



Town of Oak Island

Discussion of Possible Enterprise System
Refunding

October 17, 2016

Introduction and Presentation Outline

DEC Associates - Firm Background and Experience

Presentation Overview

Utility System Performance since 2013 Financial Plan

Proposed Merger with Brunswick County's Public Utility System

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Presentation Overview

The Utility System Has Had Major Challenges Requiring Significant Change in Both the Short and Long-Term Financial Plan and Capital Maintenance of the System

In 2013 a Financial Plan was put in Place to Address Meeting Coverage and Bond Tests in FY2014 and Beyond Including Proposed Rate Increases in the Future

Discussions with the County for Taking Over the Utility System have been Ongoing; However, the Lack of Required Legislation from the General Assembly has Currently Eliminated the Ability for the County to Implement Essential Economics to Make Merger Economically Viable

Now that the Question of Ownership has been Settled (for now), the Utility System has Opportunities for Refunding Previously Issued Debt for Savings to the System and the Ratepayer

Utility System Performance Since 2013 Financial Plan



- In 2013, the Town Implemented a New Financial Plan and Rate Increases
 - Funding Gap for the 2014 Budget was filled from a Temporary Cash Loan from Occupancy Tax Fund to be Repayed Over a Ten Year Period from an Increase in User Fees
 - Implemented an 11.75% Rate Increase for Three (3) Consecutive Years (FY14, FY15, FY16)
 - 1.5% Rate Increase Implemented for FY17
 - Future Rate Increases Determined Annually
- Coverage Levels have Continued to Improve and Remain above the 1.0x Coverage Bond Test
- The Town Implemented a Financial Plan and has Followed Through with Positive Results
 - Ratings from Moody's and S&P were Affirmed in 2015 at A2 and A (Respectively) and have a Stable Outlook

Proposed Merger with Brunswick County's Public Utilities System



- Brunswick County was in talks with the Town about Merging the Systems to be Absorbed by the Larger County System
- Would Require Refunding of all Outstanding Utility Debt and all Fees, Levies, and Assessments would go to the County
 - County would Assume Ownership of the System and its Assets and would Control all Future Rate Setting
- For the County to Assume Control of the Assessment Revenues, Legislation was Required from the NC General Assembly
 - Until this Legislation is Passed, the County will not have the Ability to Merge the Systems
- Due to the Uncertainty of Obtaining Legislation in the Future, the Town would be Prudent in Managing the System as the Long Term Owner



2015 Utility System Refunding

- 2015 Enterprise System Revenue Refunding Bonds Refunded the 2009 Enterprise System Revenue Bonds
 - All-in TIC of 3.62%
 - 9.32% Savings Totaling \$3,814,576 in NPV savings
 - Approximately \$200,000 in Annual Savings
 - Dissolved the Debt Service Reserve Fund Required for these Bonds
 - Sold with Bond Insurance and a Surety Policy
- 2008A Enterprise System Revenue Bonds and 2011 Enterprise System Revenue Bonds were Considered in 2015
 - Due to the Market and Rate Curve at the Time, these Bond Series were not Deemed Viable
 - Current Markets and Rate Curve much more Favorable and has Eliminated a Majority of the Negatives in 2015



Opportunity for Refunding for Additional System Savings

- 2008A and 2011 Enterprise Revenue Bonds Refunding Economics
 - Approximately 16% Savings Currently Estimated
 - Approximately \$5,395,000 in Total NPV Savings
 - Approximately \$362,000 in Annual Savings
 - Bond Underwriter Proposes the Refunding Bonds be Issued without Bond Insurance or Surety Policy (Decreases Cost)
 - Underwriter Proposes Elimination of Debt Service Reserve Fund

Conclusion

- Final Questions
- Next Steps?