



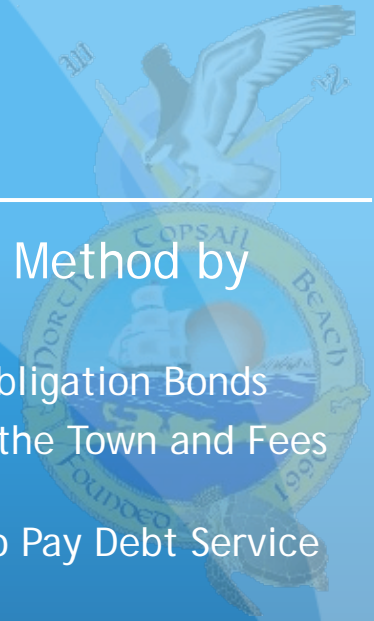
Town of North Topsail Beach

2022A FEMA SOBs and 2022B USDA Refunding SOBs
Financing and Structure Discussion

January 5, 2022

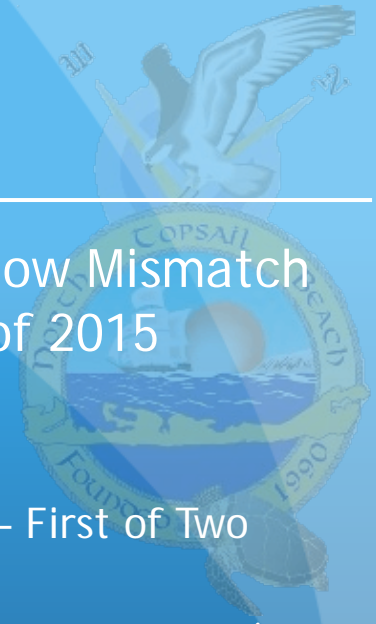
2022 NTB SOBs Financings Introduction and Overview

- Special Obligation Bonds (SOBs) – G.S. 159I-30 – Preferred Method by Most Beach Communities for Nourishment Financing
 - N.C. Law Requires Use of Municipal Service District to Issue Special Obligation Bonds
 - SOBs - Pledge of Selected Town Tax Revenues That Are Not Levied by the Town and Fees Levied by Town
 - Pledge of Selected Town Tax/Fee Revenues Do Not Have to be Used to Pay Debt Service and Can Remain in the General Fund Budget as Customary
 - Any Other Source of Revenue Can Be Used for Debt Repayment - For NTB the Beach Fund (Shoreline Protection Fund 30) Revenues
- 2015 NTB SOBs Issued for Beach Nourishment – Primarily Phase 5
 - Placed with USDA with 30-year Amortization – Level P&I – \$14.5 Million Outstanding
 - Local Government Commission (LGC) Required Shorter Amortization by Agreement with NTB – Must Early Call Annually When F/B Exceeds \$5 Million – Financial Model Assumed Payoff by FY 2026/27
 - Fund Balance Has Not Exceeded \$5 Million Since 2015
 - FEMA Storm Grant Reimbursements Partial Cause and Could be Well into Future
 - Building of USDA Required Reserves Also Hindered Early Repayment – Current Reserve \$5 Million+



2022 NTB SOBs Financings Introduction and Overview

- Why Issue SOBs in 2022 - Means to Eliminate the Cashflow Mismatch of FEMA Grants and Potentially Refund the USDA SOBs of 2015
- Two Actions on Current Agenda
 - 2022A FEMA SOBs - \$9.5 Million Maximum (Estimate \$9.0 Million) - First of Two Tranches - Second in October of 2022
 - FEMA Slow to Reimburse NTB for Grant Funded Project Cost (Same for All Beach Towns)
 - Last 25% of Project Cost Held Back - Reimbursement Can Take Up To 24 Months
 - SOBs Issued on FEMA Reimbursement - Not NTB Credit
 - PNC Banker - Int. Rate of 1.96% (One Year Maturity With Two Extensions/Rate Reset)
 - Transaction fees - FA \$35,000, Bond Counsel \$45,000, LGC \$12,500, Bank Counsel \$10,000
 - 2022B USDA Refunding SOBs - \$9.5 Million Maximum (Estimate \$9.2 Million)
 - LGC Has Increased Efforts for NTB to Repay USDA - Policy on Amortization of Sand Projects Generally 6 Years
 - Material Savings Available for Refunding - More Info Later
 - Transaction fees estimated at \$100,000+



2022 NTB SOBs Financings

FEMA SOBs



- 2022A FEMA SOBs
 - NTB Has Two FEMA Approvals for Florence and Dorian - Total Exceeds \$17 Million
 - Size of These Storm Projects, Delivery Method and Nourishment Window Calls for Two Tranches of Renourishment - Assumed Sand Placement
 - Tranche One (2022A) - Feb. 22 to End of April and Continue November to December 2022
 - Tranche Two - January 2023 Until Completion in April 2023
 - Pledge of FEMA Grant Reimbursement as Credit for SOBs - Not NTB Revenues
- Benefits of 2022A SOBs
 - Removes Negative Cashflow Impacts for NTB and Leaves the Beach Fund Balance Available for Future Needed Purposes
 - Without SOBs the 25% Holdback Would Exceed \$4 Million, Significant Impact on the Cashflow and Fund Balance
 - Does Not Pledge NTB Revenues as Collateral, Freeing Them for Other Purposes

2022 NTB SOBs Financings

USDA Refunding SOBs



- 2022B USDA Refunding SOBs
 - NTB Must Repay Bonds More Quickly Than 30 Year Amortization - LGC Agreement
 - Interest Rate of 3.25% and Reserves of Over \$5.0 Million
 - Refunding with 5 Year Term, Payoff 2027, at Lower Interest Cost and No Reserves
 - Savings Approximating \$1 Million+
 - NTB Revenue Pledge - Sales Taxes, Utility Franchise Taxes and One More Potentially
 - Credit Review With PNC in Progress
- Benefits of 2022B SOBs
 - Eliminates LGC Agreement - Accelerated Repayment
 - Provides \$s for New Beach Nourishment Projects After 2027
 - Creates Material Savings - Over 10% of Refunding Principal
 - Places NTB on "Renourishment Cycle" With Phase 5

USDA Refunding Scenarios

Compliance with Prepayment Agreement



Current USDA Loan 3.25%

FY	Principal	Interest*	Total
2023	\$ 441,000	\$ 458,055	\$ 899,055
2024	\$ 455,000	\$ 443,723	\$ 898,723
2025	\$ 470,000	\$ 428,935	\$ 898,935
2026	\$ 485,000	\$ 413,660	\$ 898,660
2027	\$ 501,000	\$ 397,898	\$ 898,898
Totals	\$ 2,352,000	\$ 2,142,270	\$ 4,494,270

*Total interest to maturity
\$5,928,000

Prepay Current USDA Loan 3.25%

FY	Principal	Interest	Total	Pre-payment*
2023	\$ 411,812	\$ 447,539	\$ 859,351	\$ 1,440,000
2024	\$ 392,470	\$ 400,739	\$ 793,209	\$ 1,440,000
2025	\$ 356,345	\$ 387,984	\$ 744,329	\$ 1,440,000
2026	\$ 315,685	\$ 282,803	\$ 598,487	\$ 1,440,000
2027	\$ 269,975	\$ 225,743	\$ 495,718	\$ 1,440,000
Totals	\$ 1,746,287	\$ 1,744,807	\$ 3,491,094	\$ 7,200,000

Savings: \$ 397,463

*Plus reserve

Refunding SOBs 2.25%

FY	Principal*	Interest	Total
2023	\$ 1,836,400	\$ 206,595	\$ 2,042,995
2024	\$ 1,836,400	\$ 165,276	\$ 2,001,676
2025	\$ 1,836,400	\$ 123,957	\$ 1,960,357
2026	\$ 1,836,400	\$ 82,638	\$ 1,919,038
2027	\$ 1,836,400	\$ 41,319	\$ 1,877,719
Totals	\$ 9,182,000	\$ 619,785	\$ 9,801,785

Savings: \$ 1,125,022

*Reduced by reserve

Final Observations

- NTB Has Sound Financial Position
- Beach Fund Balance Has Been Negatively Impacted by FEMA Grants and Slow Reimbursement and Issuance of FEMA SOBs Would Remedy This Shortcoming/Cashflow Mismatch
- NTB Has Contractual Obligation to Repay USDA SOBs as Rapidly as Possible and Current Markets Provide Potential for Refunding With Material Savings
- Issuing FEMA SOBs and USDA Refunding SOBs Would Benefit NTB Financial Position and Would Settle/Eliminate LGC Agreement
- DEC Recommends Moving Forward with Resolutions on Current Agenda for Both SOBs

