

March 22, 2022 Special Meeting

Beach Discussions - Nourishment Project



David Kelly, Town Manager

David Hatten, Finance Director

March 22, 2022

Beach Discussions - Nourishment Project

Objective of this meeting is to provide options on ways the Town can match the \$20 million grant along with the additional funds required to continue other projected sand projects. (Lockwood Folly, Wilmington Harbour, etc.)

- Time frame for our discussion is FY 2023 through FY 2025.
- For the grant, the Town is required to provide detail on how it will spend the funding allocated for the specific purpose as stated in the grant contract. The description should include a timeline, services to be provided, objectives to be achieved, and an annual budget for the grant.

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These are working options and the numbers will be continually evolving, as individual tax values change, tax revaluation (FY 23-24), growth % changes, additional rental units become available, rental prices increase, hurricanes, etc.

The options presented tonight will shift, and as you know the budget and tax rates are adopted in June so no action is being asked for at this time.

The percentages that are shown tonight for operational and reserves will change due to the continued fluctuations in collections and needs.



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There are four funds which the Town can generate the revenue from to match the grant.

- Unencumbered General Fund Balance
- Accommodations Tax 3% (Fund 45)
- Accommodations Tax 2% (Fund 46)
- Sand Tax (Fund 47)
- Town also has the ability to use a Special Obligation Bond and/or Loan.

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Transfers to Fund 47 from the following will take place in FY 2025.

- Unencumbered General Fund Balance not to exceed 25%.
- Accommodations Tax 3% Fund Balance 55%
- Accommodations Tax 2% Fund Balance 55%

As revenues are collected, these numbers can be reduced and our objective is to reduce the need for additional funding from General Fund. It's management's goal to make Fund 47 self-sufficient going forward and to allow the fund to grow to pay for hurricanes, projects, maintenance, etc.

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How the annual FY budgets for these accounts can be handled.

- Accommodations Tax 3% (Fund 45) Utilization for the overviews are based on transferring 75% of the FY budgeted amount to Fund 47; the remaining 25% will be used for operational and maintenance items. Any unused funds within the 25% shall remain in Fund 45 and placed into Fund Balance.
- Accommodations Tax 2% (Fund 46) Utilization for the overviews are based on transferring 75% of the FY budgeted amount to Fund 47; the remaining 25% will be used for operational and maintenance items. Any unused funds within the 25% shall remain in Fund 46 and placed into Fund Balance.

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Sand Tax (Fund 47) we are anticipating a starting fund balance of \$3,878,317 in FY 22-23 Budget.

Town will adopt a Special Capital Project Ordinance to place the transfers from the State, which will total \$20 million.

County revaluation will affect the FY 23-24 Budget and we are anticipating an approximant 20% to 30% increase.

Growth assumptions figured at 2%.

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Sand Project Cost, Wilmington Harbor every 6 years, ICW Bend Widner every 4 years, Engineering Cost (Stage 3), Monitoring for permits plus beach studies and maintaining Lockwood Folly Inlet.

<u>Projects</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
Pro-forma Expenditures	\$ 250,000	\$ 250,000	\$ 250,000
Beach Nourishment			\$ 40,000,000
Wilmington Harbor Project			\$ 3,000,000
ICW Bend Widner		\$ 750,000	
Moffatt & Nichol-Engineering	\$ 1,750,000		\$ 300,000
Annual Beach Monitoring	\$ 100,000	\$ 100,000	\$ 100,000
Lockwood Folly & Inlet Shore Dredging	\$ 100,000	\$ 100,000	\$ 100,000
Total	\$ 2,200,000	\$ 1,200,000	\$ 43,750,000

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Option "1"									
Funding Source	FY 2022-2023	FY 2023-2024	FY 2024-2025	FY 2024-2025 Transfer from Fund Balances *	Est. Funding				
General Fund	\$0	\$0	\$0	\$3,862,000	\$3,862,000				
Accommodations Fund (3%)	\$1,780,125	\$1,797,926	\$1,815,906	\$3,520,000	\$8,913,957				
Accommodations Fund (2%)	\$1,060,500	\$1,071,105	\$1,081,816	\$1,265,000	\$4,478,421				
Sand Tax (\$.05)	\$1,694,543	\$2,074,120	\$2,115,603	\$0	\$5,884,266				
Beginning Fund Balance Fund - 47	\$3,878,317				\$3,878,317				
State Grant	\$0	\$0	\$20,000,000		\$20,000,000				
Sand Project Costs	(\$2,200,000)	(\$1,200,000)	(\$43,750,000)		(\$47,150,000)				
				Total	(\$133,039)				
Assumptions:		Unencumbered General Fund (Balance) not to exceed 25%, Accommodations Tax (Both Funds 45, 46) estimated to be 75% of the total annual budgeted amount, the remaining 25% shall be used for operational type items and any unused funds within the 25% shall remain in both Funds 45 and 46 and placed into Fund Balances. County revaluation will effect the FY 23-24 Budget and we are anticipating an approximant 20% to 30% increase. Growth assumptions figured at 2%. Sand Tax of \$.05 for FY 22-23 then an adjusted amount equivalent to \$.06 with anticipated tax revaluations for FY 23-24 going forward.							
Benefits	No increase to Sand Tax Rate. No Bond or Borrowing required. Beach Nourishment and on-going projects included.								
.	Growth projections could gain resulting in decrease General Fund Transfer amount.								
.	Decision on General Fund Transfer occurs in FY 2024/2025 for funding allowing additional time to account for actuals.								
Risk	Growth projections and/or Brunswick County revaluation projections less than anticipated.								
.	Potential increase in General Fund Transfer.								
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Taxpayer Impact:		No Sand Tax Rate Increase. Brunswick County revaluation expected to impact property values in FY 2023/2024.							
* FY 2024-2025 Items within this column reflect estimated start-up funds for nourishment plus other projects.									

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Option "2"					
Funding Source	FY 2022-2023	FY 2023-2024	FY 2024-2025	FY 2024-2025 Transfer from Fund Balances *	Est. Funding
General Fund				\$0	
Accommodations Fund (3%)	\$1,780,125	\$1,797,926	\$1,815,906	\$3,520,000	\$8,913,957
Accommodations Fund (2%)	\$1,060,500	\$1,071,105	\$1,081,816	\$1,265,000	\$4,478,421
Sand Tax (\$.05)	\$1,694,543	\$2,074,120	\$2,115,603	\$0	\$5,884,266
Beginning Fund Balance Fund - 47	\$3,878,317				\$3,878,317
State Grant	\$0	\$0	\$20,000,000		\$20,000,000
Sand Project Costs	(\$2,200,000)	(\$1,200,000)	(\$43,750,000)		(\$47,150,000)
				Total	(\$3,995,039)
Assumptions:					
Accommodations Tax (Both Funds 45, 46) estimated to be 75% of the total annual budgeted amount, the remaining 25% shall be used for operational type items and any unused funds within the 25% shall remain in both Funds 45 and 46 and placed into Fund Balances. County revaluation will effect the FY 23-24 Budget and we are anticipating an approximant 20% to 30% increase. Growth assumption are figured at 2%. Sand Tax of \$.05 for FY 22-23 then an adjusted amount equivalent to \$.06 with anticipated tax revaluations for FY 23-24 going forward. Bond to cover the deficit of \$3,995,039 over a 5 year time frame. 2% interest on it brings total to \$4,079,939. Annual payment equals \$814,987 for 5 years equal to additional \$.024 on the tax base. No General Fund Transfer.					
Benefits	No increase to Sand Tax Rate. No impact to General Fund Balance. Beach Nourishment and on-going projects included.				
•	Growth projections could gain resulting in Bond and/or Borrowing amount decrease.				
•	Decision on Bond and/or Borrowing occurs in FY 2024/2025 for funding allowing additional time to account for actuals.				
Risk	Growth projections and/or Brunswick County revaluation projections less than anticipated. Bond and/or Borrowing amount could increase.				
•	Increase Interest Rates which would increase amount of Bond and/or Borrowing.				
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Taxpayer Impact:		No Sand Tax Rate Increase. Brunswick County revaluation expected to impact property values in FY 2023/2024.			
* FY 2024-2025 Items within this column reflect estimated start-up funds for nourishment plus other projects.					

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Option "3"					
Funding Source	FY 2022-2023	FY 2023-2024	FY 2024-2025	FY 2024-2025 Transfer from Fund Balances *	Est. Funding
General Fund	\$0	\$0	\$0	\$3,862,000	\$3,862,000
Accommodations Fund (3%)	\$1,780,125	\$1,797,926	\$1,815,906	\$3,520,000	\$8,913,957
Accommodations Fund (2%)	\$1,060,500	\$1,071,105	\$1,081,816	\$1,265,000	\$4,478,421
Sand Tax (\$.06)	\$2,033,451	\$2,419,807	\$2,468,203	\$0	\$6,921,461
Beginning Fund Balance Fund - 47	\$3,878,317				\$3,878,317
State Grant	\$0	\$0	\$20,000,000		\$20,000,000
Sand Project Costs	(\$2,200,000)	(\$1,200,000)	(\$43,750,000)		(\$47,150,000)
				Total	\$904,156
Assumptions:					
Unencumbered General Fund (Balance) not to exceed 25%, Accommodations Tax (Both Funds 45, 46) estimated to be 75% of the total annual budgeted amount, the remaining 25% shall be used for operational type items and any unused funds within the 25% shall remain in both Funds 45 and 46 and placed into Fund Balances. Tax increase of .01 for FY 22-23. County revaluation will effect the FY 23-24 Budget and we are anticipating an approximant 20% to 30% increase. Growth assumptions figured at 2%.					
Benefits	No Bond or Borrowing required. Beach Nourishment and on-going projects included.				
•	Growth projections could gain resulting in decrease General Fund Transfer amount.				
•	Decision on General Fund Transfer occurs in FY 2024/2025, allowing additional time to account for actuals.				
Risk	Growth projections lower than anticipated which in turn could potentially increase General Fund Transfer.				
•	Brunswick County revaluation projections lower than anticipated which could Increase Sand Tax amount.				
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Taxpayer Impact:		Increase to Sand Tax Rate in FY 2022/2023. Brunswick County revaluation expected to impact property values in FY 2023/2024.			
* FY 2024-2025 Items within this column reflect estimated start-up funds for nourishment plus other projects.					

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Questions from Council?



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