



La Pointe Harbor Commission Madeline Island

November 30th, 2023

Last year we learned that the Madeline Island Ferry Line (MIFL) was willing to sell, and that Access and Egress was the biggest concern in the Town survey. The Defining Question became: Who should own Madeline Island's ferry service? The Town Board answered: It should be the people of Madeline Island.

In Sept of 2022, we launched the Town of La Pointe Harbor Commission (HC). The HC was tasked with exploring the means by which the Town of La Pointe might purchase the MIFL. That exploration required two foundational chores: Determine a fair price and identify the financing mechanism to pay that price.

The Harbor Commission began its work by beginning what was to be a frequent pattern of structured discussions with the MIFL.

We first learned what was for sale: vessels, property and equipment. We then contracted with experts who could provide independent appraisals and a legal team who could guide us through the negotiation process:

- o **Pinnacle Marine:** Assess the value of the vessels.
- o **Gargulak Appraisal Services:** Establish real estate prices.
- o **Ehler Public Finance Advisors:** Prepare debt service models.
- o **Amundsen Davis:** Provide legal counsel for purchase and operating agreements.
- o **Fryberger Law Firm:** Bond attorney specializing in municipal law.

To fund these critical resources we secured, with the help of the Gov's office and our WI Senate and Assembly representatives, \$200K to cover organizational costs. Valuations for the five vessels and real property were determined at \$9,240,000. The value for property in both Bayfield and on Madeline totaled \$5,693,000. Negotiations with the MIFL produced agreement on an additional \$1,209,200 for various vehicles, equipment, and ticketing system. Lastly, there was agreement on the premium value for the goodwill of a well-established profitable enterprise at \$1,178,800. Together, that produced a total purchase price of \$17,321,000.

To ensure a seamless service transition, the HC has also negotiated a \$250K annual operating agreement with the MIFL. This gives the HC time to create its own administrative structure as it works to develop the future of the Island ferry service. It's the HC's goal to use the year ahead to identify financially sound opportunities to change rates and schedules that best respond to Island needs.

The operating agreement also secures continuity of service as we transition from a private to a public transportation utility. That transition will open up the possibility of wholly new annual DOT funding assistance for ferry service capital and operations. In the last issue of the Gazette and, in a number of regional media outlets, we announced the Town's approval to sign a joint letter of intent to purchase the MIFL.

We further announced that it was our expectation that a combination of general obligation and revenue bonds would provide the foundation for servicing that debt. We also went on to say that these bonds, "will be supplemented by island taxpayers". I'm delighted to say that is no longer the case.

The bottom line is that Madeline Island is now in a position to fund its purchase of the ferry line without adding to the Town property tax levy. With the Town people's concurrence, we will close on that purchase at the end of 2023.

The purpose of this Q&A meeting is to help answer the question; "How will the purchase and operating agreements affect me, my family and business? An answer for the year ahead will likely be, "not too much". Because that will be the time, we use to understand the potential impact of new funding sources and, by extension, understand how we can better respond to island ferry costs and service needs.

The La Pointe Harbor Commission

MIFL
Appraised Asset List
10/31/2023

AGREED UPON PURCHASE PRICE

\$17,321,000.00

Vessels

Nichevo II	\$ 575,000.00	
Madeline	\$1,250,000.00	
Island Queen	\$ 690,000.00	
Bayfield	\$1,575,000.00	
La Pointe	<u>\$5,150,000.00</u>	
		\$ 9,240,000.00

Real Estate

Bayfield Terminal and Rittenhouse Dock	\$3,878,000.00	
Cooperage & MI Information Station	\$ 702,000.00	
Bayfield Shop	\$ 242,000.00	
Dockside	\$ 326,000.00	
MI Freight Building	\$ 425,000.00	
Middle Road	<u>\$ 120,000.00</u>	
		\$ 5,693,000.00

**Independent Appraisals
Subtotal**

\$14,933,000.00

**Schedule of Vehicles,
Tools, and Equipment
Ticketing System**

\$ 909,200.00
\$ 300,000.00

**Tangible Assets
Subtotal**

\$16,142,200.00

\$16,142,200.00

Premium/Goodwill

\$ 1,178,800.00

Premium %

6.8%

Madeline Island Ferry Line Purchase Questions and Answers

1) What is the transaction?

The Town of La Pointe Harbor Commission (HC) is proposing the purchase of the assets of the Madeline Island Ferry Line (MIFL) – boats, real estate, vehicles, equipment, supplies, etc. in the amount of \$17,321,000.00.

The deal is built around 3 key documents:

- a) Purchase agreement for the marine vessels.
- b) Purchase agreement for the real estate, vehicles, equipment, and supplies.
- c) Operating agreement/management contract with MIFL to run the operation on behalf of the HC.

2) How will this be paid for?

The HC is working with Ehler Public Finance Advisors to structure the deal through:

- a) Revenue Bonds - A revenue bond is a category of municipal bond supported by the revenue from a specific project, such as a toll bridge, highway, or local stadium.
- b) General Obligation Bonds - A general obligation bond (GO bond) is a municipal bond backed solely by the credit and taxing power of the issuing jurisdiction.
- c) Anticipation Notes - An anticipation note is a short-term obligation for temporary financing with the expectation of repayment via future cash flows.

Current thinking is that the bonds will be purchased and held by the Town's leading bank, Bremer Bank – the final terms are in development. In addition to the bonds, the HC envisions offering private citizens another vehicle, Anticipation Notes, in the amount of \$500,000.00 per note – again, the terms are in development.

The current financial model shows operating revenue will provide funds for debt repayment and does not envision the need for taxpayer support. Again, we do not expect to ask for financial support from the property tax roll.

(The Town of La Pointe borrowing limit will not be threatened. Revenue bonds and note anticipation notes do not apply to the town's borrowing authority. Only general obligation bonds count against the Town's borrowing limit.)

<u>Town of La Pointe</u>	
Current Debt Limit:	\$19,287,165
Current Debt:	- \$2,365,557
Available to Borrow:	\$16,921,608

3) What is the approval process?

The Town of La Pointe electors will be asked to approve the purchase of real estate, located within the Town of La Pointe boundary.

The Town of La Pointe Board of Supervisors will be asked to authorize the Harbor Commission to sign the various agreements described above. The HC is not able to encumber the Town of La Pointe financially without approval from the Board of Supervisors.

After these approvals, the HC will sign the various documents – with a target date of around 12/31/23.

4) What will change – or stay the same?

The MIFL (or a newly formed LLC) will operate the line, collecting revenues, paying expenses - on behalf of the HC, including maintenance of the vessels and facilities. The current expected term for the operating agreement is for the next 4 years, with an annual fee of \$250,000.00 per year.

Current MIFL (or a newly formed LLC) employees will remain MIFL (or a newly formed LLC) employees.

HC will work with the MIFL to review schedules, rate structures, financial budgets and establish a method for consistently reviewing operations during the year ahead. As we learn more about access to possible federal and state funding sources, we will be better able to consider changes in future years. The HC will aggressively pursue possible federal/state grants and other possible funding sources for both capital and operational expenses.

Discount card balances (MAG card holders) will have their ferry payments honored as always.

Winter Transportation services will operate as they have, with the HC becoming a participant in the agreement instead of MIFL.