

Shore Protection Manager

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CARTERET COUNTY BEACH COMMISSION MEETING

Minutes

Pine Knoll Shores Town Hall

January 28, 2008, 2 pm

Attendance.

Commission Chair Buck Fugate, Vice-Chair William Donnelly, Commission Members Pete Allen, Jack Goldstein, Tom Hoover, Ted Lindblad, Art Schools, Jim Stephenson, Jim Willis, secretary Greg Rudolph, and the general public. Members Eddie Dawkins and Joan Lamson were absent.

- (1) **Call to Order.** – Chairman Fugate called the meeting to order and asked the Commission to add a brief closed session to the agenda to discuss personnel. The amendment to the agenda was approved by consensus.
- (2) **Approval of Minutes (Regular Beach Commission Meeting – November 26, 2007).** – Chairman Fugate asked the Commission if there were any corrections, additions, or comments regarding the minutes presented in the agenda packet. With no comments forthcoming from the Commission, Vice-chair Donnelly motioned the minutes be approved as presented. The motion was seconded by member Hoover and unanimously approved.
- (3) **2008 Beach Commission Officer Elections (chair and vice-chair).** – Chairman Fugate opened the floor for nominations of the Beach Commission chair and vice-chair positions for 2008. Member Goldstein made a motion to re-elect Buck Fugate as chairman for the year. This motion was seconded by member Lindblad and unanimously approved. Member Schools followed by making a motion to re-elect Bill Donnelly as vice-chair, which was seconded by member Hoover and unanimously approved as well.
- (4) **Occupancy Tax and “Beach Fund” Update.** – Secretary Rudolph mentioned the November and December 2007 occupancy tax reports were included in the agenda packet, and collectively constitutes an approximate \$5,000 decrease if compared to the November/December 2006 collection. However, a \$5,000 “loss” in the context of a \$4.5 million annual occupancy tax collection is very small and the fiscal year-to-date figure is up by -5.25% compared to this same point in time a year ago. The secretary continued that interestingly, the hotel/motel sector receipts has remained strong this fiscal year (mostly increases month after month) compared to last fiscal year when the hotel/motel sector was down and the condos/cottage sector was up. The “Beach Fund” reserve is estimated to be at approximately \$5.3 million at the end of the 2007 calendar year.

Vice-chair Donnelly asked if there were any reasons why there was a \$5,000 decrease in the cumulative November/December total. Member Schools replied that the collection (occupancy) is very low in November and December anyway, so a “good” or “bad” weekend has a larger

signature on the collection for these months. Member Goldstein added that other issues, such as the number of weekends in the month and late receipts also play a factor.

- (5) **Shore Protection Office Budget for FY 2008 – 09.** – Secretary Rudolph presented a brief outline of the budget materials presented in the agenda and subsequently focused on revenues. Using a computer projector, the secretary presented a summary of the past 15 years of occupancy tax revenue (1993 - 2007) in graphic form. The numbers were all corrected for the current 5% collection rate and over the reporting period (15 years); the collection has increased by over 120%, from a little over \$2 million per year in 1993 to well over \$4.5 million per year in 2007. The only year the occupancy tax incurred a decrease compared to the year prior was 1996, and this is attributed to hurricane *Bertha* that impacted the area in July and to a lesser extent, hurricane *Fran* in September of that same year. Otherwise, the occupancy tax has grown at an average rate of +6% per year with one anomaly in 2005, when the revenue increased by 14%. Member Schools mentioned that 2005 was the first year the school calendar was extended and is very likely the reason for the big jump in revenue in 2005, which has been sustained over the next couple of years as well. Member Hoover and Goldstein commented that hurricane *Bertha* in 1996 was unusual because it hit in the middle of the tourism season (July) rather than the traditional hurricane strike time periods that often correspond to after Labor Day.

The secretary continued looking at revenue and guided the Commission to a five-year forecasted budget. The forecasted budget takes into account a decrease in occupancy tax revenue for beach nourishment (2.0% compared to 2.5%) that is legislatively mandated to take place beginning on July 1, 2010. The forecasted budget also assumes the occupancy tax will increase at a 3% rate each year and no funding will be utilized for the construction of the Bogue Banks Shore Protection Project or any other nourishment effort. In this manner, we can see what the maximum reserve number could be at the end of FY 2013-14, which is close to \$19 million. However as stipulated in our occupancy tax legislation (SL 2007-112); if the reserve exceeds \$15 million, then the idle funds above \$15 million shall be remitted to the County's Tourism Development Authority. Member Lindblad asked the Commission what their thoughts were regarding the \$15 million cap. The Commission agreed that any changes would have to go through the General Assembly. Based upon the financial projections and the alternating long vs. short session schedule of the General Assembly, the Assembly's long session in 2009 is probably the target to make any changes in the law. Member Goldstein added that our financial projections may be low because the influx of condominiums on Bogue Banks will likely result in more occupancy tax revenue. Member Schools also mentioned that if the Commission wishes to address the percentage of the occupancy tax designated for beach nourishment (i.e., the reduction from 2.5% to 2.0% in 2010), then this subject will need to be evaluated and reconciled in the 2009 long session as well.

Secretary Rudolph proceeded to discuss the proposed expenditures for FY 2008-09. In the agenda packet, the proposed FY 2008-09 line items are juxtaposed with the current FY 2007-08 line items for comparison purposes. As a matter of County policy, the expenditures are divided into three categories – personnel, operations, and contracted services. The proposed personnel levels remain static for FY 2008-09. Operations such as phone, supplies, travel, etc. are actually decreased compared to this current fiscal year as the Shore Protection Office reviewed actual expenditures vs. budgeted amounts over the past several years. However, the Shore Protection Project Feasibility study is also funded out of operations and for FY 2008-09 is \$200,000 of the

approximately \$230,000 of total "operations". The Feasibility number in FY 2007-08 is \$125,000, so our recommended FY 2008-09 operations is higher based purely on the cost of the Feasibility Study. The secretary continued that in terms of contracted services, there are several initiatives that collectively make up this category; beach monitoring, Marlowe & Co., legal fees, Olsen Associates, internet website development, and graphic design. The biggest block in this category is the legal fees (Kilpatrick Stockton) and there is some guesstimating involved with the \$400,000 figure recommended in the budget. Our contract is for a "not to exceed" cost of \$900,000 and is generally divided into three components; (1) a negotiation process with the U.S. Army Corps of Engineers, N.C. Port Authority, N.C. Department of Environment & Natural Resources, and others, (2) a legal trial if required, and (3) an appeal if required. The legal trial phase is now ongoing – approximately \$350,000 of the contract has been invoiced as of the 2007 calendar year. A maximum estimate of \$400,000 could be invoiced in FY 2008-09 and is the proposed amount included in the budget. The Olsen Associates, Inc. number is also a bit speculative, but will cover three possible tasks in FY 2008-09; (1) technical guidance involving USACE, (2) witness testimony if needed, and (3) development of a sand management plan. Whether or not these services will be needed in FY 2008-09 is unsure, but a conservative approach is taken to include these task expenditures in the budget. Obviously funds that are not utilized are allowed to accrue in the "Beach Fund" reserve.

Vice-chair Donnelly mentioned that there was nothing in the budget that jumped out him that needed to be questioned. Member Stephenson asked what the County occupancy tax administration fee is used for. The secretary and member Schools replied that the fee is used to collect and administer the tax, and to conduct audits. Member Lindblad suggested to add a bullet point in the budget packet regarding the importance of serving on councils and boards. The secretary and Commission agreed. Member Schools subsequently made a motion to pass the budget subject to any changes made in closed session regarding personnel. The motion was seconded by vice-chair Donnelly and unanimously approved.

Note: Following a closed session, the Beach Commission included a 10% increase for the Shore Protection Manager's salary equal to \$80,000/year.

- (6) **Public Comment.** – Chairman Fugate recognized the chairman of the Bogue Banks Beach Preservation Association in the audience, Dr. Ed Erickson.
- (7) **Other Business.** – Member Willis asked the Commission why the U.S. Army Corps of Engineers is dumping inner harbor material offshore when there is capacity in Brandt Island for muddy sediments. Even if the muddy cell in Brandt Island is full, the good quality sand cell will never be used because the sand is needed on Ft. Macon. Member Willis postulated and chairman Fugate agreed that because Brandt Island is owned by the State Port, they will need capacity in Brandt Island for materials dredged at the shipping berths. This precludes any inner harbor mud from being pumped into Brandt Island. Chairman Fugate also mentioned that dumping muddy material in the offshore disposal site could taint the good beach quality sand that exists on the disposal site right now.

Member Stephenson mentioned that the Coastal Resources Commission had a strategic planning session earlier this month and public access was presented as their second highest priority. Member Stephenson suggested that the Beach Commission make this a priority as well

for the Shore Protection Office – including this type of information in the State of the Beach report and outreaching with local municipalities similar to the outreach the Shore Protection Office does with beach nourishment. The Commission agreed and mentioned there has been a lot of legwork in this regard already.

- (8) **Closed Session pursuant to G.S. 143-318.11 for the permitted purpose of discussing personnel.** – Please see the results of this closed session as described in the last sentence in topic number 5 above.
- (9) **February 2008 Meeting Date (February 25, 2008 – proposed).** – It was agreed upon that the next Beach Commission meeting scheduled for February 2008 would be held on the 25th of the month at 2:00 pm, PKS Town Hall.
- (10) **Adjourn.** – Chairman Fugate asked for any additional comments and with no additional comments forthcoming, the meeting was adjourned.