

Shore Protection Manager

Greg L. Rudolph
Tel: (252) 393.2663
Fax: (252) 393.6639
rudi@carteretcountygov.org



CARTERET COUNTY BEACH COMMISSION MEETING

Minutes

Pine Knoll Shores Town Hall

February 7, 2011, 2 pm

Attendance.

Commission chair Buck Fugate, William Donnelly (vice chair), Commission Members Larry Baldwin, Robin Comer, A.B. "Trace" Cooper, Jack Goldstein, Tom Hoover, Ken Jones, Ted Lindblad, Art Schools, secretary Greg Rudolph, and the general public. Member Doug Fleming was absent.

- (1) **Call to Order.** –Chairman Fugate called the meeting to order and welcomed/introduced two new Beach Commission members – Robin Comer with the County Board of Commissioners and Larry Baldwin with Land Management Group (County-at-large position on the Beach Commission).
- (2) **Approval of Minutes - Regular Beach Commission Meeting (December 6, 2010).** – Chairman Fugate asked the Commission if there were any corrections, additions, or comments regarding the December 6th regular session minutes presented in the agenda packet. Member Goldstein subsequently motioned the minutes be approved as presented, which was seconded by member Schools and unanimously approved.
- (3) **2011 Beach Commission Officer Elections (chair and vice-chair).** – Prior to opening the floor for nominations of the Beach Commission chair and vice-chair positions for 2011, chairman Fugate offered to serve as chair again if the Commission desired and also thanked the Town of Emerald Isle for selecting him as one of their two designees on the Commission. Member Schools made a motion to re-elect Buck Fugate as chairman for the year. This motion was seconded by member Hoover and unanimously approved. Member Goldstein followed by making a motion to re-elect Bill Donnelly as vice-chair, which was seconded by member Schools and unanimously approved as well. Members Fugate and Donnelly thanked the Commission for their continued votes of confidence.
- (4) **Occupancy Tax and "Beach Fund" Update.** – For the new members of the Beach Commission, Secretary Rudolph particularly summarized that the agenda packet usually contains the monthly raw occupancy tax reports, which are consequently tallied and compared to the previous fiscal year. Consistent with this approach, the November and December 2010 tax reports are included in the agenda packet and collectively represent a 7% decrease compared to the November/December 2009 combined total. However, because the winter month totals are considerably lower than the summer months, decreases of this order of magnitude in the winter are not as concerning as they are in the summer. For the fiscal year-to-date, the total occupancy tax is up by almost 6% compared to last fiscal year, which is attributed to a very strong July 2010 collection, and some unexpected positive collections in the fall of 2010 as well. As a review, the secretary continued the agenda packet shows a 40% and 50% contribution of occupancy taxes

that are provided to the beach nourishment reserve ("Beach Fund") for FY 2010-11 and FY 2009-10, respectively. This change is legislatively-mandated as stipulated in S.L. 2007-112, whereby a 50/50 occupancy tax distribution ratio between the Beach Fund and the Tourism Development Authority is changed to a 40/60 distribution beginning on July 1, 2010. Otherwise, the agenda also includes a breakdown of the receipts by sector, i.e., comparing collections from hotels/motels to those reported for condos/cottages. Lately, the individual sectors have been consistent with the overall collection; meaning that both sectors are "up" when the overall occupancy revenue is up for the month, and vice versa. The secretary concluded the briefing by noting the "Beach Fund" reserve was at roughly \$10.4 million at the conclusion of December 2010.

- (5) **Shore Protection Office Budget for FY 2011-12.** – Prior to turning the floor over to the secretary, Chairman Fugate requested the Commission to add a brief closed session to the agenda to discuss personnel. This amendment to the agenda was approved by consensus.

Secretary Rudolph proceeded to outline the proposed FY 2011-12 budget using computer visual aids, and reviewed the revenue side of the ledger first, which included two important notes; (1) A 2% projected decrease in overall revenue was forecasted for the current FY 2010-11 budget. However as will be explained later in the meeting, our 2010 calendar year occupancy tax collection is up by 2% and our fiscal year-to-date figure is up by almost 6% for FY 2010-11. Accordingly, rather than forecasting a 2% decrease for FY 2010-11, we are proposing to transition this forecast to a 2% increase, or effectively \$1,723,044 compared to \$1,691,786. (2) As mentioned previously and just as a reminder, the legislatively mandated (SL 2007-112) decrease of the portion of the occupancy tax that is distributed for the purpose of beach nourishment took effect on July 1, 2010. Thus rather than receiving 50% of the collection as in the past (or 2.5% of the overall 5% occupancy tax rate), the "Beach Fund" will now continue to receive 40% - or 2% of the occupancy tax rate compared to 2.5%.

Reviewing the occupancy tax from a historical perspective (1993 – 2010), and correcting the tax from the past 3% rate to the current 5% rate, the collection total is 105% more in 2010 compared to 1993. The average annual increase over the past 17 years is 4.5%. Importantly, after experiencing two consecutive decreases in calendar year occupancy tax collections in 2008 (-2.3%) and 2009 (-7.3%), we experienced a 2% increase in 2010. Graphically, we can see a general 4% increase from year to year with the exception of a few anomalies; (a) the dip in occupancy tax experienced in 1996 is attributable to hurricane *Bertha* that impacted the area in July, (2) a big positive spike in the 2005-06 timeframe that is credited with extending the school summer recess break, and (3) 2008-09 were downturn years compliments of the economic recession. However and as mentioned before, 2010 experienced a 2% increase and hopefully this trend will continue. In terms of the monthly data, August is beginning to rival July as the most profitable month, which is evidenced in the chart included in the agenda materials/depicted on the screen. Member Schools added there is a direct correlation between expanding the school calendar and the increase in August revenue. Accordingly, the Beach Commission and other groups should continue to monitor proposed legislation emanating from the General Assembly that would restrict the school calendar.

In terms of expenditures, the County segregates spending into three categories; personnel, operations, and contracted services. For personnel, there are no recommended changes. Operations include items such as telephone, postage, travel, etc. and these values have

been honed over the past few years to very good levels. The big change for this year includes the amount of funding proposed for the Shore Protection Project Feasibility Study. Under normal circumstances this is a multi \$100,000 expenditure. However, it is designated for a monetary match for what funds are appropriated to the U.S. Army Corps of Engineers, which is often significantly underfunded. Thus there are \$100,000s budgeted for this endeavor that are never utilized, which artificially inflates the overall budget for the Shore Protection Office. For this year's proposed budget (FY 2011-12) we are reducing this amount to a total of \$50,000 (\$25,000 of which would be reimbursed by the State). This is consistent with the spirit of reducing budgets and moreover; the County would like to see a 5% reduction in department budgets and this provides a "pain free" way of providing the cut. Our total proposed budget for FY 2011-12 includes a cut of over 11%.

For contracted services, the total of over \$900,000 are dedicated for the costs that have previously been articulated and approved in contracts, e.g., beach monitoring including a \$70,000 storm contingency event, Marlowe & Co., attorney fees, etc. The proposed budget for FY 2011-12 also includes \$500,000 for the Master Nourishment Plan, and a \$100,000 increase for legal representation (Kilpatrick Townsend) for issues pertaining to the Morehead City Harbor Navigation Project. The current figure is \$50,000. However, our settlement agreement with the Corps of Engineers stipulate that the Dredged Material Management Plan must be completed in October 2011. Accordingly, there will be efforts associated with responding to this report in FY 2011-12 that are not part of the scope of work envisioned in our current fiscal year (2010-11). In regards to the Master Plan, we have submitted a grant to the State for 50% of the contracted costs, but did not include State funding in the budget in an effort to present a "worse-case" scenario.

Secretary Rudolph transitioned to a long-range (5-year) projected budget included in the agenda packet, and reviewed some of the assumptions. Without any construction funding, the reserve balance will be in excess of ~\$18 million by FY 2016-17. As the Commission is well aware, the occupancy tax legislation includes a \$15 million ceiling before the excess funds are funneled to the Tourism Development Authority. Consequently we are exploring options to request the General Assembly to raise this ceiling. We estimate the \$15 million benchmark will be reached at the conclusion of FY 2014-15. Other assumptions in the 5-year projection include a 3% annual growth rate of the occupancy tax and a 5% annual growth in Shore Protection Office expenditures. Member Baldwin asked where the reserve funds reside. The secretary replied that the "Beach Fund" is a line item within the County and it accrues interest, which is reflected in the budget materials. Member Comer mentioned that during sea-level rise policy discussions, there has been mention that it might be worthwhile to install a County tide gauge to double-check the veracity of the NOAA tide gauges. Can the Beach Fund be used for this type of purpose? Chairman Fugate responded that it could be, however the occupancy tax legislation has stipulations for what the funds can be used for in terms of "beach nourishment", and the installation/maintenance of a tide gauge might be a reach. More importantly perhaps, is that we will need every penny in the Beach Fund reserve for actual nourishment projects. Our projections include a 25% State cost-share and with the current economic crisis, that source of funding is now speculative.

With no other questions/comments from the Beach Commission, the chairman asked for a motion to pass the FY 2011-12 budget with the exception of personnel, which any modifications (if needed) will be included in the budget after the closed session. A motion to pass the budget was

subsequently made by member Schools, seconded by member Donnelly, and unanimously approved.

Note: Following a closed session (see (8) below), the Beach Commission instructed the secretary to return the personnel cost to that of the FY 2009-10 level.

- (6) **Public Comment.** – John Halada (Pine Knoll Shores commissioner) asked if the Master Plan was on schedule. The secretary replied that overall, the engineering and permitting elements are indeed on schedule, and there is a Project Delivery team meeting that is scheduled for March that will take place in Pine Knoll Shores Town Hall. This should provide an excellent opportunity for the public to comprehend the complexities of the project/process and the progress to date.

Jim Willis, III (Atlantic Beach resident) commented that in the wake of the sea-level rise threat espoused by many; it is apparent that we will need more sand for our beaches. Mr. Willis has been exploring possible sand resources and has concluded that as Cape Lookout continues to migrate and weld to Shackleford Banks, there will be a need to dredge the inlet separating these bodies (Barden Inlet) to keep this as a navigation thoroughfare. If the National Park Service can get an appropriation(s) to dredge this area, then the sand could be placed along Shackleford Banks. The sand would subsequently shoal Beaufort Inlet, and the U.S. Corps of Engineers of course dredges this area and places the sand on Bogue Banks. This would be a low or no cost way of getting sand for Bogue Banks. Mr. Willis concluded that he would come back to the Beach Commission in the future with graphics to further illustrate his point.

- (7) **Other Business.** – Secretary Rudolph provided an update on the Interim Operation Plan at the Morehead City Harbor, which includes beach nourishment along the shorelines of Ft. Macon and Atlantic Beach. The secretary went on-line to the Shore Protection Office's webpage at <http://www.protectthebeach.com/smp/bbrp/Pumpout/iop/iop%20update.html>, and reviewed the update posted on this webpage earlier in the day (2/7/11). Marinex Construction (the dredging contractor) has done a nice job thus far progressing despite the very poor and sporadic weather that has characterized this winter.
- (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) **March 2011 Meeting Date (March 28, 2011 – proposed).** – It was agreed upon that the next Beach Commission meeting would be held on March 28, 2011 at 2:00 pm, Pine Knoll Shores Town Hall.
- (10) **Adjourn.** – Chairman Fugate asked for any additional comments and with no additional comments forthcoming, the meeting was adjourned.