

Resident Q & A to the Town's Consideration of Issuing a Bond to Protect Lake Front Drive
Virtual Public Hearing is March 31, 2020 at 7pm

Dear Beverly Shores Residents,

As you probably know, the Town Council (TC) is considering the issuance of a bond as a source of funds to mitigate the effects of erosion along Lake Front Drive. On March 17th, the Town Council approved the pre-conditions necessary for consideration of a bond. Ultimately, if TC approves the issuance of a bond and the bonds are purchased, property taxes will increase.

We want to hear from you on this important matter. A public hearing is scheduled for March 31, 2020 at 7pm, but because of Covid-19, it will be a virtual hearing. Safe distancing prevents in-person attendance. At the public hearing the town's financial advisor will present the details of the proposed bond. We encourage and welcome your questions in advance of the meeting and are providing this Q & A, so you have as much information as possible beforehand. You will also be able to type in your questions if you attend the virtual meeting.

EMAIL YOUR QUESTIONS TO: beverlyshores.clerk@gmail.com

This Q & A provides information on the following questions. Be sure to review the attachments.

- Question 1** **Why is the Town considering issuing a bond?**
- Question 2** **What are the sources of funding the Town has considered or used?**
- Question 3-4** **What is the estimated cost of mitigating hot spots and the expected duration?**
- Question 5** **How much will my property taxes go up?**
- Question 6** **What are the TC's questions for the financial advisor on March 31, 2020?**
- Question 7** **What are your questions?**

Q1. Why is the Town considering Issuing a bond?

- A.** Lake Front Drive is in imminent danger of being compromised in several places from rising lake levels, frequent storms, high winds, strong waves and milder winters. The Town has no money to either save the road in the short-term or identify long-range solutions through engineering study(ies) or potential grants . Without additional funds, we cannot protect our road and engage in any long-term planning and solutions. The estimated cost of immediate short-term mitigation alone is between \$2.3 million (See Q3 below).

The reasons for protecting the road are as follows:

- **Health & Safety:** Utility and water lines run underneath Lake Front Drive. If the road is undermined. residents could lose power and utility lines -- water, gas, electric and cables -- could suffer substantial damage. Many residents could lose direct access to their home because Lake Front Drive is their only means of ingress and egress. In addition, fire, police and other emergency vehicles will be prevented from getting through to help.

- **Decrease in Property Values:** Beverly Shores is a beach community. The loss of Lake Front Drive in whole or in part makes Beverly Shores a less attractive place to live and visit. Homes along Lake Front Drive could lose value, which could negatively impact the value of all our homes.
- **Loss of Lakefront Amenities:** Reduction or elimination of pedestrian and bicycle access, and lakefront residential parking for safety reasons are all real possibilities without further mitigation. If the Town does not protect the road now and for the future, access to the beach could be severely limited even when the beach returns during cycles of low lake levels.

Q2. What are the sources of funding the Town has considered or used?

A.

- **Government Assistance.** Government disaster relief is not likely, and if it is, it is a long way off. Funding is not available because Indiana has yet to declare the erosion along the Indiana lakeshore to be an emergency. On March 20, 2020, the town submitted its written response to Governor Holcomb supporting a state emergency declaration. (See attached letter from TC President.) The Covid-19 pandemic at this juncture makes government help even less likely.
- **General Obligation (GO) Bond.** In December 2019, the TC adopted a resolution declaring the erosion along Lake Front Drive an emergency and approved spending up to 100% of the balance in the GO bond to mitigate the scour at Hutchinson. The money from the GO bond has been spent to remediate the Hutchinson scour and protect Lakeview as best as possible.
- **Private donations and other Town money.** The Town established a fund in January 2020 to accept private tax-deductible donations. As of March 23, 2020, voluntary donations totaled \$104,350. In addition, the Clerk-Treasurer has identified \$90,100 of town funds which could be used for short-term erosion mitigation. On March 17th, TC appropriated up to \$22,500, to test a potential source of free sand. If the quality of the sand passes IDNP standards, this appropriation would also cover the cost of dredging sand and hauling it to Beverly Shores. On March 20th, the TC appropriated up to \$160,000 for the purchase of armor rock, which won't be available until the beginning of April and is in short supply. Donated funds will be used before any Town money is expended.
- **Issue a Bond.** On March 6, 2020, TC voted to authorize the town attorney to put in motion the steps necessary for the Town to issue a bond of up to \$5 million. To date, TC has not authorized the issuance of bond of any kind or amount. The public hearing is scheduled for March 31, 2020 at 7pm.

Q3. What is the cost of addressing the emergency “hot spots”—the areas most in need or remediation -- along Lake Front Drive.

- A.** The Town's Building Commissioner and Building & Site Committee, residents Micky Ferrantella and Ed Bracken and extensive drone footage, have identified five “hot spots” that need immediate attention. The estimated cost of remediating these five spots will be approximately \$2 million.

- **315-325 Lake Front Drive** has been identified as the most at-risk spot. The Town received two bids to mitigate that area. The lower of the two bids show that the estimated short-term cost of mitigation here is \$287,100.
- **603 Lake Front Drive.** The Town received two bids to mitigate this spot. The lower of the two bids show the short-term mitigation cost to be \$335,950.
- **Washout area west of Lake Shore County Road.** The Town received two bids to mitigate that area. The lower of the two bids show that the cost of short-term mitigation cost to be \$215,000.
- **Lakeview.** The Town has not sought bids to address the acute erosion at Lakeview. Currently, IDNP will not approve placing any armor rock there because it wants to protect the two Homes of Tomorrow that sit on the northside of Lake Front Drive. The estimated cost of protecting the road at Lakeview is projected to be \$375,000.
- **Drexwood to Drake.** The Town's Building Commissioner and Building & Site Committee have identified a solution using armor rock and jersey blocks along the road; however, no decision has been made and no bids have been obtained to date. Extrapolating from other bids, given the size of the area, the cost of this solution is being estimated to be \$950,000.

In addition to the cost of short-term mitigation, bond proceeds should be used to reimburse the GO Bond fund for the money spent on the December work at Hutchinson and Lakeview so that the Town would have money to address other needs, e.g., repairing the boiler at the Firehouse. Funds will also be needed for plant restoration in the remediated areas. This brings the short term cost to \$2.4 million. In addition, funding to support medium and long term actions are a consideration. IDNP identified potential solutions in a 2014 study.

Q4. How durable a solution is the emergency mitigation?

- A. Nobody knows, but what is certain is that it will recur. The projects are being modeled off what the Army Corps of Engineers did in the 1980s, and the Hutchinson remediation seems to be holding well. That said, lake levels are predicted to continue to rise, with higher highs and lower lows. Money is also needed to leverage grants and engineering studies of the changing shores of Lake Michigan.

Q5. If the Town issues a 20-year bond, how much will my taxes go up?

- A. It depends on the interest rate and amount of the bond. Attachment 2 shows amounts based on a \$5 million bond and assuming a rate of interest of 5%. It shows the tax on net assessed values per \$1,000 and \$100,000 to give you an idea of how your property taxes will increase based on your net assessed property. At the hearing on March 31st, we will learn how this additive tax may impact both Indiana residents and non-residents.

Q6. What questions will the TC be asking on March 31, 2020?

- A. TC members will be listening and asking for answers to the following questions:

- How does the Covid-19 crisis and economic fallout from it affect the market for selling the Reinvestment Bond?
- What is the expected interest rate in the current climate?
- Do the tax caps impact the taxes needed to pay off this bond, and, if so, how and for whom?
- What does the market for selling the bond look like?
- When would the Town receive any proceeds from the bond issue?
- How will the issuance of this bond impact the Town's ability to borrow in the future?
- Can the proceeds of the bond be invested?

Q7: What are your questions?

- A.** Please email your questions to the Clerk Treasurer at beverlyshores.clerk@gmail.com You will also be able to type in your questions during the public hearing.