



Town of Southern Shores

Shoreline Protection Project and
Financial Planning Discussion

February 26, 2019

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General Introduction

- Southern Shores recognizes the need for financial planning with particular emphasis on the beach as the primary economic driver
- Town has identified need for nourishment of shoreline and beginning to review alternatives for funding
- Current focus on most cost effective means to meet the need, including methods to raise estimated nourishment costs
- N.C. Statutes provide limited means to finance shoreline protection and likely necessitating partnership with the Town and Dare County
- We are here to discuss the role of financial planning in moving forward with shoreline protection and the long term role it plays in town finances

General Introduction

What is a financial advisor?

- Independent firm that provides advice related to financial management and raising capital
- Registered with the SEC & MSRB

Who is DEC Associates and firm professionals?

- N.C. based advisor, ranked number one by volume for the over 14 years of firm existence for N.C. local government clients
- Provides advice with respect to debt, pay-go and other sources for capital
- Provides financial advice related to financial planning and execution of the plans
- Financial policy development

Shoreline Protection Financial Planning

Importance of financial planning

- Provides a road map
- Sets policies and achievement objectives
- Measures achievement
- Provides for annual review and can change as needed
- Provides for greater financial alternatives
- Provides tool to match needs with priorities

Creation of town-wide financial policies

- Financial metrics – fund balance levels, etc.
- Investment policies
- Debt policies
- Appropriate accounting mode for beach costs

Shoreline Protection Financial Planning

Shoreline protection creates upfront capital investment and operating cost to meet beach objectives

- Borrowing of the initial beach nourishment cost is customary
- Potential for partnership with the County
- Debt service and operating cost for the beach likely would be best accounted for by a separate Beach Fund
- Planning will consume approximately two years potentially

Long term beach maintenance is a continuing cost and process into the future

- Continue to accumulate beach fund future maintenance cost
- Plan for future maintenance capital cost and methods to fund

Financing Modes Available

Pay-Go

Borrowed

- General Obligation Bonds
 - Voter referendum required
 - Authorization Lasts for 7 Years
 - Public hearing process to authorize vote
 - Pledges unlimited tax levy to pay debt service
- Installment Purchase Financing – G.S. 160A-20
 - Voter Referendum not required
 - Requires public hearing
 - Requires pledge of real property for collateral
 - Requires increased time to due to real property pledge
 - Cost of property appraisals and other cost

Financing Modes Available

Borrowed (continued)

- Special Assessment Bonds – G.S. 160A-220
 - Special Assessment would be petitioned by 66% of property to be assessed – a voluntary process
 - Multiple public hearings
 - Able to be blended with another type of borrowing – not likely singular method
 - Requires pledge of property assessment
- Special Obligation Bonds (SOBs) – G.S. 159I-30 – Generally preferred method
 - No voter referendum required
 - State law requires use of municipal service district (MSD)
 - MSD can be formed and levy (or not) a tax inside the district
 - Requires pledge of taxes and/or fees not levied by the town
 - May need partnership with the County

Financing Modes Available

Unique N.C. elements of SOBs

- Selected revenues are identified as source of credit pledge
 - Can only pledge selected tax revenues that are not levied by the Town
 - Any other lawful source of non-tax revenue can be pledged – examples
 - Potential use of inter local agreements
- Revenues for Debt Repayment
 - Pledge of selected Town tax and other revenues and can remain in the General Fund budget as customary
 - Actual revenue sources for debt service could include portion of Occupancy Tax, Town wide property taxes, municipal service district taxes, others?

Services We Provide

- DEC Associates Inc would provide a full “Soup to Nuts” suite of services for the entire shoreline protection project timeline
 - Advise on structure, timing and raising of funds to create the revenue streams to fund the project
 - Creation of funding model projecting revenues and expenditures needed to fund the project and its continual maintenance
 - Creation of calendars through the planning and issuance phases to keep the project on timing
 - Advise on the financial structure and credit package needed to attract banks and favorable interest rates
 - Complete LGC support including presentations, data creation and application process
 - Work in concert with the County and other neighboring Towns to achieve lowest cost of project through timing or coupling of projects

Final Observations

Town Council will need to determine which funding method best accomplishes the goals of the nourishment project

Long term planning is essential – not only for initial project, but future maintenance and beach operating costs as well

Costs and timing will need to be accurately identified in order to begin creating the Financial Plan for funding of nourishment project

DEC would be pleased to assist the Town and its staff in creation of the Financial Plan and implementation of it