



Discussion of Shoreline Protection Financing in North Carolina

Town of Duck
February 20, 2014

Agenda

- Introduction of DEC Associates, Inc.
 - Who are we and how did we get here?
- Overview and history of shoreline protection in North Carolina
 - Other shoreline protection projects in North Carolina
 - Financing methods available to the Town
 - Requirements necessary for each financing method
- Discussion of current financing plan
 - The plan and its players
 - County involvement
 - Current timeline
- Questions

Who is DEC Associates?

- Independent Registered Municipal Adviser (“IRMA”) focused primarily on governmental and not-for-profit entities created in 2005
- Primarily focusing on North Carolina entities, DEC Associates has been the top financial advisory firm in North Carolina since from 2005 – 2012 by volume (2013 statistics have not been released yet)
- Numerous NC clients with a wide range of experience in all forms of governmental and not-for-profit financings and transactions
- DEC Associates is advisor to the County of Dare (since 2005) and helped create the model of the first issuance for shoreline protection in Nags Head by use of Special Obligation Bonds

Who is DEC Associates?

- Discussion of the Nags Head shoreline protection project
 - County Involvement
 - Creation of financing plan through use of Special Obligation Bonds
 - LGC Process and Approval
 - Construction and success of an engineered beach
- Success at Nags Head project has sparked interest in other Dare County Towns for their own shoreline protection projects
 - Dare County contacted DEC Associates to help create a financing plan for multiple Town projects
 - Similar in structure to Nags Head plan

Shoreline Protection in NC

- A handful of shoreline protection projects have been done in the State (stretching back decades)
- Projects completed as erosion control, storm, governmental asset and private property protection
 - Created “engineered beach” status shorelines that conform to federal standards
 - As long as beaches are maintained to the “engineered beach” standards, they are eligible for FEMA reconstruction after major storm events
 - Studies have shown, especially after Hurricane Sandy, that shoreline protection projects do prevent and diminish damage to governmental and private property during major storm events
- Most were financed as a General Obligation of the entity

Shoreline Protection in NC

- Why General Obligation?
 - Pledges “full faith and credit” of the entity – No other collateral backing required
 - Requires citizen vote
 - Possibly cheapest source of funds
- Other than General Obligation, what other legal financing methods are available?
 - Installment Financing – Real asset backed borrowing
 - Can be used for a wide variety of projects
 - Common financing practice in NC – Not for Beaches
 - Most beach towns do not have enough real assets to pledge as collateral as compared to the size of the borrowing

Shoreline Protection in NC

- Other than General Obligation, what other legal financing methods are available?
 - Special Obligation – Revenue backed borrowing
 - Shoreline protection specifically mentioned in the State Statute, but is under-utilized
 - Allows for borrowings on unique projects with dedicated revenue streams (projects that have unique collateral and value circumstances – i.e. Solid Waste)
 - More scrutiny on revenues that secure the borrowing
- Requirements for the borrowing methods
 - General Obligation – Voter approval; debt sold competitively by LGC
 - Special Obligation – LGC Approval; competitively bid bank placement

Shoreline Protection in NC

- Requirements for Special Obligation Bonds
 - Municipal Service Districts
 - State Statute requires the establishment of Municipal Service Districts (MSDs) to designate areas that will be directly effected by the project
 - Collateral Considerations
 - Revenue backed collateral, not by real property
 - Pledged vs Repayment sources of funds
 - Pledged funds = creates the collateral pool for the financing provider
 - Only taxes and fees NOT directly levied by the Town can be used
 - Examples - Sales Tax, Occupancy Tax, Utility Franchise, County Interlocal Payments
 - Repayment funds = any lawful source of revenue from the Town
 - LGC Approval

Current Financing Plan

- Dare County, Town of Duck, Town of Kill Devil Hills and Town of Kitty Hawk all have shoreline protection projects in the works
- The engineer, CP&E, has stated that meaningful savings can be achieved by bidding and procuring the construction contract as a joint venture by all four parties
 - Savings projected as approximately 17% (@\$8.2M for entire project)
- Dare County Approached DEC Associates to help devise financing plan to utilize County resources and money accumulated from the Occupancy Tax the County specifically levies for shoreline protection projects (2% Occupancy Tax)
 - Similar to Nag's Head experience, how can the County leverage some of its resources to help the Towns complete these projects?

Current Financing Plan

- Basic Structure
 - The County of Dare, through interlocal agreements, will commit a portion of its occupancy tax fund balance to each Town at the time of financing as pay-go to DECREASE the amount required to be borrowed by each Town
 - Each Town will issue Special Obligation Bonds to cover the remaining cost of the project
 - The County of Dare, through interlocal agreements, will also commit a portion of its annual occupancy tax revenues to Towns annually to offset a portion of the debt service cost to each Town
 - Each Town will decide their own mix of sources of revenue for the debt service of the financings

Current Financing Plan

- Timeline
 - The County's and the Towns' staff have already met a number of times to discuss the financing plan and the responsibilities of each party
 - All three Towns have hired the same engineering firm, CP&E, and currently all Towns are in the engineering and design stage
 - A committee has been formed that meets quarterly to discuss progress and to coordinate actions among the Towns
 - Easements, permits, and other legal processes have begun
 - MSDs, as required by the Special Obligation Statute, are being Established by each Town
 - Financings to occur in the beginning of the 2016 calendar year (FY 2016)



Dare Co. Occupancy Tax Fund

	Revenues	Expenditures (Before New Nourishment Projects)	One-Time Expenditures	New Nourishment Debt Service (Other Towns)	New Nourishment Debt Service (Dare Project)	Interest Earnings	EOY Fund Balance
2014	\$4,920,879	\$2,527,500				\$105,963	\$19,416,231
2015	\$7,797,100	\$2,180,000				\$127,166	\$25,160,497
2016	\$8,031,013	\$2,180,250	\$24,000,000		\$393,750	\$222,884	\$6,840,394
2017	\$8,271,943	\$180,500		\$1,034,389	\$5,787,500	\$200,006	\$8,309,954
2018	\$8,520,102	\$180,750		\$943,676	\$5,612,500	\$113,628	\$10,206,757
2019	\$8,775,705	\$181,000		\$852,963	\$5,437,500	\$162,021	\$12,673,020
2020	\$9,038,976	\$181,250		\$762,250	\$5,262,500	\$228,798	\$15,734,793
2021	\$9,310,145	\$181,500		\$671,538	\$5,087,500	\$319,588	\$19,423,988
2022	\$9,589,450	\$181,750				\$439,485	\$29,271,173
2023	\$9,877,133	\$182,000				\$669,558	\$39,635,864

Individual Project Breakdown

	Permitting Cost	Construction Cost	Total Project Cost	% of Total Town Projects	Dare Co. Down Payment	Total Borrowed Amount
Duck	\$750,000	\$13,693,816	\$14,443,816	35%	\$7,700,000	\$6,743,816
Kitty Hawk	\$870,000	\$15,645,159	\$16,515,159	39%	\$10,300,000	\$6,215,159
Kill Devil Hills	\$550,000	\$10,412,691	\$10,962,691	26%	\$6,000,000	\$4,962,691
Total:	\$2,170,000	\$39,751,666	\$41,921,666	100%	\$24,000,000	\$17,921,666



Duck Debt Service Model

	Principal	Interest	Debt Service	County Contributed	Town Contributed
2016		\$106,215	\$106,215		\$106,215
2017	\$1,348,763	\$212,430	\$1,561,193	\$339,803	\$1,221,390
2018	\$1,348,763	\$165,223	\$1,513,987	\$292,597	\$1,221,390
2019	\$1,348,763	\$118,017	\$1,466,780	\$245,390	\$1,221,390
2020	\$1,348,763	\$70,810	\$1,419,573	\$198,183	\$1,221,390
2021	\$1,348,763	\$23,603	\$1,372,367	\$150,976	\$1,221,390
Totals:	\$6,743,816	\$696,299	\$7,440,115		

Questions