



**MINUTES
TOWN OF NAGS HEAD
BOARD OF COMMISSIONERS
BEACH NOURISHMENT WORKSHOP (COVID-19)
WEDNESDAY, JANUARY 27, 2021**

The Nags Head Board of Commissioners met remotely via the Zoom Platform on Wednesday, January 27, 2021 at 9:00 a.m. for a Beach Nourishment Project Workshop.

Board members Present: Mayor Ben Cahoon; Mayor Pro Tem Michael Siers; Comr. Renée Cahoon; Comr. Webb Fuller; and Comr. Kevin Brinkley

Board members Absent: None

Others present: Interim Town Manager Greg L. Sparks; Attorney John Leidy; Andy Garman; Karen Snyder; Amy Miller; David Ryan; Bryan Joyner; and Town Clerk Carolyn F. Morris

CALL TO ORDER

Mayor Cahoon called the workshop to order at 9 am. He introduced the discussion saying that a sustainable beach nourishment system is needed in order to continue to be self-reliant. The Town can appeal to the State and the County but has to continue to support a large part of the funding for the future. He stated further that after today's discussion, he would like to have a framework for a more sustainable system for financing.

INTRODUCTION

Interim Town Manager Greg Sparks stated that a great deal of information has been provided to the Board re: project alternatives, MSDs, and financing; the focus was on the two project alternatives that determine MSD and financing. He explained further that Town Engineer David Ryan and the consultant, Bryan Joyner from Moffat & Nichol, will go over these two project alternatives, Finance Officer Amy Miller will discuss the financial aspects, and Dep Town Manager Andy Garman will assist as well. Interim Manager Sparks stated that he hopes today's discussion guides the Board to a project and financing so that we can move forward in a timely manner.

The cover memo entitled "Beach Nourishment" read in part as follows:

"Staff is seeking Board guidance in the creation of new MSD's. These new MSD's could include the addition of properties west of NC 12 and SR 1243, as well as certain properties from Bonnett Street to Eighth Street. These would be created for the purpose of funding future shoreline management. It is anticipated that the existing districts would also remain in effect and would continue to be utilized. The current MSD's would overlap with the new MSD's. The property assessed values in these new MSD areas generally reflect proximity to the ocean, defined as the area of ocean influence by the Dare County tax Assessors Office.

These new potential districts could include:

- Bonnett Street north to the Town line (Eighth Street), east side of NC 12
- Bonnett Street north to the Town line (Eighth Street), west side of NC 12
- Border is intersection of Wrightsville Ave. and Bonnett Street,
- Bonnett Street south to Gulfstream Street, west side of NC 12
- Turning onto Bainbridge Street – includes all properties east of Wrightsville Ave.; from Bainbridge Street to Hollowell Street – includes all properties with frontage on and east of Memorial Ave.; from Hollowell Street to Gulfstream Street - includes all properties east of US 158
- Gulfstream Street south to southern town line, entire west to include all properties south of Gulfstream Street These proposed boundaries east and west of NC 12 are generally equidistant.

Staff is seeking Board guidance on this methodology. At the February 3, 2021 Board meeting, the Board can direct staff to prepare a plan and a map identifying the proposed MSD's. A report on the establishment of proposed Municipal Service Districts for beach erosion control and flood and hurricane protection works in accordance with GS 160A-535-160A-544 will be prepared at the Board's direction. Additional timelines for adopting an ordinance creating MSD's are included.

Taxation of new MSD's is not required. If this is the way the Board wishes to proceed, the attorney recommendation is for the Town to provide some services within the district regardless of whether it lets any contracts and regardless of whether it imposes any taxes within one year following the creation of the district. This includes what we are currently doing – beach surveys, engineering, master planning, etc. If they are taxed, then contracts let for the provision of services must be in place within one year after the effective date of the definition of the district. Again, this may include soft costs the Town is currently under contract for.

Legal guidance was sought from the Town attorney. One thing of note was that the creation of a new MSD, or revising the boundaries of an existing MSD, trigger a right for owners of affected properties to challenge the MSD. This right expires when not exercised. So, while the Town may be considering creating new MSDs, it should not eliminate the existing ones. Those can be left as is, and if a tax is later imposed in a previously established MSD it cannot be challenged.

Guidance is requested on moving forward with a FEMA beach restoration project. Staff is recommending 2 scenarios, with one being a FEMA/CSDM grant project (approximately 567,000 cubic yards) with relatively minimal Town funds requested from the beach nourishment capital reserve fund balance. Note the Town portion would be approximately \$480,000 and include fixed costs - sprigging, sandfencing, contingency, and professional services. A second option includes a FEMA/CSDM grant and Town project (1.47 million cubic yards). This scenario would work differently than the Matthew project. FEMA will be reducing their contribution by approximately \$3.3 million if it becomes a shared project. The Town will look to procure funding from Dare County, the beach nourishment capital reserve fund balance, as well as finance a portion. Regardless of which approach the Board takes, financing will be necessary to provide a cash flow source for floating the FEMA funds. Additionally, the final 25% of reimbursement is withheld until the project is complete.

Currently our engineers are waiting on guidance regarding the supplemental permit review, if the Board would like to move forward with adding additional cubic yards to the project, 1.47 million cubic yards versus 567,000 cubic yards. However, adding additional sand could delay the review process another year, but would not stop the current process. Ideally, the Town would be looking at a 2022 project that would potentially get us on the same schedule going forward as the other northern towns and Dare County, depending on the size of the project. However, bidding the project out at the end of this year could make

this cost-prohibitive, as most dredgers like to know their schedules a year in advance, as we saw with the 2019 project.

'For the FEMA/CSDM grant portion, sand placement may occur where it is most beneficial, not necessarily where it corresponds to areas where the sand was lost. Our engineers can provide a breakdown of Dorian losses by reach. A minimum fill volume threshold could be developed which would distinguish where sand could be placed and indicate suggested fill densities. In general, the fill template would be applied from south to north. This is conceptual in nature only and should not be considered a construction design. It would provide a recommendation which is subject to change as the design process evolves.

'Affordability of the 1.47 mcy project costing approximately \$26 million (for discussion purposes assume a 2022 project) – guidance from our financial consultants indicates we can do this without raising additional revenue sources but please consider:

- With two outstanding Special Obligation Bonds, the coverage calculations for repayment and pledged funds drop below the usual credit requirements of the lending banks. However, we believe the banks would give this consideration given the Town's past performance and unique beach nourishment program.
- The Town is still having to come out of the beach nourishment fund balance for a few years meaning we are not bringing in enough revenue to meet the debt service obligations. Additional strain on the fund could be realized through other unexpected costs or events. We are just on the cusp of affording the next project, but if costs rise we will be back in a position to figure out how to fund.
- Dare County has not signed off on these funding numbers yet. They could possibly want to hold their contribution at a certain level that would push more funding requirements on the Town's side, putting more pressure on revenue needs on the 2022 project. Staff will wait on Board Guidance in making a formal request for Dare County funding.
- In general, if we push any costs further in the Town's direction we need to discuss other funding sources.
- Our overlap doesn't start until FY 2023, so we could wait to raise additional revenues then, and that would assist with the accumulation of funds for the next project and assist with offsetting rising costs. Otherwise, additional revenues might need to be pledged. Note the next project assumes a 2028 maintenance project, scheduled at the same time as Dare County/northern towns, costing over \$33 million. If we did the 1.47 mcy project, this could allow our next scheduled maintenance project to be bumped out from 2025 to 2028."

Town Engineer David Ryan presented the following titled slides (the entire slide presentation is attached to and made a part of these minutes as shown in Addendum "A"):

Presentation of Outline; Overview of Post-Dorian Sand Losses; FMEA Public Assistance and CSDM Grant Award; FEMA Public Assistance Criteria

Titled slides presented by Bryan Joyner of Moffat & Nichol:

Post-Dorian Nourishment Project Planning; Alternative #1: Distributing FEMA+CSDM Project Volume; Alternative #2: Distributing FEMA+CSDM+Town Project Volume; Post-Dorian Nourishment Project Planning

Town Engineer David Ryan summarized both project alternatives - #1 does not have the longevity - #2 more sand is being distributed and extension of project up to 3 additional years

Additional slides presented by Engineer Ryan: Project Alternative #1: FEMA+CSDM Project; Project Alternative #2: FEMA + CSDM + Town Project

Additional slides presented by Bryan Joyner - Post-Dorian Nourishment Project Planning (Project Schedule 2022 Construction) (Alternative #1); (Project Schedule 2022-2023 Construction); (Additional Field Investigations)

Engineer Ryan again summarized both Alternative #1 and Alternative #2 projects (Summary slide).

Mayor Cahoon thanked staff and the consultant for very clear presentations.

FINANCING

Finance Director Amy Miller summarized her slide presentation; her slides are attached to and made a part of these minutes as shown in Addendum "B". The slides displayed financing both alternatives; Included was affordability as well as the MSD timeline.

Comr. Renée Cahoon verified with Finance Director Miller that the debt for the 2019 project ends July 2023 - with an overlap of two years (2023/2024).

Comr. Brinkley confirmed that \$4 million comes from the Beach Nourishment Fund Balance.

Comr. Renée Cahoon questioned what percentage of Town revenue received from the tax rate is the oceanside - Ms. Miller responded that 1/3 of the amount received is from the oceanside properties.

Mayor Cahoon noted that now was the time for Board discussion; Interim Manager Sparks summarized the advantages/disadvantages of each alternative.

Mayor Cahoon said that he likes the idea of aligning the Town's project with other local projects and establishing municipal service districts now whether they are taxed or not - it seems appropriate to take that action now; he wants more of the Town to contribute because of the extent the entire Town benefits.

Comr. Brinkley stated that he also likes the idea of aligning with the other local projects - he does not like the overlapping of two years for the debt of the 2019 project; he is also in favor of reallocating tax rates in S Nags Head as they have the higher erosion rate.

Comr. Fuller indicated that he is in agreement with the other Board members; to add to the existing municipal service districts, if the same cubic yards of sand is added in each, then he is in favor of them having the same tax rate. However, if 2/3 of the sand is placed in the south part of Town and 1/3 is placed in the north part, then those who receive more sand should pay the higher tax rate. Comr. Fuller said that he agrees with the MSD's as identified. He questioned the value of oceanfront in terms of tax dollars - he would like to see a tax rate analysis per district.

Mayor Pro Tem Siers said that he wants to align the Town with the other towns and be independent; he agreed with Comr. Fuller re: tax rates and he agrees with sand location determining tax rate.

Comr. Renée Cahoon thanked staff and Bryan Joyner for their presentations; she is in favor of aligning with other communities and is in favor of adding more MSD's; reaches 2, 3, 4 and subsets and south of Gulfstream need to have higher tax rates as does west of SR 1243; north of Gulfstream from Hollowell north do not need to be as high as S Nags Head/SR 1243; other areas north do not need as much sand as they don't have the higher erosion rate - more sand equals a higher tax rate; she expressed concern about the two overlap years which she hopes would smooth out with revenue from the other MSD's.

Mayor Cahoon likes the larger project to align with other communities; he feels that it is clear that staff needs to be directed to take appropriate action at the upcoming February 3rd Board meeting - which would be to prepare the study/plan for the new MSD's - he has no objection to the creation of those. He said that he is not clear on the west side districts of NC 12 and SR 1243 to the bypass as opposed to the intervening streets and questioned if it was border to border. He feels the districts need to be distinctive because the areas between the highways aren't all the same.

Mayor Cahoon confirmed that it was Board consensus, other than the concerns re: cost/overlap of financing, to go with the larger project; staff was directed to poll the other towns and report back on February 3rd concerning what they are planning for the next year; that official action be taken at the February 3rd meeting and to direct the consultants to proceed with the larger project. Finance Director Miller is to look into what the Town overlap will look like with the new MSD's added as well as what the increase south of Gulfstream will look like.

Engineer David Ryan reported that the northern town beach nourishment projects are progressing parallel with the Town for a summer of 2022 construction window; also, Buxton is in the process of permitting with a FEMA maintenance project and is also looking for a 2022 construction project. The town of Avon is looking at three options to include an emergency option construction project in 2022 (with Buxton). The benefit of the larger project would be longevity - concentrating in the south reaches of 2, 3, and 4 that could extend the project benefit.

Comr. Renée Cahoon asked from an engineering standpoint which would make more sense to the town financially and longevity-wise; she said that she feels Engineer Ryan answered that both in results and longevity that there's not much difference between the two projects.

Mayor Pro Tem Siers questioned if the Town may be better off, at this time, with the smaller project.

Mayor Cahoon confirmed with Board members and staff that they are looking forward to the next steps/actions to take place at the February 3rd Board meeting and that clear direction from the Board had been provided to staff for the larger project scenario.

On the Board's behalf, Mayor Cahoon thanked Engineer Ryan for the realistic picture provided; he also thanked staff for being prepared for today's workshop and for providing a clean picture of the possible scenarios.

OTHER BUSINESS

Mayor Cahoon confirmed with Board members that there was no other business to come before them.

ADJOURNMENT

MOTION: Comr. Renée Cahoon made a motion to adjourn. The motion was seconded by Mayor Pro Tem Siers. Board members were polled by the Town Clerk and the motion passed unanimously. The time was 10:50 a.m.

Carolyn F. Morris, Town Clerk

Date Approved: **March 3, 2021**

Mayor: _____
Benjamin Cahoon