



# Town of Oak Island

## Beach Nourishment Financing Alternatives

### Pay-Go Options – Special Assessment and Tax Levy

### Council Decision on Moving Forward

### February 9, 2021

# General Introduction

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- Town has Identified Need for Beach Nourishment of Shoreline and Exploring Alternatives for Funding – Last Update Nov. 2020
- Focus on Most Effective Means to Fund Estimated Capital Costs
  - Current Estimates – Approx. \$40 Million for Project Scope Matching Mathew/ Florence Projects and Master Plan, Lower Cost Potential for Reduced Scope
  - Plus Matthew/Florence Projects in 2021, \$34.9 Million
  - Total Whole Beach Town Funding of \$55 million (of \$73+ million) – Lower Than Past Estimate of \$75 million+
  - Maintenance Cost After 6 years of Approximately \$32 Million, Move Forward If Initial Project Scope Reduced
- Town Council Decision to Move Forward with Pay-go in June of 2017
- Current Presentation to Outline Estimated Cost Impacts of Each Pay-go Option – Four Year Special Assessment and/or Property Tax
- Town Management and DEC Need Council Direction on Method and Moving Forward Using Calendar to Follow

# Funding Long-Term Beach Nourishment Costs

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Lowest Projected Cost \$40 Million in 2023 (2025 Increase \$9+ Million)

Cannot be Fully Funded by Issuance of Non-G.O. Debt

- Voted G.O. Bonds Could Fully Fund the Cost if Voter Approved
- Special Obligation Bonds(SOBs) Could Fund Approximately \$10+ Million and be Paid Back Over 6 Years at Low Interest Cost

Use of Special Town Special Assessment Could Provide Total Cost of Project or Supplement with Property Tax or SOBs, Providing a Blended Approach – Each to be Reviewed

After Significant Work Effort, Revenues from the Use of Town Special Assessment in Four Zones (Covers all of Town) Can be Estimated

Property Tax Levy Estimates Also Presently Available

# Funding Long-Term Beach Nourishment Costs

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## Methods to Assess Beach Nourishment Cost Under Special Statute

1. Front Footage Abutting the Project – Equal Rate Per Foot
2. Frontage Abutting a Beach or Shoreline – Equal Rate Per Foot
3. Area of Land Benefitted – Equal Rate Per Unit of Area
4. Valuation of Land Benefitted – Land Without Improvements Per Tax Records at Equal Rate Per \$ of Valuation
5. 4a. Number of Lots Served – Equal Rate Per Lot
6. Combination of Two or More

Town Attorney and Bond Counsel Opine That Use of Multiple Assessment Areas/Zones Only Provides One of Two Methods:

1. Area(#3) or
2. Valuation(#4)

Differing Rates of Assessment of Each Zone Applied Uniformly

# Funding Long-Term Beach Nourishment Cost

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- Assessment Approach Requirements and Potentials
  - Four Year Assessment Term – Project Must Begin in this Period or Assessment Must be Refunded with Interest
  - Project Occurring in 2023 Would Require Short-Term Borrowing of Approx. Half the Assessment Amount to Pay Portion of Project Cost Cash Flow – SOBs Pledging Assessment Revenues – New Method and Very Positive
  - If Project Cost Bids Received in 2023 Exceed Amount Assessed, What Next?
    - Project Scope Change; or
    - Use General Revenue SOBs to Supplement Funding Shortfall; or
    - Assessments Refunded (Viable Solution?)
  - Other Methods if Previous Options Not Used? General Property Tax?
- Beach Maintenance Funding – Likely Same Choices as Now
  - Assessment Process, or
  - Use of SOBs (Borrowing Approach)
  - Use Collection of Property Tax to Supplement Cost

## Estimated Revenues Under Four Scenarios

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# Review of Revenue Models

(For Demonstration Purpose Only)

# Final Observations

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- What is the Preferred or Council Chosen Method/Model To Fund Remaining Renourishment – First Decision Needed Now to be Ready for Implementation in FY 22
  - Pay-go Special Assessment Alone
  - Some Combination of Pay-go (Assessments and Tax Rate)
  - SOBs Borrowed Sources to Supplement/Primarily for Timing?
- Council Will Need to Decide Which Funding Method Best Accomplishes the Goals – Direct Staff on Method and Timing – Calendar
  - March/April – Update Engineering Cost and Updated Funding Model
  - April/May – Final Funding Model Tweaks
  - June – Adopt Budget - Implement Assessments or Taxes or Both
- Accountants, Attorneys and Financial Advisor Needed After Council Direction in Order to Finalize Steps to Implement in FY 22
- Long Term Planning is Essential – Not Only for Initial Project, but Future Maintenance Events As Well