

Town of North Topsail Beach

Joann M. McDermon, Mayor
Mike Benson, Mayor Pro Tem

Aldermen:
Richard Grant
Tom Leonard
Susan Meyer
Richard Peters



David J. Gilbride
Town Manager

Laura Oxley, JD, MPA
Town Clerk

Nature's Tranquil Beauty

Board of Aldermen Special Meeting Minutes Wednesday, October 21, 2020

Present: Mayor McDermon; Mayor Pro Tem Benson; Aldermen Grant, Leonard, Meyer and Peters; Town Manager Gilbride; Finance Officer Elliott; Town Clerk Oxley; Town Attorney Edes; Financial Consultants, Mr. Doug and Mr. Andrew Carter

I. Call to Order

Mayor McDermon called the meeting to order at 12:38 PM. The Mayor welcomed Mr. Doug and Mr. Andrew Carter.

II. Approval of Agenda

Mayor Pro Tem Benson made a motion to approve the Agenda. Alderman Peters seconded. The Motion passed unanimously, 5-0.

III. Financial Presentation & Discussion

Mr. Doug Carter, President and Managing Director of DEC Associates, began the discussion with a summary of prior discussions. He estimates that the Town will be able to pay off the USDA loan in 2026. The Corps project will likely begin in 2022, which means four years of overlap between the two debt obligations. As a reminder, not only is the Town considering the finances for initial construction but also re-nourishment projects that will follow. The advisors' financial analysis is based on project cost projections; hopefully, the Corps' estimates are higher than the actual costs.

The bottom-line question: how does the Town raise money for an additional \$3 million per year? The Board directed DEC to consider the following revenue streams for their review: occupancy tax, paid parking and property taxes. DEC now presents the results of their firm's findings.

Alderman Leonard asked about the precedent for towns that were financially unable to participate in renourishments and how the Corps handled it. The Town Attorney will research.

The Board discussed that some of their concerns have been addressed in conference calls with the Army Corps of Engineers, but those answers have not yet been included in the proposed contract.

Alderman Leonard stated that he was an elected official when the Board decided to proceed with the Phase 5- USDA project. At that time, the Town did not know if or when the Corps' project would occur. The USDA Project was in place before three named storms. Alderman Leonard saw firsthand how the project protected property.

Alderman Grant explained that some people do not understand the research and regulatory process required in this process. The Board, advisors and staff have devoted a lot of time to this project; he does not like the perception that nothing is being accomplished.

Mr. Andrew Carter presented the firm's findings, which are attached. He began by discussing the assumptions that went into the modeling. Mr. Doug Carter added that the parking revenue projections are based on current costs with the lease; if the Town's lease expenses increased, the net gain would decrease. The presented numbers are not recommended policy statements from DEC. The matrix is a starting point for the Board to discuss.

Mayor Pro Tem Benson led with questions. He sees an imbalance in the length of shoreline and the proposed debt. He asked if DEC recommended the MSD approach and if they could address the imbalance.

Mr. Doug Carter responded that the firm is an advocate for researching a variety of resources. With other clients, it is not uncommon for the final solution to have pieces of multiple scenarios incorporated. The firm is not presenting any one solution as the Board's best approach.

Mayor McDermon expressed that the next step is to give direction to DEC as to what additional numbers or scenarios are needed. She asked the Board if they wanted different modeling.

Alderman Grant responded that he would like to see different splits: 50/50, 60/40 and 70/30 between the Town as a whole and the MSD. He also liked Alderman Leonard's suggestion to create two MSDs within Phase 5. NC HWY 210 can serve as the dividing line, so that homes ocean-side of the highway are in one MSD and homes that are inlet-side are the other MSD. Alderman Grant also asked that the projections be graphed.

Alderman Leonard added to the suggestions made by Alderman Grant by asking for a scenario in which only the MSDs pay for the cost of the project. In this scenario, NC HWY 210 splits Phase 5 into two districts. He would like to see different financial splits between these two districts.

Alderman Peters liked Alderman Leonard's suggestion of splitting the cost within Phase 5.

Mayor Pro Tem Benson stated that because of the imbalance of property tax value within the different phases, the Board should consider the implications of future projects. In Phase 5, there should be one MSD, not split between ocean and sound sides. Also, to address imbalance issue, Mayor Pro Tem recommended the split should be based on the percent of property tax value in that phase, which would be 40% absorbed by the MSD and 60% from the Town. Later down the road, when properties are removed from CBRA, he wants an equitable situation for all owners.

Alderman Meyer stated that the current Board does not know what future Boards, projects or federal funding will hold. She suggested to her colleagues to focus on the current project and not be as concerned with future projects. She did not have any additional scenarios to add to the list.

Mayor McDermon only requested that the 50/50 split continue to be considered. She then led a discussion on occupancy tax. Mayor Pro Tem Benson expressed a concern that the increase in occupancy tax may not come into fruition.

Alderman Leonard understands that it is a long process that may end in a "no," but the Board should try.

Mayor Pro Tem addressed occupancy tax and paid parking revenues. He asked if the extra revenue generated is obligated to the Town's USDA loan debt.

Mr. Doug Carter agrees that the Mayor Pro Tem's concern is valid. Mr. Carter believes this project can be kept distinctly separate and presented as such to the LGC.

Mr. Edes read from the Town's Agreement with the LGC. He believes the contract gives room for negotiations.

Mayor McDermon thanked the advisors for their work. The Mayor also asked if any of her colleagues feel uncomfortable with the way the Town is approaching new revenue streams to afford "the federal project." No one indicated a concern.

IV. Tasks to be Completed

Mayor McDermon led the discussion by reviewing the list of tasks provided by the financial advisors.

Mayor McDermon called on Alderman Leonard to provide additional information on the paid parking project. Alderman Leonard explained that he and the Town Manager have been discussing and working through the issues. One issue that the Board will need to address at a later date is off-street parking. He believes that paid parking can roll out by spring.

The Town Attorney will identify the issues with the loan documents and work with Mr. Carter to determine what the Town needs in writing.

Mr. Carter suggested that if the Board decides to sign the PPA soon, he believes the signature needs to have a condition that the Town's participation is subject to LGC approval.

Alderman Grant stated that it seems the Board supports the project, contingent upon securing the needed revenues.

Mayor McDermon asked the financial advisors to approach the LGC with a cursory explanation of the Town's situation and see how much advanced notice they will need for a meeting.

Mayor McDermon asked staff to release the financial materials to the public for their review; she requested that Town Manager Gilbride write an explanation to help navigate the public through the information. The Town Attorney added that the manager's introduction should also explain that the financial advisors' work product is not a recommendation.

V. Adjournment

Alderman Peters made a motion to adjourn. Alderman Grant seconded. The Motion passed unanimously, 5-0.

Joann McDermon
Mayor

ATTEST:

Laura Oxley, JD, MPA
Town Clerk

Town of North Topsail Beach
Board of Alderman Meeting
October 21, 2020
Needed Actions for USACE (Corps) Nourishment Project



Background: In previous discussions with staff and the Board of Alderman a number of actions have been discussed or mentioned as potentially needed. Based upon discussion with Town (NTB) staff we present the following list of actions and potential time frame for completion as a means to begin discussion of a calendar of future events. Additionally, the actions will outline the breadth and depth of the process necessary to move forward with final approval of a tri-party Project Partnership Agreement (PPA).

Potential Needed Actions:

- 1) Defining the Municipal Service Districts (MSDs) and values in each within NTB.
- 2) Determining the NTB revenue impacts and how quickly parking fees and Occupancy Tax (OT) can be implemented. Parking land leases, County involvement and agreement and N.C. legislative action are parts of the implementation/approval process.
- 3) Negotiating additional terms and changes to current terms inside the PPA with the Corps, NTB and Surf City (SC). Current document does not give/provide adequate financial and other protections or clarity for NTB. To name one as example - Joint and Several clause - deal breaker? Separate projects - solution?
- 4) Loan document development, consistent with N.C. financing statutes, to define loan terms, collateral and other essential items to enter a loan with NTB and Corps (SC?).
- 5) Finalize an NTB financial/affordability model for the Corps project and other needed capital improvements that defines total revenue needs and affordability.
- 6) Meeting with the Local Government Commission (LGC) for update on financial model results and compliance with the NTB/LGC USDA Prepayment Agreement. Given the potential overlap of the USDA loan and a loan with the Corps, a financial plan outlining how the two project debt service payments will operate in tandem and blended affordability will be part of the update.
- 7) Determining other NTB capital needs, including est. cost, timing and revenue source.
- 8) A number of others are likely as the process proceeds.

Potential Time Frame;

- 1) A number of the previous actions can proceed in tandem. 1,2,3,4, 5,7 as examples.
- 2) Numbers 3 and 4 could take weeks to complete, given this is the first Corps loan offered from the regional office and infrequent use nationally.
- 3) Number 2 will consume significant time related to parking land lease(s) and the County approval process and need to move to legislative action for any change to the Occupancy Tax.
- 4) Number 6 would occur once the progress of 1 through 5 have provided reliable potential for occurrence of each of them or alternatives exist that provide equivalent outcomes.

- 5) Removing legislative action need, total process could be a number of weeks. Assumes Corp document changes can occur. If SC signs the PPA and NTB becomes partners by use of an interlocal agreement timing could be shortened.

North Topsail Beach
October 21, 2020
Meeting on USACE Beach Project - Financial Metrics



Key Assumptions:

Town's Project Cost	\$	16,500,000		
Estimated D/S	\$	3,000,000	/yr for 7 years	
Renourishment Cost	\$	10,900,000	+ every 5-7yrs	
Parking Revenue (est)	\$	550,000		
1% OT Revenue (est)	\$	350,000		
Valuation	\$	1,000,000,000	Town-wide	1¢ = \$100,000
	\$	410,000,000	Phase 5 MSD	1¢ = \$41,000
		Phase 5 MSD	Town	
Theoretical Split		50%	50%	

Revenue Matrix

	Parking	New 1% Occ. Tax	Phase 5 MSD PT	¢ needed	Townwide PT	¢ needed	Total Revenue
Scenario 1 - All Sources							
Only Phase 5 MSD	\$ 550,000	\$ 350,000	\$ 2,100,000	51	\$ -	0	\$ 3,000,000
50%/50% split	\$ 550,000	\$ 350,000	\$ 1,050,000	26	\$ 1,050,000	11	\$ 3,000,000
Scenario 2 - Parking & PT							
Only Phase 5 MSD	\$ 550,000	\$ -	\$ 2,450,000	60	\$ -	0	\$ 3,000,000
50%/50% split	\$ 550,000	\$ -	\$ 1,225,000	30	\$ 1,225,000	12	\$ 3,000,000
Scenario 3 - OT & PT							
Only Phase 5 MSD	\$ -	\$ 350,000	\$ 2,650,000	65	\$ -	0	\$ 3,000,000
50%/50% split	\$ -	\$ 350,000	\$ 1,325,000	32	\$ 1,325,000	13	\$ 3,000,000

Scenario 4 - PT Only									
Only Phase 5 MSD	\$	-	\$	-	\$ 3,000,000	73	\$ -	0	\$ 3,000,000
50%/50% split	\$	-	\$	-	\$ 1,500,000	37	\$ 1,500,000	15	\$ 3,000,000

Tax Rate Matrix							
		Current Town PT	Current County PT	Phase 5 MSD PT	New Town PT	Total Levy (in MSD)	Total Levy (out MSD)
Scenario 1							
Only Phase 5 MSD		41	71	51	0	163	112
50%/50% split		41	71	26	11	148	123
Scenario 2							
Only Phase 5 MSD		41	71	60	0	172	112
50%/50% split		41	71	30	12	154	124
Scenario 3							
Only Phase 5 MSD		41	71	65	0	177	112
50%/50% split		41	71	32	13	158	125
Scenario 4							
Only Phase 5 MSD		41	71	73	0	185	112
50%/50% split		41	71	37	15	164	127

* Every \$100,000 = @1¢ Town Wide @2.5¢ Phase 5 MSD