Dear North Topsail Beach Community,

I am writing to you today on behalf of the Board of Aldermen. As your elected leadership, we are committed to making decisions for the betterment of our town. Individually, we might have different opinions as to how we accomplish that goal, but collectively, the Board works together to find the best solutions for our community. It is my hope that this letter will adequately demonstrate the Board and staff’s efforts for one project in particular and encourage your feedback.

There has been a lot of discussion surrounding the proposed collaboration among North Topsail Beach, Surf City and the Army Corps of Engineers; this project is commonly referred to as “The Federal Project” and impacts the southern 4 miles of our Town. Although many years of work have gone into the project, the past few months have been particularly labor intensive. The Board and staff have pored over the project’s details from many different angles. We want to take this opportunity to provide this information for your consideration.

Attached to this letter is a summary of our findings. As you will see, there are certainly benefits to this project but also some factors of concern, not the least of which is the project’s price increase since the original 2010 projections (see Project Cost Table in the attached)- a price increase that may be justified but came with little warning to town officials. As with any project of this magnitude, the Board is weighing the variables in light of our ultimate goal: the best outcome for North Topsail Beach.

The Board of Aldermen’s next regularly scheduled meeting will take place next week, Thursday, September 3rd at 6:30 PM. At this meeting, the Board will take a vote on whether or not the Town will participate in the project. We hope that you will take time to review the materials we have prepared and submit your feedback. Since the start of the pandemic, we have conducted meetings virtually. In place of an in-person public comment period at the meeting, the Town Clerk will collect comments for the Board’s consideration. If you have an opinion or points you would like the Board to consider ahead of this decision, please email the Clerk at townclerk@ntbnc.org no later than noon on Wednesday, September 2nd.

As always, we appreciate our citizens and property owners for their attentiveness to town matters, and we look forward to your feedback.
Sincerely,

Mayor Joann McDermont
North Topsail Beach Board of Aldermen
N. TOPSAIL BEACH/ SURF CITY FEDERAL PROJECT UPDATE

August 25, 2020
PROJECT AWARD AND SCOPE

- US Army Corps of Engineers approved the Surf City/NTB 50-year Federal Project in Fall 2019
  - Congress appropriated money for the federal share of the initial construction
  - Re-nourishment cycles occur approx. every 6 years over the 50-year life of project
- The Corps covers 65% of the initial construction with the remaining 35% from Surf City, N. Topsail Beach and the State of North Carolina
- Project encompasses all 6 miles of shoreline in Surf City and the first 4 adjoining miles in N. Topsail Beach
OVERALL IMPACTS

Pros

• Partial funding by federal and state government
• Partnership with the Army Corps of Engineers
  • World class expertise
  • Talented team
• Significant improvement to southernmost 4 miles of NTB

Cons

• Cost has almost tripled since project inception
• Project located in same area NTB spent $15 million dollars in 2014, on which $14 million in debt remains
• Financial resources needed will impact NTB ability to do future projects
  • Fire station and public safety equipment
  • Other beach projects
• Project over 50-year life would require single largest financial commitment in NTB history
The **total** project cost (paid by federal, state AND local stakeholders combined) has increased 260% since 2010

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
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</thead>
<tbody>
<tr>
<td>Initial Construction Cost</td>
<td>$123.1 million</td>
<td>$144.3 million</td>
<td>$237 million</td>
</tr>
<tr>
<td>Re-nourishment Costs (over 50 years)</td>
<td>$227.8 million</td>
<td>$245.4 million</td>
<td>$672.1 million</td>
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<tr>
<td>TotalProjected Cost</td>
<td>$350.1 million</td>
<td>$389.7 million</td>
<td>$909.1 million</td>
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</tbody>
</table>
Fact — NTB is required to pay a share currently estimated at $16.6 million for the initial work and $67.2 million to $134.4 million for re-nourishment every 6 years over the 50-year life of the project, depending on whether the state contributes.

- Misconception: Project is fully paid for by State and Federal Governments — NTB gets it for free.

Fact — Potential federally offered funding for the initial project would be for a 30-year loan, which is fixed only for the first 5 years. Re-nourishment cannot be financed at this time, because the exact cost is unknown. However, all funding must be approved by the North Carolina Local Government Commission (LGC) based upon an agreement with the LGC and the Town. LGC practice does not permit funding of project cost for a time period longer than its potential useful life, currently estimated at not longer than ten years for the initial project.

- Misconception: The cost to NTB is known, fixed, and can be financed over 30 years.
Fact — Assuming no cost increases in the project, federal projections estimate NTB’s annual cost would be around $3 million dollars for the next 50 years, which significantly outstrips the current tax base and rate. The current rate of 1 cent generates $100,000 annually, and it would take a tax rate of 30 cents to generate the needed $3 million.

- Misconception: The current tax base and rate can fund the project.

Fact — The previous Phase 5 project did not result in an increase in property values in NTB. Furthermore, if NTB’s ability to fund other projects is limited, it may have the opposite effect.

- Misconception: Project will pay for itself by higher property values and, thus, higher tax revenue.
Fact — The Board of Aldermen is still weighing the costs and benefits of the project.

- In July, NTB was given the current cost estimate for the project, which showed a significant increase from previous estimates. An initial analysis indicated that the project might not be financially possible given NTB’s current and future obligations. Other considerations include the following:
  - Unlimited liability for both the initial construction and re-nourishment costs is possible
  - NTB would be jointly and severally liable for the financial obligations of Surf City
  - NTB may be unable to fund needed infrastructure such as a replacement fire station and future beach projects
CONTINUING ACTIONS & NEXT STEPS

• Engaged a financial consultant (DEC Associates Inc.) familiar with NTB to analyze our financial situation

• Set up a Board committee to determine capital needs for at least next 5 years

• Charged NTB staff to analyze economic impact as well as future needs

• Exploring alternatives with federal, state and other stakeholders, including scope change and funding options

• Soliciting input from the public