



January 27, 2021

The Local Government Commission  
North Carolina Department of State Treasurer  
Attention: Dale R. Folwell, CPA  
Chairman  
3200 Atlantic Avenue  
Raleigh, North Carolina 27604

Re: Bald Head Island Transportation Authority ("Authority")  
Application for Approval of Bald Head Island Transportation Authority  
Transportation System Revenue Bond Findings ("Application")

Dear Mr. Folwell:

The Bald Head Island Club Board of Governors ("Club"), acting by and through its undersigned Executive Committee, is writing you in support of the Bald Head Island Village Council's January 19<sup>th</sup> request to defer The Local Government Commission's (LGC) consideration of the Application for a period of not less than six (6) months. The Club's Board of Governors is in unanimous agreement with the requested delay by the Village as reviewed during our January 25, 2021, Club Board meeting.

The Club is responding as an Island employer, representing both the Bald Head Island Club and Shoals Club. The Club has over 1,200 member families, employs approximately 200 employees from the local area, and is one of the largest users of the transportation system (ferry, parking, barge, and warehouse). Our employees' and vendors' future livelihoods rely on a vibrant and growing Club membership. As such, the transportation system is a critical component of the Club's daily operations. As one of the transportation system's largest single users, we have concerns over the lack of operational plans and transparency with the Application as it impacts the Club and its future success for its members, guests, employees, and vendors.

With the minimal public information provided to date, we cannot comment on whether the current Application is good or bad for the future of the Club. We would hope that the underlying fundamentals, valuations and appraisals, are objective, independent, represent multiple professional assessments, and are fair and reasonable. We support the formation of the Authority and believe the structure is good for the long-term ownership and operation of the transportation system. However, the Club does have concerns over the composition of the Authority with its lack of a majority of full-time island residents and/or Island businesses for policy setting and major financial decisions impacting the Island. Based on the 7-4 vote in favor of moving forward with all four island representatives voting "no", it appears that the concerns of those closest to the island's needs might not be heard by the Authority in the future.

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In addition to the items outlined in the Village's January 19<sup>th</sup> letter, the Club has the following concerns:

- We understand the need to increase rates based on underlying operational cost increases; however, if future price increases are to meet overly burdensome financing objectives then this places additional and undue cost burdens on our employees, vendors, and members. If the price paid for the transportation system is above what the market and economic analysis deem as fair, then the only recourse for the Authority is to raise rates/fees, or reduce services (costs), which will have a significant negative impact on the Island. Not all businesses and vendors can pass along these price increases which will result in the need to reduce headcount/local employment and limit options for viable vendors and contractors to service the Island and its businesses.
- Significant transportation system cost increases also have a negative flow through impact on Bald Head Island home construction, real estate values, and vacation rentals as compared to other beach communities. A decrease in the rate of new homes and real estate transactions has a negative impact on the Club's new members and resulting financials. We also rely heavily on the rental vacation market, so a slowdown and/or downturn with this activity also places additional financial hardship on the Club. Vacation rentals also provide the Club with our pool of new future members. Since the current proposal relies on island growing faster than it has over the past several years, increased ferry costs may actually jeopardize the ability of the Ferry Authority to meet its debt obligations.
- Today, the NC Utilities Commission governs ferry rates and schedules. This governance provides a backstop in support of the public's interests, as well as, those of the operator. The Club would like to understand how the Authority plans to incorporate citizen, business, and village input in its decisions over rates, schedules, and other aspects of ferry operations. As mentioned above, the transportation system is the lifeblood for our operations. So, not only to provide input, but for us to also understand the escalation, mediation, and resolution process to address differences in viewpoints as the Authority in essence will operate as a monopoly serving the Island.
- The Village outlines a number of concerns around cash reserves and cash flows for capital and operational improvements. Again, the Club cannot comment on whether the current Authority deal is sufficient, and affordable, to meet these needs. But, we can provide comment on the current operations, such as:
  - Ferries: The need to update an aged fleet of ferries. The overall appearance of the ferries is the first impression to potential new island residents and new Club members, as well as, an impactful part of the daily life of our employees. Ferries that looked aged and have excessive wear and tear negatively impact our pool of new members and makes it difficult to attract and retain a talented and motivated workforce.
  - Boarding: The need for a "smart" ferry boarding process at both Deep Point and Bald Head Marina to help eliminate significant wait times in long lines (many times in inclement weather).
  - Terminals: Both ferry terminals need changes to accommodate the better flow of traffic (ingress / egress), capital improvements to address high tide flooding at the Bald Head Marina ferry dock, as well as improvements to baggage handling systems and processes at both terminals for members and rental guests.
  - Parking: Ensure there is adequate and affordable parking for employees, members, guests, and vendors to meet current Island needs and future growth.

Today, the general parking lot is overflowing, and cars scattered onto non-paved areas during the peak summer months.

The above includes the Club's primary current concerns, but others may arise as more information becomes available. We hope this provides you and the LGC additional support for the Village's request to defer consideration of the Application. The desire is to allow Island residents, businesses, employees, and vendors time to consider the details of the Application and to provide input to help ensure the future success of the transportation system.

Thank you for your consideration.

Respectfully,

Bald Head Island Club – Board of Governors, Executive Committee

*Michael T. Brown*

Michael T. Brown – President

*Slaughter Fitz-Hugh*

Slaughter Fitz-Hugh – Vice President

*Gene Ramm*

Gene Ramm – Secretary

*Robert Carter*

Robert Carter – Treasurer

Copy:

Sharon Edmundson, Deputy Treasurer

Tim Romocki, Director, Debt Management

Susan Rabon, Chair, Bald Head Island Transportation Authority

Village of Bald Head Island Council

K. Christopher McCall, Bald Head Island Village Manager

Chad Paul, CEO, Bald Head Island Limited, LLC

David F. Sawyer, CEO Bald Head Island Club and Shoals Club

Rick Anderson – Bald Head Island Board of Governors

Miriam Leonard – Bald Head Island Board of Governors

Robert Nixon – Bald Head Island Board of Governors

Claude E. Pope, Jr – Bald Head Island Board of Governors

Kathy Virtue – Bald Head Island Board of Governors