smith (Vice-chair), David Jessen (Treasurer), and Dr. Rex Cowdry (NCDOT appointee).

Brad Smith resigned in late 2019 and was later replaced by an individual with no island affiliations. To this day, July 4, 2021, BHITA still has a majority of members with island affiliations.

Treasurer David Jessen and Chair Susan Rabon both served on the negotiating committee. Each has long and deep island connections. Their status as current residents is irrelevant to the best possible negotiations with Village taxpayer representation at the forefront. [See 4/28/21 Community letter in opposition to BHITA bond: "Third, "negotiations" between Limited and the BHITA over the \$47.75M acquisition price were done completely behind closed doors by a Board-appointed subcommittee with absolutely no public review or input from any BHI stakeholder, including the three designated members of the BHITA Board that actually own property on BHI, all of whom were purposefully excluded from the negotiating subcommittee."]

For the record, Mr. Jessen owned property on Bald Head Island for twenty-five years, most recently as a full-time resident. He sold his island property prior to the negotiating committee getting into full swing. During his time at Bald Head Island, I personally worked with him on a variety of long-term issues, beginning in 2007. In 2014, when I was president of Bald Head Association, Mr. Jessen assisted with negotiating the acquisition of an adjacent parcel of land. Questioning Mr. Jessen's residency, or his long-term affiliation and commitment to BHI is appalling. Because someone doesn't own property on BHI at the moment of negotiations, does not disqualify them to serve as a negotiator for the island. Mr. Jessen's background and professional experience are directly relevant to a state authority start-up. Ms. Rabon is a long-time property owner. Those who would disparage these individuals seem to believe that only current residents are qualified to negotiate.

Presentation of the appraisal occurred in spring of 2019. Of the three official Bald Head Island representatives, I was the only one who commented on it at all. I believe that my role on the Authority was to act on behalf of all the homeowners and businesses. I also believe that regardless of what communications BHITA had publicly, it was the obligation of the official Bald Head Island representatives both to represent the island effectively and to communicate with them as non-disclosure agreements allowed.

Further, there were THREE opportunities for the Village to get islanders with the expertise needed onto the Authority. The first arose with my replacement as Mayor Pro Tempore with Mike Brown in December 2019. The second occurred with the end of John Fisher's term, when Jim Bonica was appointed. Bonica served for one meeting. (Bonica sold his island home which had been for sale for more than six months, and he moved to Cleveland. One might assume that the Village Mayor, a close personal friend and real estate broker, knew. That when the appointment was made.) Finally, Claude Pope was appointed in July or August of 2020, well into the negotiating process. This constant change of island representation did Bald Head Islanders no favors, rather creating a discontinuity among those affected most by BHITA's decisions. Under these circumstances, the

BHITA board members who served since day one, who have legitimate and long-standing Bald Head Island connections and knowledge, as well as the background, the expertise, and relationships with the other BHITA board members, were the logical appointees to the negotiating committee.

[See 4/28/21 community letter in opposition to BHITA bond: Again, we do not know why the BHITA agreed to a \$47.75M acquisition price because no member of the Board that owns property on BHI, including the Village Mayor and Mayor pro tem, were appointed to the Board subcommittee that negotiated the acquisition price with Limited.

... Again, we do not know why the BHITA agreed to a \$47.75M acquisition price because no member of the Board that owns property on BHI, including the Village Mayor and Mayor pro tem, were appointed to the Board subcommittee that negotiated the acquisition price with Limited.]

Chad Paul, CEO of BHI Limited and BHI Transportation invited Mayor Sayre and me in my capacity as Mayor Pro Tempore to a meeting in Wilmington in late February 2017. At this session, the Mayor and I signed non-disclosure agreements. Mr. Paul presented the plan to set up BHITA through NC legislation. Although I am still governed by the NDC, ferry, barge and parking rate increases were discussed then, and also at numerous subsequent public meetings held during the summer of 2017, soon after the legislation passed the General Assembly unanimously. The projections from “Project Pelican” as the presentation came to be known, indicated that one or more of the three fee-based services would increase by one dollar each year. It is now 2021. There have been no ferry ticket increases since 2009-10, even though BHI Transportation is entitled by the NCUC to earn an eight-percent return annually on the ferry portion of the business. Had ferry prices increased one dollar per year beginning in 2018 as projected in 2017, that increase would have been approximately seventeen percent (\$4/\$23, 17%.) Based on the information provided publicly during 2021 this initial increase and subsequent increases are consistent with what was publicly presented to any islander willing to attend or listen in 2017. Finally, as there has been NO increase in ferry rates since 2009-2010, a \$4 increase for a round-trip ticket, i.e., \$2 each way, is not unrealistic or unreasonable whether the Transportation system is sold – or not. Speculating about what the NCUC might do if presented with a rate increase is like trying to read a crystal ball. Unless or until it happens, there is no reasonable way to know. The fact that Limited has NOT earned the eight percent return the NCUC allows, leads me to think that a rate increase should be expected.

[See 4/28/21 community letter in opposition to BHITA bond: “The BHITA Bond Feasibility Study done by the Mercator consulting group (also funded by Limited) subsequently determined that if BHITA paid Limited \$47.75M for the System, it would need to raise to raise ferry, barge and parking rates by **20 percent or so** this year in order to generate enough cashflow to continue operating the System while servicing the proposed \$56M revenue bond issue going forward. (*Emphasis added.*)] The only study I am aware of by Mercator is one Limited contracted as the legislation worked its way through the NC General Assembly.

During my service on BHITA, all Board members served with integrity, honesty, and diligence, with few exceptions. I am proud of my contributions to the process. Mayor Sayre and I were both thrilled in February 2017 when presented with the legislation and the plan. When Village Council voted to eliminate its rights of first refusal, there was little discussion – it was the right and the ONLY thing to do. I was shocked to learn that it had somehow come back into play in 2020.

The ENTIRE letter from April 28th, 2021 is riddled with misrepresentations as described above.

Furthermore, the series of emails you received during your May 2021 LGC meeting, referred to a letter to you from Frank Klaine, a letter that was also based on the erroneous premise that BHI Limited had selected the appraisers and consultants used by BHITA. Yes, BHI Limited paid for the appraisers of the land and the equipment. They also paid All the administrative and operational expenses of BHITA – all through grants paid to and approved by the Village.

I absolutely agree that the valuations should be completed incorporating the different methodologies outlined. However, in the context of Mr. Klaine’s letter and the sixty or so based on it that were copied to you on May 3rd, the intimation that something untoward or not arm’s length occurred, or that BHITA used BHI Limited’s due diligence are unequivocally not true.

[Frank Klaine email of 5/3/21:

It is also my understanding that Mr. Worsley was only directed to do a cost analysis. The BHITA should have requested that Mr. Worsley use all three methods of appraising the property. It is a mystery to me why his appraisal was limited. Accordingly, Mr. Worsley’s appraisal should carry little if any weight and should be disregarded. In addition consideration should be given to the fact that the Worsley

appraisal was paid for by the Seller of the property.

Instead it appears that Mercator, again paid by the seller, was directed to create a cash flow projection that would justify the sale of the bonds. Did it take into account the age of the vessels and their needs for repair and replacement, the acquisition of additional land for parking and the revamping of the baggage delivery system.

Generally, when a buyer and seller' in an arm's length transaction are negotiating a sale both the buyer and seller rely on appraisals that they have required so they can make the best decision as to value with complete disclosure of financial information. In the given situation, which should be viewed as an arm's length transaction only the one set of appraisals and valuations were utilized to the ultimate detriment of the Island which so depends on this transportation system now and into the future.]

I hope that you can see how these misrepresentations have fostered an element of fear and distrust where none needed to exist. Homeowners deserve to know the facts. The facts should speak for themselves. The valuation is the only fact-based issue that is outstanding.

I urge you to review the revised appraisal/valuations performed on behalf of BHITA, and, if they answer the questions you have raised, approve the BHITA bond request at your August 2021 meeting.

Sincerely,

Mary-Kathryn (Kit) Adcock
9 Dowitcher Trail, Box 3044
Bald Head Island, NC 28461

From: [Tim Romocki](#)
To: [Cindy Aiken](#)
Subject: FW: Bald Head Island Transportation Authority
Date: Friday, July 16, 2021 1:19:31 PM

Cindy - I am forwarding the e-mails I mentioned that went directly to the LGC members. I think Debbie has sent you all the ones that have to the SLGFD mailbox.

Visit the LGC Staff Blog to stay up to date on deadlines, news, and announcements.

Timothy Romocki
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-----Original Message-----

From: Harper Peterson <harp.peterson@gmail.com>
Sent: Friday, July 9, 2021 12:05 PM
To: beth_wood@ncauditor.net; Dale Folwell <Dale@Nctreasurer.com>; emarshal@sosnc.gov; jbbass05@gmail.com; violaharris39@yahoo.com; scottpadgett693@gmail.com; emunn@carolina.rr.com; mdphilbeck@carolina.rr.com; Sharon Edmundson <Sharon.Edmundson@nctreasurer.com>; Tim Romocki <Tim.Romocki@nctreasurer.com>; ronald.penny@ncdor.gov
Subject: Bald Head Island Transportation Authority

Dear Local Government Council Board Members:

July 9, 2021

My wife Plunkett and I have been business, property and 2nd home owners on Bald Head Island for the past 39 years, since 1983.

It is fair to say we have grown with the island, beginning in 1983 with a staff of three, up to today, with a staff of over 90 working in 7 retail, recreation and food and beverage locations.

A major key to our growth and success has been the reliable and efficient transportation system and associated infrastructure provided by Bald Head Island Limited, llc.

I have followed the BHI Transportation Authority since it's creation in 2017 by the NC State Legislature and continue to strongly support it as not only the best, but the only way forward to professionally provide the necessary

services for the island's sustainability.

I believe its design, as a government sanctioned regional public authority, will guarantee for generations to come a reliable, safe and equitable service for its many users and beneficiaries.

Whether island resident, property owner, day or extended stay visitor, contractor, business owner, public safety officer, field scientist, all have established a symbiotic relationship; all interdependent and reliant on one another.

Having served as the Mayor of Wilmington, NC and as a NC State Senator, I can truly appreciate the financial security and operational integrity that the BHI Transportation Authority (BHITA) and the State of North Carolina will provide moving forward.

All stakeholders should feel confident that their interests will be honored.

I appreciate your time and consideration regarding this matter and look forward to the smooth and equitable transfer of ownership of the BHI Transportation System from BHIL, Inc to the BHITA.

If i can provide any further testimony please do not hesitate to contact me.

Sincerely,

Harper Peterson
Bald Head Island Business & Residential Property Owner since 1983

Sent from my iPad