CARTERET COUNTY BEACH COMMISSION MEETING

Minutes

*Emerald Isle Board Room (<10 persons with spatial distancing - COVID-19 Precaution)*
*Remotely via Carteret County Zoom Account (https://carteretcountync.zoom.us/)*

May 18, 2020, 2 pm

Attendance.
Commission Members A.B. “Trace” Cooper (chair), Jim Normile (vice-chair), Larry Baldwin (remotely), Larry Corsello, Jimmy Farrington, Joel Fortune, Tom Rule, Woody Warren (remotely), secretary Greg Rudolph, and the general public. Members Harry Archer and Douglas Guthrie were absent.

(1) Call to Order. – Vice-chair Normile called the meeting to order mentioning that Chairman Cooper was on his way to the meeting and should be joining us shortly. The Vice-chair proceeded to an important matter on everyone’s mind, which was the unexpected passing of Ken Jones last Wednesday – a fellow Beach Commission member since 2010 and the Mayor of Pine Knoll Shores. A moment of silence was held in his honor and the Vice-chair closed with a prayer.

(2) Approval of Minutes - Regular Beach Commission Meeting (March 23, 2020). – Vice-chair Normile asked the Commission if there were any corrections, additions, or comments regarding the March 23rd regular session minutes presented in the agenda packet. With no comments forthcoming, member Corsello subsequently made a motion to adopt the minutes as presented, which was seconded by member Farrington and unanimously approved.

(3) Room Occupancy Tax (ROT) and “Beach Fund” Update. – Secretary Rudolph introduced the topic with a slide show aid (Slide 1) and noted the Commission’s agenda includes the February and March 2020 collection reports, which were up and down by +3.8% and -50.7%, respectively compared to the same months last year. Obviously the March collection is strongly correlative to the implementation of COVID-19 precautions (e.g., no short term rentals, cancellation of events, stay-at-home orders, etc.). Moreover, we have to remember there are also some hurricane Florence impacts that are part of the equation, whereby despite the limited inventory in the wake of Florence, the occupancy numbers were up in winter 2018-19 because an influx of contractors and displaced families were occupying much of what was remaining of the short-term rental inventory. These same contractors and families simply weren’t in need of rooms in winter 2019-20 and hence a likely drop in occupancy that would occurred without COVID-19. Regardless, these stresses to visitation have dropped our fiscal year to date collection rate (FY 2019-20 compared to FY 2018-19) to -5.5% through March 2020 ($2,557,280 vs. $2,704,719 for the Beach Fund). The secretary continued that April 2020 will most certainly be in deep negative territory, but if the volume of visitors in May provides any indication; we could see a more “normal” occupancy tax collection trend begin to take hold. Chairman Cooper added that April could be -80% and May could still be in negative territory but again there is pent up demand and our inventory is back to pre-Florence.
levels and that could help accommodate demand. Member Warren agreed and noted that reservations are looking very strong for the later part of May and beyond. Secretary Rudolph concluded the topic by noting our nourishment reserve at the end of March 2020 was approximately $39.2 million, but that does not reflect a lot of the expenditures associated with our Post-Florence Phase II Renourishment Project.

(4) **Post-Florence Renourishment Project (Phase III Scoping Discussion).** – The secretary mentioned this is the 2nd consecutive meeting the Commission has discussed Phase III and the Town of Emerald Isle also received a briefing last Tuesday (May 12th) and have come to a decision on a path forward. Secretary Rudolph proceeded to provide a very similar overview as the last meeting summarizing the impacts of Florence, the goals of the project, and the dredging methodology (Slides 2 – 13) before discussing a recommended plan for Phase III (Slides 14 – 21). Again and generally speaking, there are three components of Phase III if the maximum extent of the project is pursued (all in Emerald Isle); (a) a small section west of Phase II from the Land’s End Club House to past Channel Drive, (b) the main portion of the project in Central Emerald Isle between Phases I and II, and (c) East Emerald Isle in the Phase I zone again. The secretary reiterated the need for going back into East Emerald Isle was predicated on; (1) It is a known erosional hotspot, and (2) Our fill density in this area was actually below the volume of sand loss documented for hurricane Florence (+38.2 cy/ft added in 2019 vs. -43.8 cy/ft lost in 2018) – this was one of the collateral design issues we had back in late 2018 trying to get the most critical areas of Bogue Banks nourished with the cash we had in-hand at the time. This was months and months before FEMA fixed-cost funding to Pine Knoll Shores, Indian Beach, and Emerald Isle was approved; and was also months before the General Assembly even passed legislation enabling us to apply for State funding.

A full Phase III Project with all the aforementioned reaches is estimated to cost $45 million including all mobilization, unit, dune planting, and engineering costs; and should be considered as an absolute maximum. Our estimated nourishment reserve for FY 2020-21 is estimated to be ~$28 million (inclusive of any COVID-19 impacts), which in theory leaves a potential $17 million shortfall. However, Emerald Isle has ~$29 million of FEMA fixed-cost funds remaining, which collectively represents ~$57 million “available”. Hence this is more of a cash flow issue and the Commission has previously discussed the need for timely monthly reimbursements from FEMA, or possibly a partial advance. The secretary subsequently reviewed three possible outcomes of moving forward with a full project or what we could afford with the nourishment reserve and Emerald Isle’s nourishment reserve as well (slide 20).

After speaking to our engineering team at Moffatt & Nichol and a lot of internal discussion, it is recommended we pursue a full project (slide 21) – if we advanced a “base plus option” bid but are not intending to award the options until later in the year; then that does nothing for scheduling from the dredging industry perspective and they will increase their bid to ensure they are profitable on the Base. Also, we have benefited from a single composite unit cost across reaches for our Phase I and II Projects, and we would lose this economy of scale if we isolated all the reaches in the base plus option approach. However, to offset some of the uncertainties associated with FEMA reimbursement, it is recommended to include a net 60-day pay stipulation rather than net 30-day, and we would retain a contractual provision specified in Phases I and II that allows for a reduction of the project volume by 20% without any penalty. Thus if FEMA reimbursement during Phase III is not as seamless as we would like, we could stop the project while were in East
Emerald Isle, which would be the only area we are nourishing twice anyhow. With these two safeguards (and others) in place, this would give us the surety (and peace of mind) required for the Phase III Project. Plus the risk is ultimately Emerald Isle’s to bear as they are entity who enters into a contract with the dredging company. To these ends, the Town of Emerald Isle is in agreement with this approach and if the Beach Commission agrees as well, then we should codify this in a motion.

Member Corsello asked if we could include a buffer type of number for the nourishment reserve to protect the reserve from going to $0 if FEMA reimbursement to Emerald Isle runs into problems. It would not be prudent to run the reserve all the way down to zero – perhaps leave a safety net of $3 or $5 million. Chairman Cooper and other Beach Commission members agreed, and the secretary consequently asked if $3 million would be a good number because that would represent 10% of the maximum the nourishment reserve can have by occupancy tax law ($30 million). Vice-chair Normile reiterated the Town of Emerald Isle’s support for the approach and with no other comments, member Corsello made a motion to approve the use of the nourishment reserve (estimated to be ~$28 million for FY 2020-21) to assist the Town of Emerald Isle in the implementation of Phase III of the Post-Florence Renourishment Project, with the stipulation of a safety freeze if the nourishment reserve reaches $3 million. The motion was seconded by vice-chair Normile and unanimously approved.

(5) **Briefing – Real Estate Easement & Authorization for Entry Procurement Process.** – Secretary Rudolph explained a key component of participating in the U.S. Army Corps of Engineers’ Bogue Banks Coastal Storm Damage Reduction Project (a.k.a. – the Corps 50-year project) is the acquisition of easements and rights-of-entry. In January of this year, Congress unexpectedly provided $44.5 million to construct the Project - 65% of the $44.5 million is provided by the Corps and the remaining 35% is non-federal funding furnished akin to a no interest loan. This infusion of funding has accelerated the Corps construction schedule and therefore the easement procurement process as well because all the easements/rights-of-entry have to be secured and recorded before construction can take place. Although we have easements in place for our locally-sponsored nourishment projects; they are much more descriptive to landforms (e.g., the vegetation line) than they are bound by survey coordinates and legal descriptions as the Corps easements require. In theory, we need to secure 1,203 easements by spring of 2021 and even if we don’t elect to participate in the Corps’ Project, there has been some thought that obtaining a more “metes and bounds” type of easement across all of Bogue Banks would be beneficial for our local nourishment projects moving forward. Regardless, obtaining easements of this nature is a serious endeavor and to this end, we have invited Lee Wrenn to provide an “Easement Acquisition 101” type of presentation to the Beach Commission. Mr. Wrenn’s company ([Lee Wrenn & Associates, Inc.](https://www.lwwp.com)) has successfully secured over a thousand beach easements for Corps’ projects in the past on behalf of local governments including Dare County, Myrtle Beach, Kure Beach, etc., and even more easements/right-of-entry agreements with respect to pipeline, water, sewer, and annexation types of projects.

Mr. Wrenn proceeded with a PowerPoint Presentation, and noted that a 3rd party easement team would need to be formed including a series of negotiators, surveyors, appraisers, and attorneys all working in tight alignment. Additionally there would have to be a detailed education plan and public relations effort launched before property owners are approached with executing agreements. Each parcel will generally require; (1) a survey, (2) the development of the legal
description of the tract of land, (3) a title search, (4) an appraisal – likely waived in this instance, (5) negotiations if necessary, (6) condemnation if ever required, and (7) all conveyance and closing documentation. Mr. Wrenn stressed that the February 21, 2021 deadline would be almost impossible to achieve for many reasons including that lack of work force to handle this type of volume. For instance, it would roughly require 100 title searches to be completed every week under this schedule. Additionally the Corps’ legal team also has to be deeply committed to the project by providing timely review and responses to each and every easement.

Vice-chairman Normile thanked Mr. Wrenn for his preparation and time regarding the presentation and the secretary added that this was a lot for the Beach Commission to digest in one sitting, and we will likely need to collect our thoughts before making any decisions with respect to pursuing the easements but thanks to Mr. Wrenn; we are equipped with the correct information. Estimating a cost would also be premature at this point, but if the average easement/right-of-entry would require $1,000 to secure, then the cost would be $1,203,000. If $2,000 per easement, then $2,406,000 and so on so on. Fortunately, much of these costs can be applied to our non-federal share of the Project.

(6) **Public Comment.** – None.

(7) **Other Business.** – Secretary Rudolph briefly summarized the progress at the Atlantic Harbor Dredging/Living Shoreline and Stabilization Project (*Slides 22 – 24*). Dredging was completed last Thursday (May 14th) and stone is currently being delivered to the project site, signifying the beginning of the construction of the living shoreline component.

(8) **June 2020 Meeting Date (TBD).** – It was agreed upon that the next Beach Commission meeting is in a “to be determined” status based upon State phasing of COVID-19 precautions and any decision-making topics that would require the Commission’s attention.

(9) **Adjourn.** – Vice-chair Normile (chairman Cooper had to leave the meeting early for Town of Atlantic Beach duties) asked for any additional comments and with no additional comments forthcoming, the meeting was adjourned.