



Town of Oak Island

Beach Nourishment Financing Alternatives

Special Assessment and Tax Levy

Council Decision on Moving Forward

March 16, 2021

General Introduction

- Town has Identified Need for Beach Nourishment of Shoreline and Exploring Alternatives for Funding – Three updates since late 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
 - Additional Mathew/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 January 2021
 - Fund \$40 Million Project in 2023 (Saves Over \$9 Million Over Waiting Two Years)
 - Reviewed Multiple Funding Methods – Assessments Alone, MSD Tax Levy Alone and Various Combinations
 - Preliminarily Selected Assessment Method With Two Options
 - Municipal Service District Tax Options Eliminated Due to Lack of Debt Funding Option - Mismatch of Collection of Revenues and Payment of 2023 Sand Cost

Funding Long-Term Beach Nourishment Cost

- 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
 - MSD tax method lacked revenue pledge ability due to SOBs statutory constraints
 - 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

Funding Long-Term Beach Nourishment Costs

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

- Assessment Approaches for Today's Consideration
 - Four Year Assessment Term – Project Must Begin in this Period or Assessment Must be Refunded with Interest
 - Special Assessments Alone
 - Four assessment districts
 - No town wide or MSD taxes
 - Special Assessment and Town Wide Property Tax
 - Two assessment districts
 - Town wide property tax
 - For Each of the Two Alternatives Determining the “Split” Between Respective Assessment Districts and for Alternative Two Split Between Assessment Districts and Town Wide Tax
- Review of Management Plan for Revenue and Expense Needs
- Any Town wide tax for new project is in addition to existing sand tax
- Review of Assessment Alternatives Model

Final Observations

- What is the Preferred or Council Method to Fund Remaining Renourishment – Decision Needed Now to be Ready for Implementation in FY 22
 - Alternative 1 – Assessments Alone
 - Alternative 2 – Assessments and Town Wide Tax
- Direct Staff on Method and Timing – Calendar
 - March/April – Begin Process and Steps to Develop Assessment District Rolls
 - April/May – Final Development of Assessment Rolls and Final Determination of Assessment Amount, Including All Costs
 - June – Adopt Budget - Implement Assessments or Assessments Plus Tax
- Accountants, Attorneys and Financial Advisor Needed After Council Direction in Order to Finalize Steps to Implement in FY 22
- As Oak Island Has Demonstrated - Long Term Planning is Essential For Initial Project and Future Maintenance Events