



Town of Southern Shores

Beach Nourishment Financing Discussion

January 21, 2020

General Introduction

- DEC Associates engaged by the Town to assist in financial planning and raising capital funds for beach nourishment
 - Firm specializes in beach nourishment financing alternatives
- Identified need for beach nourishment for all or part of the Town's shoreline and beginning to look at alternatives for funding
- Current focus on most cost effective means to meet this important need, including sources of funds to finance estimated capital cost
- N.C. Statutes provide limited means to finance beach nourishment often requiring partnership between a Town and the County
- Plans for moving forward

Beach Nourishment - Financing Modes Available

- Pay-Go
- Borrowed
 - General Obligation Bonds
 - Must be voted by Referendum for new project issuance
 - Authorization last for 7 years
 - Public Hearing process to authorize vote
 - Pledges unlimited tax levy to pay debt service
 - Installment Purchase Financing – G.S. 160A-20
 - Does not require voter referendum
 - Requires Public Hearing process
 - Requires pledge of real property for collateral
 - Requires increased time to secure pledge of collateral
 - Cost of property appraisals and other cost
 - Does not work well for the projects proposed due to inability to perfect the real property lien (need to pledge at least 50% of borrowed amount)

Beach Nourishment - 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
 - Although able to be blended with another mode of borrowing – not likely method
 - Requires pledge of property included in assessment
 - Special Obligation Bonds – G.S. 159I-30 - Preferred Method
 - Does not require voter referendum
 - State law prescribes use of Municipal Service District (MSD) in order to use Special Obligation Financing
 - MSD can be formed and levy tax inside the district, or no tax levied in district
 - Requires pledge of taxes and/or fees not levied by the municipality

Beach Nourishment - Financing Modes Available

- Unique N.C. elements of SOBs
 - Selected revenues are identified as source of credit pledge
 - Can only pledge tax revenues that are not levied by the Town
 - Any other lawful source of non-tax revenue can be pledged
 - Current level of revenues that can be pledged are not sufficient to meet credit standards for lending. Use of Town/County Interlocal Agreement used as a means to bridge the gap of pledged revenues.
 - Revenues for debt repayment
 - Pledge of selected Town tax revenues and other lawful sources do not have to be used to pay debt service and can remain in the General Fund budget as customary
 - Currently available sources of payment for debt service would include Town-wide property taxes, Municipal Service District property taxes, combination of property tax sources, others?
 - County interlocal funds would be used to pay debt service

County Beach Nourishment Funding Plan

- Dare County and its partnership with Towns
 - Dare County leverages 2¢ of Occupancy Tax collected for beach nourishment projects
 - Revenues are used to fund Town projects and unincorporated area projects
 - Current County plans are for funding of at least 50% of project
 - Towns who have completed beach nourishment projects have raised revenue equal to 7.82¢ of property tax equivalent
 - 7.82¢ equates to approximately \$1,073,928 annually for Southern Shores
 - Town would need to raise this revenue starting in the 2021-2022 fiscal year
- Model Discussion

Project Cost and Sources of Funds

Option 1

Uses

Estimated Project Cost:	\$13,974,200
Cost of Issuance:	<u>\$100,000</u>
	\$14,074,200

Sources

County Contributed:	\$7,037,100
Borrowed - Spec. Obs.	<u>\$7,037,100</u>
	\$14,074,200

Debt Service Estimate

FY	Principal	Interest	Total Debt Service
2023	\$ 1,407,420	\$ 246,299	\$ 1,653,719
2024	\$ 1,407,420	\$ 197,039	\$ 1,604,459
2025	\$ 1,407,420	\$ 147,779	\$ 1,555,199
2026	\$ 1,407,420	\$ 98,519	\$ 1,505,939
2027	\$ 1,407,420	\$ 49,260	\$ 1,456,680
Total:	\$ 7,037,100	\$ 738,896	\$ 7,775,996

Repayment Revenues

FY	County Contributed	Town Contributed	Total Revenue
2023	\$ 579,790	\$ 1,073,928	\$ 1,653,719
2024	\$ 530,530	\$ 1,073,928	\$ 1,604,459
2025	\$ 481,271	\$ 1,073,928	\$ 1,555,199
2026	\$ 432,011	\$ 1,073,928	\$ 1,505,939
2027	\$ 382,751	\$ 1,073,928	\$ 1,456,680
Total:	\$ 2,406,353	\$ 5,369,642	\$ 7,775,996

Project Cost and Sources of Funds

Option 3

Uses

Estimated Project Cost:	\$16,685,800
Cost of Issuance:	<u>\$100,000</u>
	\$16,785,800

Sources

County Contributed:	\$8,392,900
Borrowed - Spec. Obs.	<u>\$8,392,900</u>
	\$ 16,785,800

Debt Service Estimate

FY	Principal	Interest	Total Debt Service
2023	\$ 1,678,580	\$ 293,752	\$ 1,972,332
2024	\$ 1,678,580	\$ 235,001	\$ 1,913,581
2025	\$ 1,678,580	\$ 176,251	\$ 1,854,831
2026	\$ 1,678,580	\$ 117,501	\$ 1,796,081
2027	\$ 1,678,580	\$ 58,750	\$ 1,737,330
Total:	\$ 8,392,900	\$ 881,255	\$ 9,274,155

Repayment Revenues

FY	County Contributed	Town Contributed	Total Revenue
2023	\$ 898,403	\$ 1,073,928	\$ 1,972,332
2024	\$ 839,653	\$ 1,073,928	\$ 1,913,581
2025	\$ 780,902	\$ 1,073,928	\$ 1,854,831
2026	\$ 722,152	\$ 1,073,928	\$ 1,796,081
2027	\$ 663,402	\$ 1,073,928	\$ 1,737,330
Total:	\$ 3,904,512	\$ 5,369,642	\$ 9,274,155

Project Cost and Sources of Funds

Option 4

Uses

Estimated Project Cost:	\$14,755,600
Cost of Issuance:	<u>\$100,000</u>
	\$14,855,600

Sources

County Contributed:	\$7,427,800
Borrowed - Spec. Obs.	<u>\$7,427,800</u>
	\$14,855,600

Debt Service Estimate

FY	Principal	Interest	Total Debt Service
2023	\$ 1,485,560	\$ 259,973	\$ 1,745,533
2024	\$ 1,485,560	\$ 207,978	\$ 1,693,538
2025	\$ 1,485,560	\$ 155,984	\$ 1,641,544
2026	\$ 1,485,560	\$ 103,989	\$ 1,589,549
2027	\$ 1,485,560	\$ 51,995	\$ 1,537,555
Total:	\$ 7,427,800	\$ 779,919	\$ 8,207,719

Repayment Revenues

FY	County Contributed	Town Contributed	Total Revenue
2023	\$ 671,605	\$ 1,073,928	\$ 1,745,533
2024	\$ 619,610	\$ 1,073,928	\$ 1,693,538
2025	\$ 567,615	\$ 1,073,928	\$ 1,641,544
2026	\$ 515,621	\$ 1,073,928	\$ 1,589,549
2027	\$ 463,626	\$ 1,073,928	\$ 1,537,555
Total:	\$ 2,838,077	\$ 5,369,642	\$ 8,207,719

Project Cost and Sources of Funds

Option 5

Uses

Estimated Project Cost:	\$16,196,500
Cost of Issuance:	<u>\$100,000</u>
	\$16,296,500

Sources

County Contributed:	\$8,148,250
Borrowed - Spec. Obs.	<u>\$8,148,250</u>
	\$16,296,500

Debt Service Estimate

FY	Principal	Interest	Total Debt Service
2023	\$ 1,629,650	\$ 285,189	\$ 1,914,839
2024	\$ 1,629,650	\$ 228,151	\$ 1,857,801
2025	\$ 1,629,650	\$ 171,113	\$ 1,800,763
2026	\$ 1,629,650	\$ 114,076	\$ 1,743,726
2027	\$ 1,629,650	\$ 57,038	\$ 1,686,688
Total:	\$ 8,148,250	\$ 855,566	\$ 9,003,816

Repayment Revenues

FY	County Contributed	Town Contributed	Total Revenue
2023	\$ 840,910	\$ 1,073,928	\$ 1,914,839
2024	\$ 783,873	\$ 1,073,928	\$ 1,857,801
2025	\$ 726,835	\$ 1,073,928	\$ 1,800,763
2026	\$ 669,797	\$ 1,073,928	\$ 1,743,726
2027	\$ 612,759	\$ 1,073,928	\$ 1,686,688
Total:	\$ 3,634,174	\$ 5,369,642	\$ 9,003,816

Final Observations

- Current Estimates Identifies Needs for Additional Revenues to Meet Financial Plan for Current Project
- County Involvement will be Necessary to Accomplish Collateral Package for Special Obligation Bonds
- Team Stands Ready to Proceed with Financial Plan