



# TOWN COUNCIL MINUTES

EMERGENCY MEETING MINUTES

July 2, 2012 CONTINUED  
from June 27, 2012

At 7 am on Monday, July 2<sup>nd</sup>, 2012, the Kure Beach Town Council continued the emergency Council meeting held on June 27, 2012. Attorney Canoutas was not in attendance. A quorum of Council was present.

## **COUNCIL MEMBERS PRESENT**

|               |                   |
|---------------|-------------------|
| Mayor         | Dean Lambeth      |
| Mayor Pro Tem | Chuck Keener      |
| Commissioner  | David Heglar      |
| Commissioner  | Steve Pagley      |
| Commissioner  | Emilie Swearingen |

## **COUNCIL MEMBERS ABSENT**

None

## **STAFF PRESENT**

Finance Officer – Arlen Copenhaver  
Town Clerk – Nancy Avery

## **OTHERS PRESENT**

Andy Barnard – Chairman of the Beach Protection Committee

The emergency meeting was continued from June 27<sup>th</sup>, 2012 for the purpose of gathering more information related to beach renourishment and funding issues after the Ports, Waterway & Beach Commission's meeting held at 3:30 pm on June 27<sup>th</sup>.

## **CALL TO ORDER**

Mayor Lambeth called the meeting to order at 7 am stating the Council needed to vote on whether to accept the money from the Town of Carolina Beach as per Town Manager Owens' write up dated June 29<sup>th</sup>, 2012. (said information and a proposed resolution is herein included as part of these minutes)

Commissioner Swearingen stated she thought they should wait until after the Carolina Beach Council meets this morning.

Commissioner Heglar said he wouldn't be available later in the day to meet again and thinks they should talk through scenarios. The status is there is no State or Federal funding for Kure Beach and if we go through with renourishment, we are responsible for 17.5% of the cost. An option is if the State changes the wording and allows reallocation of the State portion, that changes the balances.

Finance Officer Copenhaver stated if we get the \$1.18 million State funding from Carolina Beach it puts the Town's percentage to pay at 0. That would cover the Town's



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17.5% obligation and the rest would come from Room Occupancy Tax (ROT) funds. The County is talking about a 1% variable rate loan. On \$1.117 million for 15 years, annual debt payment would be \$80,500. If we took a 6 month temporary loan from the County, we would pay about \$5,600 in interest only. The County will be paying 82.5% of the Carolina Beach project. This hasn't happened in the past. The County says they earn ½% interest on ROT funds. That is all they should require us to pay if their concern is not losing money. They are asking us to pay 1%.

Commissioner Swearingen asked if we are talking strictly about the money coming from the County. Carolina Beach is not going to give us the State funding. That won't work because you would have to call the entire legislature together. Also, when you put that out on the table the rest of the legislature will think that Carolina Beach doesn't need that money.

Mayor Lambeth said a local bill has been sponsored and it has already passed. We have to borrow from the County to pay the Army Corps of Engineers. It may be a couple of months before we get the State money.

Commissioner Swearingen asked Mayor Lambeth if the bill has passed the house, the senate and the governor has approved it. Are you saying we will get all the State money and if so when? We are temporarily borrowing money until we get the State money.

Mayor Lambeth replied that the Governor doesn't have to approve it because it is a local bill. It may take six months to get the State money.

Commissioner Heglar commented the danger is that it won't happen fast enough. The risk to the Town is we might end up with a loan that we can't pay back. It doesn't impact this year because of the contingency fund, but it will in future years.

Mayor Pro Tem Keener asked where the \$1.1 million from Carolina Beach is coming from. Are they overpaying Carolina Beach?

Commissioner Heglar responded that since Carolina Beach received both Federal and State funding, the County would consider the Federal amount as Carolina Beach's 17.5% obligation. If Carolina Beach moves their State funding to Kure Beach, the ROT funds would be used for the difference as long as the total doesn't go over the 82.5% maximum.

Commissioner Swearingen asked if Carolina Beach keeps the State money why the County can't give us money without a loan.



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from June 27, 2012

Commissioner Heglar said that the interlocal agreement allows a maximum of 82.5% contribution from ROT funds.

Finance Officer Copenhaver reviewed total project costs with the Council. (said costs are herein incorporated as part of these minutes). He stated the renourishment project cost for Kure Beach is 6.37 million. There is no Federal funding. If Carolina Beach can transfer the \$1.1 million funding to Kure Beach, that would count as our 17.5% obligation and the ROT funds would pay the rest of the cost.

Mayor Pro Tem Keener asked what happens to the State money if Carolina Beach says no.

Commissioner Heglar responded the State funds would stay with the Carolina Beach project and reduce the amount paid for with ROT funds. The ROT fund would have an extra \$1.1 million but there would be no sand on Kure's beaches.

Commissioner Heglar asked Mayor Lambeth what he had to tell the County Commissioners at their meeting today.

Mayor Lambeth replied they will want to know if we are in favor of using the State funds and a loan.

Commissioner Heglar said at this point in time, we aren't accepting a loan, but only approving the concept.

MOTION – Commissioner Heglar made the motion that if Carolina Beach passes the proposed resolution at their 9 am meeting (today) that we move forward with the County on taking a loan on our portion of the beach renourishment project and working multiple paths to acquire other financing, whether it be with the movement from Carolina Beach (of State funds to Kure Beach) or whether with the Federal or State government.

SECOND – Commissioner Pagley

VOTE – Unanimous

CONSENSUS – All Council members should attend the County Commissioner meeting this evening at 6 pm, if possible.

CONSENSUS – Finance Officer Copenhaver is to attend the Carolina Beach Town Council meeting at 9 am today, July 2<sup>nd</sup>, 2012.



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Commissioner Pagley stated he doesn't want to borrow money for beach renourishment.

Commissioner Heglar said he agrees conceptually with renourishment but doesn't want to borrow and pay 15 years for something that may disappear in three years. He said he doesn't like the time crunch.

Commissioner Swearingen stated she wants to wait and see what Carolina Beach will do and meet again. She said she can't imagine them cutting off their noses on this one.

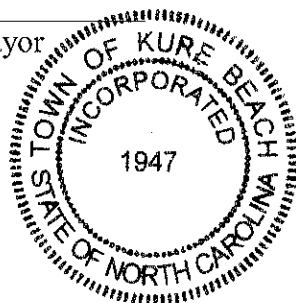
MOTION – Commissioner Heglar made the motion that if the Carolina Beach Town Council does not approve their proposed resolution to do the project together and possibly transfer their State funding to Kure Beach, then the meeting will be continued to 4:30 pm today. If they do approve the proposed resolution, the meeting is considered adjourned.

SECOND – Commissioner Swearingen

VOTE – Unanimous

NOTE – The Carolina Beach Town Council did approve the proposed resolution, therefore this meeting was adjourned at 7:45 am.

Dean Lambeth, Mayor



ATTEST: Nancy Avey, Town Clerk

NOTE: These are action minutes reflecting items considered and actions taken by Council. These minutes are not a transcript of the meeting. Persons wishing to hear the recording of this meeting may request to do so by contacting the Town Clerk



Resolution No.12-1086

**Resolution by the Town of Carolina Beach Allowing New Hanover County to Explore All Opportunities to Fund the Entire Carolina Beach and Vicinity Project**

**Whereas**, the Town of Carolina Beach has been the fortunate recipient of a Beach Protection Project for almost 50 years, and

**Whereas**, the Federal Funding Authorization of the Carolina Beach Project is set to expire in 2014 with officials from the Town, County, State and Federal all seeking to have the project reauthorized, and

**Whereas**, the Town of Carolina Beach was the fortunate recipient of Federal funding in the amount of \$4.4M and State funding in the amount of \$1.18M to ensure that the Carolina Beach project is completed to at least a 66% template in what could be the last Federal or State funded cycle of the 50 year project, and

**Whereas**, the citizens, property owners, business owners and visitors significantly benefit from the storm damage protection that a healthy beach provides, and

**Whereas**, a healthy beach strand provides other secondary benefits such as jobs, economic stimulus, recreational opportunities and habitat for species that thrive along the coast, and

**Whereas**, the Town of Carolina Beach and the Town of Kure Beach have been fortunate to have simultaneous beach projects performed since 1997, and

**Whereas**, the project was originally authorized as Carolina Beach and Vicinity which includes the beaches of both Carolina Beach and Kure Beach, and

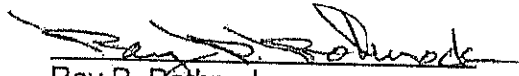
**Whereas**, there are many advantages to renourishing all or portions of the Carolina Beach and Vicinity project with the most significant advantage to Carolina Beach being sand placed on the 3000 linear feet of shoreline in Carolina Beach that is currently considered part of the Kure Beach project;

**Now, Therefore Be It Resolved** that the Town of Carolina Beach is supportive of Kure Beach and New Hanover County's efforts to find a funding solution that would allow the Town of Kure Beach to move forward with beach nourishment with the possible funding solutions being:

1. Kure Beach and New Hanover County should continue to seek additional Federal or State funding that would equate to at least 17.5% of the cost of the Kure Beach project. The additional 82.5% of the project cost could come from the ROT funds if approved by the County Commissioners.

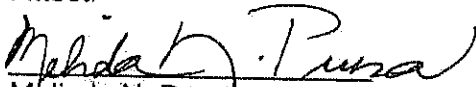
2. The Town, County and Kure Beach could seek to change the designation of the current State and/or Federal funding to include a direct transfer of the Carolina Beach project funds allocated by the State to Kure Beach or a change in the designation of the Carolina Beach Federal or State Funds to be applied to the Carolina Beach and Vicinity project in the amount of 17.5% of the cost of Kure Beach project so long as there is no additional cost to the Town of Carolina Beach.

This resolution adopted on July 2, 2012 by a majority vote of the Carolina Beach Town Council.



Ray P. Rothrock  
Mayor

Attest:



Melinda N. Prusa  
Town Clerk



**Public Information**

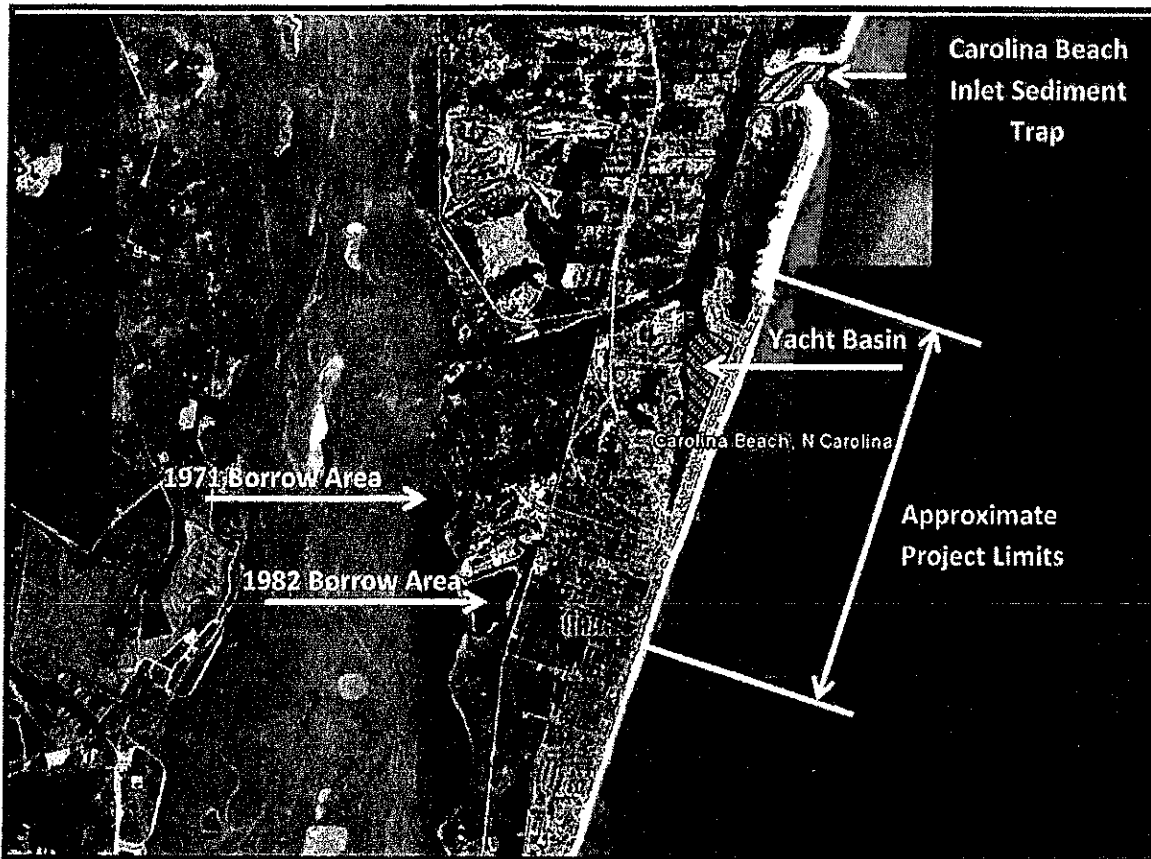
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**From:** "Tim Owens" <tim.owens@carolinabeach.org>  
**To:** "Dean Lambeth" <deanlambeth@townofkurebeach.org>; "Nancy Avery" <townclerk@townofkurebeach.org>; "Jim Iannucci" <JIannucci@nhcgov.com>; "Chris Coudriet" <CCoudriet@nhcgov.com>; "Richard Catlin" <rick.catlin@catlinusa.com>; "Layton Bedsole" <lbedsole@dialcordy.com>  
**Cc:** "Public" <public@carolinabeach.org>  
**Sent:** Friday, June 29, 2012 4:12 PM  
**Attach:** SKMBT\_C36012062915450.pdf  
**Subject:** material for meeting on Monday  
Hello.

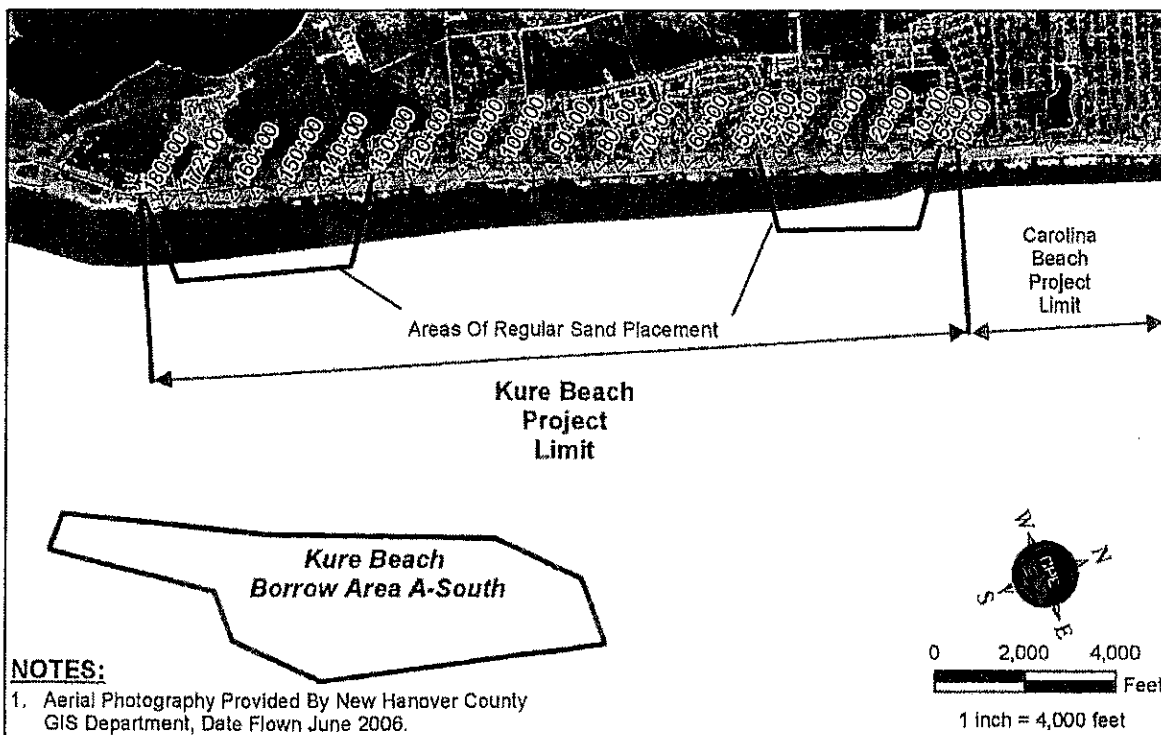
The Carolina Beach Town Council has a special called meeting scheduled for this coming Monday at 9am at the Town Hall to further discuss beach nourishment and options to complete the entire Carolina Beach and Vicinity Project. Attached are the materials for that meeting for your information. You all are welcome to attend. Have a good weekend.

Tim Owens  
Town Manager

# Carolina Beach and Vicinity – Carolina Beach



# Carolina Beach and Vicinity – Kure Beach



**NOTES:**

1. Aerial Photography Provided By New Hanover County GIS Department, Date Flown June 2006.



## Project Facts

### Carolina Beach

- The project was authorized by Congress in 1962 as Carolina Beach and Vicinity
- This project includes both Carolina Beach and Kure Beach
- The construction on the Carolina Beach portion was initiated in 1964 and extended from just south of the northend pier to roughly Tennessee Avenue.
- The WRDA in 1986 provided that the life of a beach nourishment project is 50 years beginning at the initiation of construction placing the end-of-life for Carolina Beach in 2014.
- Over the past years, the extreme northend of the project is the area that has been renourished and usually stops prior to the boardwalk. The typical renourishment cycle is constructed at a 66% template. Guidance by the NCPWB Commission is that the 66% profile is what the commission is comfortable recommending for the Carolina Beach and Vicinity Project given past history.
- Since 2001, the Carolina Beach project has received from 600,000cys to 800,000cys.
- 3.5M cys were applied in 1964 and 3.6M cys in 1981 following a long drought of no funding.

### Kure Beach

- The remaining portion of the project, known as the Kure Beach project, was initiated in 1997 and is set to end in 2047.
- The Kure Beach portion of the project extends roughly from Tennessee Avenue to the rocks at Fort Fisher. There is approximately 3000 linear feet of beach frontage of the Kure Beach project that extends into the municipal limits of Carolina Beach to approximately Tennessee Avenue.
- Generally, the 2 sites of the Kure Beach project that have seen sand placement are the extreme southend of the project ending well before K Avenue and the extreme northern part of the project which is primarily within the corporate limits of Carolina Beach.
- It is estimated that the current cycle that was scheduled for this year would need approximately 500,000 cys of sand.

### New Hanover County and Beach Municipalities Interlocal Agreement

- Realizing that the Carolina Beach Portion of the 50 year cycle was coming to an end and sensing the difficulties in securing Federal or State Funding, the NHCPWB recommended that all beach Towns and the County enter into an agreement that would help ensure that the ROT funds have a minimum of a 30 year life span.
- The projections for the 30 year life span of the ROT fund have been attached.
- The agreement provides for up to 82.5% ROT funding for all typical cycles (3 years for KB and CB and 4 years for WB). This is contingent upon the additional 17.5% coming from the State, Feds, or locals or some combination of the before mentioned.
- In the event that no Federal or State funding is provided, the individual municipalities would be required to fund 17.5% of the project to receive the matching 82.5% in ROT funds.
- This agreement is binding until June 30, 2015 or any party may withdraw from the agreement following 12 month written notice.

### **New Hanover County Permitting Contingency Plan**

- Given the uncertainty of future Federal or State funding or participation, the County moved forward on a permitting contingency plan to determine the feasibility of acquiring local permits.
- Out of this plan, the County contracted with CP&E to move forward on seeking a local beach permit for Carolina Beach in the event that the Federal Funding Authorization is not renewed by the Federal Government. The hope is that the CB project is reauthorized and efforts to move forward on this have been in progress for at least 5 years.
- The Town and CP&E met with State permitting agencies and received minimal comments regarding the proposal and were praised for being proactive in seeking the permits.
- When the permit is completed, the permit will be only good for 1 renourishment cycle. However, CP&E and permitting agencies are confident that the permit can be extended for additional cycles if all goes well.
- The key to moving the local CB permit forward is that it would follow the same design criteria and use the same borrow site as has been used for 50 years.

### **Other Items to Consider in the Future**

- The Town, with the assistance of NHC and Marlowe and Company, need to continue to pursue Federal Funding Authorization. Some progress does appear to have been made and sponsored through Congress by Congressman McIntyre.
- It is important for the Town continue to have a 30 year plan for beach nourishment which would not only include a permit or federal authorization but also a funding strategy. This is very important given that the Town has a CAMA approved "static line exception" that is set for renewal by August of 2014. The "static line exception" allows for development to continue using the 60 foot and 120 foot setback lines with some minor changes. In the event that the Town loses the "static line exception", the Town could only allow new development to occur using the new graduated setback regulations. This would severely impact the type of development that could occur and would be extremely detrimental to existing structures that were destroyed beyond 50% during an event.
- While the interlocal agreement is in place, there could be concerns regarding funding in the future for the portion of the Kure Beach project that is actually located within the municipal limits of Carolina Beach. This issue needs to be discussed and plans made before it becomes an issue.
- While the formula for funding has been set with the interlocal agreement and funding percentages, this could be challenged in the future as ROT funds diminish and/or individuals change positions.
- The Town of Carolina Beach needs to consider moving forward with a plan to save funds over a 3 year timeframe that equals or exceeds the 17.5% cost anticipated for future projects. I have talked to CP&E and have asked them for a "scope of work" and cost estimate to provide scenarios for beach nourishment that includes:
  - Cost estimates for 40 years given Federal Reauthorization (Corps Project)
  - Cost estimates for 40 years if the Town has to complete projects under a local permit.
  - Cost estimates for the portion of the Kure Beach project that extends into Carolina Beach if the Corp continues to perform the project and if it was bid locally.
- The State of North Carolina has had a policy that they will only match Federal participation up to 17.5% of that amount. This policy could create funding issues for Carolina Beach in

the future if the Federal Authorization expires. My contention is that the State should match, at a minimum, 17.5% of any funding that is available no matter where the funding comes from. My opinion is that leveraged money is leveraged money no matter who the party is paying the bill. It is my opinion that the State should be even more inclined to match funding when that funding comes from the local level (ROT funds or Town funds) as opposed to funding from the federal level.

- I also have a concern regarding FEMA funding to restore beaches after a major storm. As it now stands, FEMA will reimburse a locally sponsored engineered beach when damage occurs. FEMA will not fund a federally sponsored beach project. What this means is that any local match or ROT funding would not be able to be recouped following a storm. This becomes more alarming given that the local share of these projects is increasing and the federal participation appears to be dwindling.
- In the event that the County seeks changes in the ROT legislation, the percentage of funding allocated to beach nourishment (60/40 split) would go to (50/50). This change would occur if there is a need to increase the ROT fee from 6% to something higher.

#### **Current Project for 2012-2013**

- It is possible that this may be the last cycle of a Federally funded and constructed Carolina Beach project.
- To date, funding for the Carolina Beach and Vicinity projects was specifically allocated to Carolina Beach and included \$4.4M in federal funding and \$1.18M in State funding.
- The Town of Kure Beach received no Federal or State funding for this cycle.
- The Corps of Engineers, at the request of NHC, is close to approving a MOA that would allow local sponsors to fund project beyond the typical formulas used for funding in the past. This is significant in the future for all projects in the future if limited or no State or Federal funding is available.
- At the recent NHCPWBC meeting, the commission recommended to the County Commissioners that the following occur (summarized):
  - For the Carolina Beach Project, the PWBC recommends the room occupancy fund support 27.6% of the planning estimate provided by the USACE.
  - For the Kure Beach Project, the PWBC recommends the room occupancy fund support 82.5% of the planning estimate provided by the USACE and
  - The PWBC recommends if the Kure Beach Project moves forward, the room occupancy fund be made available to Kure Beach at a reimbursed rate determined by the County Commissioners not to exceed Kure Beach's responsibility for 17.5% of the planning estimate provided by the USACE.

#### **What Does All This Mean for this Year?**

- The Carolina Beach is expected to move forward under the above terms if the County Commission approves the terms. The project will likely be a 66% design template and only include that area that is considered the Carolina Beach project and that warrants renourishment under ACE guidelines.
- The Kure Beach project will not move forward unless the Town of Kure Beach agrees to fund the 17.5% for the cost of the project.

### **Other Options Being Sought to Complete the Entire Carolina Beach and Vicinity Project**

The following alternative actions are being considered with several of the alternative actions needing review and consensus by the Carolina Beach Town Council (underlined)

1. Kure Beach and New Hanover County will continue to seek additional Federal or State funding that would equate to at least 17.5% of the cost of the Kure Beach provided. The additional 82.5% of the project cost would come from the ROT funds if approved by the County Commissioners. Kure Beach would not have to fund any portion of the project.
  2. The Town, County and Kure Beach could seek to change the designation of the current State and/or Federal funding in a number of ways to include (each would result in no cost to Kure Beach):
    - o Direct transfer of the Carolina Beach project funds allocated by the State to Kure Beach (to complete the Carolina Beach and Vicinity Project)
    - o Change the designation of the Carolina Beach Federal or State Funds to Carolina Beach and Vicinity.
- Consider amending the interlocal agreement to consider other terms which would be likely a one-time consideration (not being considered at this time by any of the parties involved).

### **Pros for Taking the Above Actions to Ensure that the Entire Carolina Beach and Vicinity Project is Renourished**

- If the entire project is constructed, there would be a distribution of mobilization costs among both the CB and KB project.
- The project would likely perform better if completed as has been typically constructed.
- The 3000 linear feet of beach located within the Carolina Beach municipality would likely be renourished (keep in mind that there are no plans at this point and areas identified for sand are not known). This 3000 linear feet of beach is home to some of the more dense development in the Town and has historically had issues with erosion more so than centrally located areas of the CB beach strand.
- If other funds are found or redistributed, neither the Town of Carolina Beach or Kure Beach would have to provide municipal funds towards the project so long as the 17.5% cost of the project is met by the Federal or State government.

### **Possible Cons for Taking the Above Actions to Ensure that the Entire Carolina Beach and Vicinity Project is Renourished**

- The NHC ROT funds would originally fund around \$2M if the Carolina Beach project is constructed alone. In the event that the entire Carolina Beach and Vicinity Project is done and given current State and Federal participation staying the same, the ROT fund would likely have to fund the project at a significantly higher amount anticipated to be as high as \$9M. The entire ROT fund is between \$35M to \$40M.
- The Town is very fortunate to receive both Federal and State funding. If the project funding is reorganized, there could be some concern by elected officials at either the Local, State or Federal level (although none has been expressed at this time).

### **Recommendations**

The Town of Carolina Beach was fortunate to receive funding this cycle. We may not be so fortunate in the future. In the event that the Town of Kure Beach can move forward on a project, the biggest single concern would be the immediate impact on the ROT fund reserves. With that stated, it does appear that a good majority of the members of the NCPWB Commission and County officials are supportive of Kure Beach moving forward with a project.

I believe that it is important that we support this effort. Over the past 3+ years, the County Commissioners and other beach Town's have been extremely supportive of the Town and its efforts to seek Federal reauthorization. The County, on behalf of the Town of Carolina Beach, has taken the lead in moving forward with the permitting contingency plan, local permitting efforts for Carolina Beach, funded lobbying efforts in DC using Marlowe and Company, and have individually lobbied both State and Federal representatives on our behalf. In addition to the before mentioned efforts, the County was the driving force to moving forward with an interlocal agreement for funding, once again, realizing that Carolina Beach could lose its Federal funding. This interlocal agreement, if it remains the same, would ensure that Carolina Beach would be made available in excess of \$5M (82.5% of project cost) every 3 years for at least 30 years.

Given the amount of support and cooperation that has been extended to Carolina Beach over the past 3 years regarding our beach efforts, I believe that it is important that the County and Kure Beach be given all the tools available to attempt to complete a beach project this year.

### **Action Items**

1. Consider and Discuss the Item
2. Consider the attached resolution that outlines support for a variety of options to complete the entire Carolina Beach and Vicinity Project.



Resolution No.12-1086

**Resolution by the Town of Carolina Beach Allowing New Hanover County to Explore All Opportunities to Fund the Entire Carolina Beach and Vicinity Project**

**Whereas**, the Town of Carolina Beach has been the fortunate recipient of a Beach Protection Project for almost 50 years, and

**Whereas**, the Federal Funding Authorization of the Carolina Beach Project is set to expire in 2014 with officials from the Town, County, State and Federal all seeking to have the project reauthorized, and

**Whereas**, the Town of Carolina Beach was the fortunate recipient of Federal funding in the amount of \$4.4M and State funding in the amount of \$1.18M to ensure that the Carolina Beach project is completed to at least a 66% template in what could be the last Federal or State funded cycle of the 50 year project, and

**Whereas**, the citizens, property owners, business owners and visitors significantly benefit from the storm damage protection that a healthy beach provides, and

**Whereas**, a healthy beach strand provides other secondary benefits such as jobs, economic stimulus, recreational opportunities and habitat for species that thrive along the coast, and

**Whereas**, the Town of Carolina Beach and the Town of Kure Beach have been fortunate to have simultaneous beach projects performed since 1997, and

**Whereas**, the project was originally authorized as Carolina Beach and Vicinity which includes the beaches of both Carolina Beach and Kure Beach, and

**Whereas**, there are many advantages to renourishing all or portions of the Carolina Beach and Vicinity project with the most significant advantage to Carolina Beach being sand placed on the 3000 linear feet of shoreline in Carolina Beach that is currently considered part of the Kure Beach project;

**Now, Therefore Be It Resolved** that the Town of Carolina Beach is supportive of Kure Beach and New Hanover County's efforts to find a funding solution that would allow the Town of Kure Beach to move forward with beach nourishment with the possible funding solutions being:

1. Kure Beach and New Hanover County should continue to seek additional Federal or State funding that would equate to at least 17.5% of the cost of the Kure Beach project. The additional 82.5% of the project cost could come from the ROT funds if approved by the County Commissioners.

2. The Town, County and Kure Beach could seek to change the designation of the current State and/or Federal funding to include a direct transfer of the Carolina Beach project funds allocated by the State to Kure Beach or a change in the designation of the Carolina Beach Federal or State Funds to be applied to the Carolina Beach and Vicinity project in the amount of 17.5% of the cost of Kure Beach project so long as there is no additional cost to the Town of Carolina Beach.

This resolution adopted on July 2, 2012 by a majority vote of the Carolina Beach Town Council.

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Ray P. Rothrock  
Mayor

Attest:

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Melinda N. Prusa  
Town Clerk

**Funding Scenarios.** With the level of future Federal and state funding for the three county projects unclear, four funding scenarios were evaluated and the impact of each on the beach nourishment fund balance projected through the year 2050. The four funding scenarios are:

Scenario 1: 65% Federal, 17.5% state, and 17.5% County.

*(Assumes existing Federal cost-sharing would continue indefinitely)*

Scenario 2: No Federal or state funding for Carolina Beach after 2014, no Federal or state funding for Wrightsville Beach after 2041, no Federal or state funding for Kure Beach after 2047.

Scenario 3: No Federal funding, state 17.5%, County 82.5%, this scenario also represents a hypothetical situation where no Federal funding or state funding is available and the Towns (Wrightsville, Carolina, and Kure Beaches) pay 17.5% while the County pays 82.5%.

*(Assumes state would provide at least 17.5% of the nourishment cost even if the projects do not have a Federal match).*

Scenario 4: No Federal, state, or local (Towns) funding; County 100%.

Two projections were made for each Scenario, one based on a 1%/year increase in dredging cost and the other a 2% increase in dredging cost. The results of these projections are provided in Figure 7.4 for the assumed 1%/year increase in dredging cost and Figure 7.5 for the 2%/year increase in dredging cost.



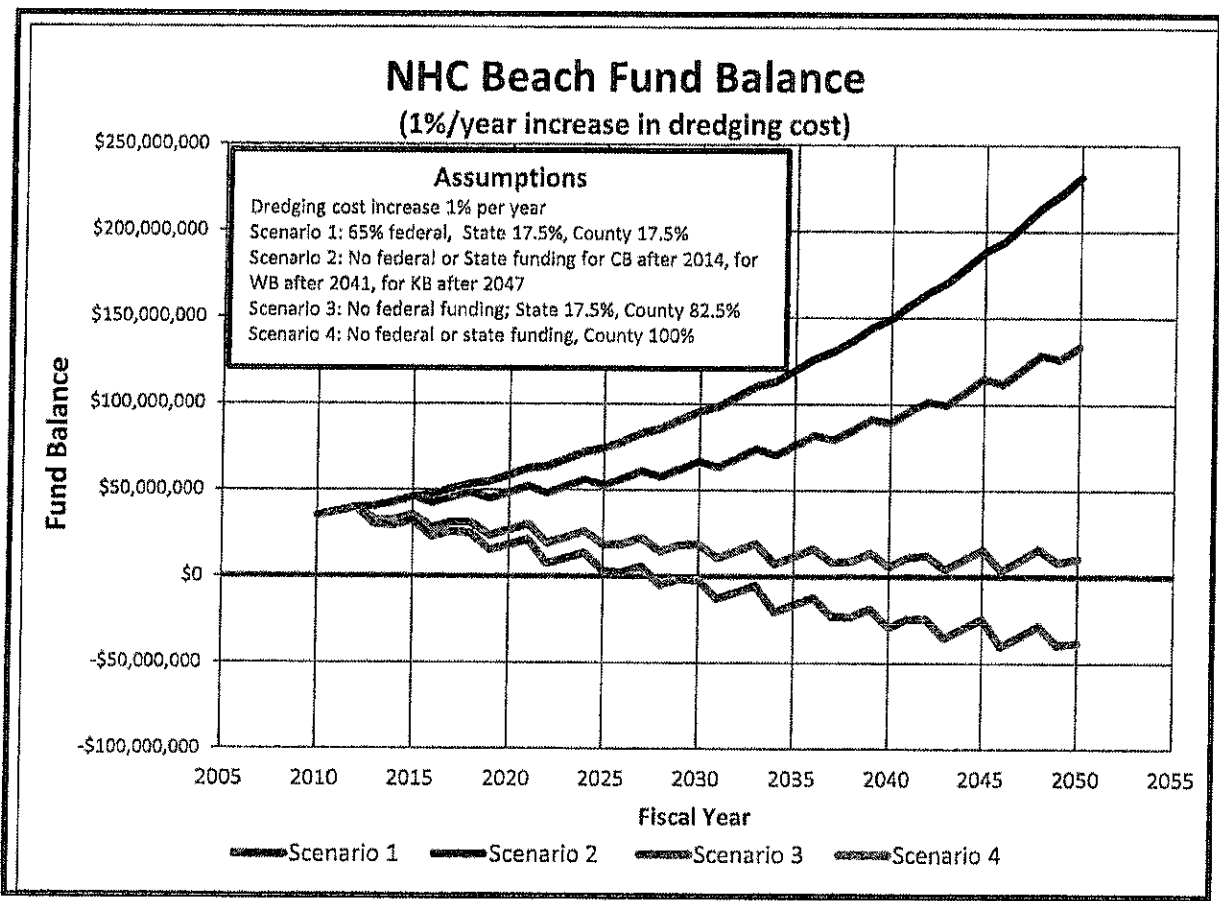


Figure 7.4. Beach Nourishment Fund balance for 1%/year increase in dredging costs.

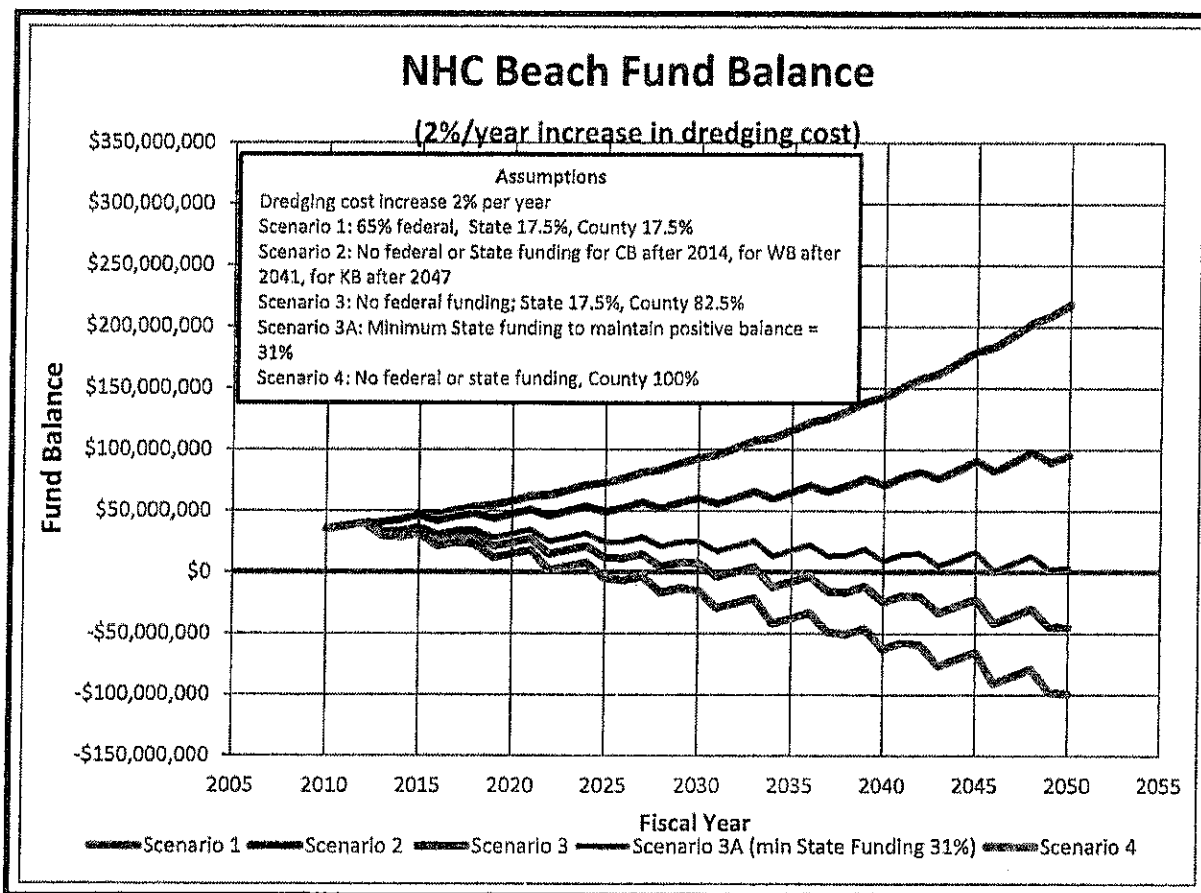


Figure 7.5. Beach Nourishment Fund balance for 2%/year increase in dredging costs.

The projected balance in the Beach Nourishment Fund remains positive through 2050 for Scenarios 1 to 3 for the assumed 1% annual increase in dredging cost. Under Scenario 4, in which the County would assume 100% of the cost for all three county projects, the fund balance fluctuates around zero between 2031 and 2034 and then remains below zero for the remainder of the analysis period.

If dredging cost increase 2% per year, the fund balance would remain positive for both Scenarios 1 and 2 but would become negative around 2034 for Scenario 3. In order for the beach nourishment fund to remain positive under Scenario 3, the minimum level of state funding would have to be approximately 31%. Also, if the distribution of Scenario 3 represents a local beach town and county distribution, the local beach contribution of 31% would likewise be necessary to maintain a fund balance. Under Scenario 4, the Beach Nourishment Fund would fall into red figures by 2025 and would remain in red figures for the remainder of the analysis period.

**Summary of Cost and Funding.** Under the existing cost sharing formula for the three projects (Scenario 1) and over the course of the next 40 years, 19.0% of the County's beach nourishment funds used to support the projects would go to Wrightsville Beach with Kure Beach and Carolina Beach receiving 44.4% and 36.6%, respectively. This same distribution would also be applicable to Scenarios 3 and 4. Under Scenario 2, however, in which the County would have to

assume a greater cost-sharing role should the projects not be re-authorized when Federal funding authority expires, the distribution of County beach nourishment funds would be approximately 9.4%, 17.8%, and 72.8% for Wrightsville Beach, Kure Beach, and Carolina Beach, respectively. Obviously, with Federal cost-sharing set to expire for Carolina Beach in 2014 but not until 2041 for Wrightsville Beach and 2047 for Kure Beach, sustaining the Carolina Beach project will result in an unequal distribution of the County's beach nourishment fund.

The evaluation of the four funding scenarios emphasizes the importance for the County to continue to seek Federal and state funding for its three projects. For the assumed 1% per year increase in dredging costs, periodic nourishment of the projects would remain viable for Scenarios 1 to 3, past the year 2050. However, if dredging cost increase by 2% per year, the projects could not be sustained by the County's beach nourishment fund under Scenario 3 unless the state, or in the absence of state funding the Towns, contributed at least 31% of the periodic nourishment costs. Without Federal, state, or local (Towns) funding support (Scenario 4), the County beach nourishment fund would be depleted sometime between 2025 and 2034.