

MINUTES
KITTY HAWK TOWN COUNCIL
Monday, November 3, 2014
Kitty Hawk Town Hall, 6:00 PM

Agenda

1. Call to Order
2. Moment of Silence/Pledge of Allegiance
3. Approval of Agenda
4. Presentations/Recognitions:
 - Dowdy & Osborne, LLP, Fiscal Year 2013-14 Audit Report
 - Ken Willson, Coastal Planning & Engineering
5. Public Comment
6. Consent Agenda
 - a.) Approval of October 6, 2014 Council Minutes
 - b.) Revenues and Expenses Report for September 2014
 - c.) Acceptance of Donation from OBX Frozen Yogurt LLC
 - d.) Fire Department Request to Hire a Captain (*Removed from agenda*)
 - e.) Public Works Request to Hire a Public Works Technician
 - f.) Request to Re-surface Bath House Parking Area
 - g.) Change Order from Coastal Planning and Engineering
7. Items Removed from the Consent Agenda
8. Public Hearings
 - a.) Text Amendment: Application to amend Subsection 14-90(6)a of the Flood Damage Prevention Ordinance to allow alternative options for recreational vehicles to comply with flood hazard reduction standards.
 - b.) Text Amendment: Application to amend Chapter 40, Article III of the Town Code to update standards for wireless communications facilities consistent with recent changes in state and federal laws.
 - c.) Text Amendment: Application to amend Subsection 42-419(3) of the Town Code by eliminating the requirement for a buffer area between adjoining PCD and PUD zoning districts.
9. Planning
 - a.) Call for Public Hearing: Zoning Amendment/Application to rezone the remaining portions of the properties at 103 First Flight Run and 3732 N. Croatan Highway from Beach Residential (BR-1) to Beach Commercial (BC-1).
 - b.) Call for Public Hearing: Text Amendment/Application to amend Section 42-445 of the Kitty Hawk Town Code to allow "Veterinary hospitals and clinics" as a conditional use, subject to certain conditions, in the Emergency and Governmental Services (MS-1) zoning district.
 - c.) Call for Public Hearing: Conditional Use Permit/Application for a conditional use permit to construct three 2,520 square foot buildings to contain medical offices and a veterinary clinic at 5121, 5125, and 5129 Putter Lane.

Kitty Hawk Town Council Minutes: November 3, 2014
Page 2

10. Unfinished Business
 - a.) Establish Date of Public Hearing and Proposed Tax Rates to Include in Letter to Property Owners for Municipal Service Districts
11. Reports or General Comments from Town Manager
 - a.) East Lillian Street Beach Access Parking Improvements Update
 - b.) Compliment to the Police Department
12. Reports or General Comments from Town Attorney
13. Reports or General Comments from Town Council
14. Public Comment
15. Adjourn

COUNCIL MEMBERS PRESENT:

Mayor Gary Perry, Mayor Pro Tem Ervin Bateman, Councilman Craig Garriss, Councilwoman Emilie Klutz and Councilman Jeff Pruitt

STAFF MEMBERS PRESENT:

Town Manager John Stockton, Town Clerk Lynn Morris, Town Attorney Steve Michael, Finance Officer Charlene Allen, Management Assistant Melody Clopton, Police Chief Joel Johnson, Public Works Director Willie Midgett and Joe Heard, Planning Consultant

1. Call to Order

Mayor Perry called this meeting to order at 6:00 p.m.

2. Moment of Silence/Pledge of Allegiance

Following a moment of silence the Pledge of Allegiance was recited.

3. Approval of Agenda

MPT Bateman made a motion to adopt the agenda with the deletion of item 6(d). Councilman Garriss seconded the motion and it passed unanimously, 5-0.

4. Presentations

- Dowdy & Osborne, LLP, Fiscal Year 2013-14 Audit Report

Teresa Osborne: *Good evening I am here tonight to present the results of the June 30, 2014 audit. The town has received an unqualified opinion on its financial statements and no negative findings related to the audit. This is the best audit opinion that you can receive.*

Pages 1 and 2 is the audit opinion which states the unqualified opinion, pages 3 through 10 is the management discussion and analysis which is a narrative summary of different parts of the audit. You can find the notes to the financial statements on pages 20 to 40.

On page 46 it shows the number of revenues over expenditures for the fiscal year of \$291,792. It is the revenues over expenditures for the fiscal year before the transfers to and from the Capital Reserve fund. Your budget anticipated a use of fund balance, or savings, in the amount of \$481,214. However due primarily to tax revenues exceeding budget and actual expenses less than budget you did not use any of your fund balance.

Page 47 is the activity of the Capital Reserve fund for last year. That statement includes the transfer to the General fund for the fire truck last year as well as the transfer to the Capital Reserve fund for the IT equipment that was around \$30,000. You also transferred \$15,000 from the General fund to the Capital Reserve fund and that was for Parks and Trails reserve which was the residual left over from the Sandy Run Park.

Page 48 shows the balance in the town's Firemen's Relief Fund which is restricted money. Page 49 is a summary of taxes receivable and page 50 is an analysis of your tax levy and property valuation. The ending tax levy of \$1,118,000,000 is a 23% reduction over the prior year value of \$1,451,000,000 due to revaluation. The tax collection rate is 99.41% for property, excluding motor vehicles, and 97.16% for motor vehicles for a combined rate of 99.31%. This is an excellent collection rate. The state implemented a new system for registering and collecting motor vehicle taxes last year so now all of that collection is done at the state level.

Klutz: *I have a question about the terminology ad valorem taxes. Is that the real estate plus the personal property that is attached to the real estate for rentals?*

Osborne: *It is.*

Klutz: *But it does not include the motor vehicles.*

Osborne: *The motor vehicles is the only thing that is broken out in a separate column. The personal property also includes things like utilities and personal property which for Kitty Hawk is significant because there is \$30 million dollars in utilities value for Dominion Power that is included.*

Kitty Hawk Town Council Meeting: November 3, 2014

Page 4

Pages 11 to 13 are the government wide financial statements. They are basic governmental financial statements which as I mentioned earlier have been adjusted to include all capital assets and long term debt of \$3,347,731. I am not going to spend a lot of time focusing on those because of the fact they have fixed assets and debts mixed in and they really do not give you the financial picture at the fund level which is what I believe is the most important figure for you to use in planning.

Pages 14 to 19 are the summarized fund financial statements. The governmental fund balance sheet is on page 14. You will note at the top it says Major fund and General fund. Accounting standards require the Capital Reserve fund be merged with the General fund in this statement so even though it says General fund it also includes the Capital Reserve fund. Towards the bottom of that first column is the total fund balance of \$6,379,781. Included in the total are several amounts required to be shown as Restricted or Assigned and I want to talk about the easiest of those restrictions that gets pulled out of that number. The first one is the Powell Bill money which is \$252,213. That money stays separately in that section. Your drug enforcement is shown separately and is \$6,463. The Capital Reserve fund is shown separately and is \$259,936. Lastly the portion of fund balance that you have allocated to balance your Fiscal Year '15 budget is \$263,723. All of those are broken out of that section in the bottom.

That leaves one big number which is called stabilization by state statute. It is a big number that is pulled out of your total fund balance and I want to spend a minute or two explaining what it is. That number basically represents the amount of revenues that have been recognized in your statements that were not actually received by the town until after June 30th. The amount is \$764,524. That is primarily Occupancy, Land Transfer and Sales taxes that were earned for May and June but you did not actually receive until July and August. They make you break that portion out because you have not technically received it and you do not have it on hand at the end of the year.

They also make us add to that any contract commitments the town had at June 30th. Generally the town does not have any large contracts or commitments at the end of the year or have pretty much fulfilled them by the time June 30th gets around but this was a bit of an unusual year. You ended the year with two large contract commitments. One of those was \$534,000 for the fire truck purchase. You had entered into a contract for the truck but it has not been delivered. We have to show that as a part of the restricted by state stabilization number.

In addition we had to add in \$467,000 for the beach nourishment engineering contract. This is important to note because while the \$534,000 for the fire truck is set aside as restricted by stabilization for state statute there is also cash sitting there to cover it. The difference with the beach nourishment contract is we have to show that as restricted but you do not have the cash on hand at June 30th to cover it because Dare County is going to reimburse it to you but only after it has been spent. So you have a large contract out there that is reducing your Unassigned fund balance and I want to point that out to you because I think it is less than what you might anticipate it would be.

Kitty Hawk Town Council Meeting: November 3, 2014

Page 5

This leaves an Unassigned fund balance in the General fund at the end of the year of \$3,806,558 and is a reduction over the prior year of \$159,000. With revenues exceeding expenses in the General fund you would have expected Unassigned fund balance to increase. And again the reason it went down is because of that reduction on the engineering contract. Otherwise it would have been back up. I consider that temporary. It is going to take care of itself this year as the rest of that contract is executed and reimbursed.

Your \$3.5 million dollar Emergency reserve is included in this amount. Accounting standards do not allow us to show that segregation on this statement however that amount is broken out in a separate schedule in the notes to the financial statements on page 35. After subtracting the Emergency reserve you have an Unassigned fund balance of \$306,558 at June 30th.

Perry: *On page 14 you talked about many things that are not physically showing or annotated separately in the numbers at the bottom of the sheet.*

Osborne: *They are discussed in different places in the notes but I went in to more detail about them because that stabilization by state statute number is inflated at June 30, 2014. More so than it would be if you did not have those two large contracts.*

Perry: *As a lay person looking at this, without your explanation I would not have understood and none of us would have understood that, without your audit expertise.*

Osborne: *And that is why I wanted to talk about it. It is explained in the Management Discussion and Analysis but it is not particularly easy to follow. I am an accountant and it seems strange to me that you would have revenues over expenditures last year which is a good thing ... why wouldn't your Unassigned fund balance grow and the reason is because you have a temporary restriction on your fund balance for the \$460,000 contract for beach nourishment.*

John, Charlene and I talked about setting up a Capital Project fund for beach nourishment as you move further into the project. What that will do is remove all of this from the General fund and put it in a fund by itself. You will not get to the end of the year and have these anomalies in your General fund and I think that will be helpful.

Perry: *I very much appreciate you explaining that. I did not understand the numbers although I will say I did go through the Management Discussion and Analysis and I think staff did an excellent job. I understood what was said and it was broken out very well.*

Klutz: *Let me ask this about the Municipal Service Districts which we will set up. The funding for beach nourishment is going to be derived from the special rates in the MSD's. Is that a way of taking it out of the General fund and using it separately or in addition you need the Capital fund?*

Osborne: *What will happen is you will recognize the revenues for the Municipal Service Districts in your General fund and transfer that portion for the districts over to the Capital Project fund.*

You will show that revenue along with your bond proceeds and along with the expenses for beach nourishment. It will isolate it in its own fund. Beach nourishment is probably not going to happen over one fiscal year and a Capital Project fund rolls from one year to the next. You adopt a Capital Project ordinance and you do not have to readopt it at the beginning of the next fiscal year. It rolls forward until the project is finished.

Klutz: *So when we do this year's budget, and we have by that time set up the Municipal Service Districts, we should also create a Capital Project ordinance?*

Osborne: *Yes. The other thing that is going to happen, and not to complicate matters but since it was brought up, the Municipal Service Districts with regards to the shared revenue formula are going to boost up your valuation which is going to boost up your levy and you are going to have an increase in your Occupancy, Land Transfer and Sales taxes. North Carolina requires you to set aside a portion of the Sales taxes that are attributable to the tax increase in the Municipal Service District. You will need to set aside a portion of your Sales taxes as well for beach nourishment.*

Klutz: *Set it aside in the Municipal Service District fund.*

Osborne: *Either there or in the Capital Reserve fund. Charlene and I will talk about that as things move forward. And there is a delay in that happening. If you implement your Municipal Service Districts next fiscal year there will be a delay of a year before those changed levies start affecting your revenues.*

Klutz: *And it is just the Sales tax not the Occupancy or ...*

Osborne: *Exactly. I am going to jump over to page 18 which shows the amount of funds set aside for the Law Enforcement Officer's Separation Allowance in the amount of \$49,707. It is a relatively small pension obligation at June 30, 2014 of \$52,680. This is a result of not fully funding the annual required contributions in the early years of this program. The annual required contribution for Fiscal Year '15 is \$56,691 and the town has included in its budget \$58,000 so that is going to cover the annual required contribution for this fiscal year. Charlene and I have talked about possible having you budget a little more over the next two fiscal years to make up for that \$50,000 shortfall. It would just take adding a little to each of those years to make up for it.*

Lastly, page 32, which is in the notes to the financial statements, shows the town's \$919,000 obligation for other post-employment benefits which consist of retiree health insurance. This is the fifth year this information has been required to be reported and is a financial reporting mechanism for recognizing this benefit over the life of an employee's employment instead of after retirement. During the last fiscal year there was a change in retiree health insurance benefits that increased the number of service years required before an employee receives this benefit. That change reduced the annual required contribution from approximately \$220,000 to \$92,000 which is a significant reduction. That number is not going to be growing at the pace it has been over the last

Kitty Hawk Town Council Meeting: November 3, 2014

Page 7

couple of years because of that \$90,000. You are funding about \$35,000 each year so it really only leaves a gap of about \$65,000 versus \$108,000 each year. You significantly reduced that gap with your change in benefits.

Accounting standards require the amount to be reported however the funding of this by local governments is optional. The town has thus far decided to continue funding on a pay as you go basis with these benefits. Across the country I would guess it is split on funding the liability or continuing on the pay as you go basis. Each year's annual required contribution consists of a current expense portion and an amortized amount over 30 years for the prior liability. We are getting ready to learn much more about this because they are making a change to this again and they are going to require you to show the unfunded portion in your full accrual financial statements which is Exhibit 1 and Exhibit 2. It is not going to have any effect on your fund financial statements but we are going to have to incorporate that full liability into your government wide financial statements. Again they are not changing anything with requiring you to fund it, it is just a change in reporting for it.

Perry: *We have two new members and I want to make sure they understand the funding of this. We have chosen not to fund it separately because if we did it would go straight to the government. We have no control over it, correct me if I say anything wrong, and if people suddenly retire or leave early without getting it we cannot get it back. So we have intentionally decided to pay as you go and that is what is happening across the country as I understand it.*

Osborne: *It is very mixed as to what is happening. There are a lot of large governments that are funding it but I would say predominantly most smaller governments are continuing on a pay as you go basis. In North Carolina you are actually allowed to have a separate fund like the Law Enforcement Officer's Separation Allowance. You manage that here in a separate fund. You are not allowed to do that with the health benefits. It has to be invested with the State Treasury of North Carolina and that is what he is referring to. I am always getting more training on this and I will bring back any information and let you know.*

All in all I would say the town has ended the year in strong financial shape. That is going to do it for me tonight unless you have any more questions. I would like to end by thanking Charlene and Marlene who do an incredible amount of work on this audit. It is a very cooperative relationship and they both do a great job.

Perry: *Thank you.*

- **Ken Willson, Coastal Planning & Engineering**

Willson: *The first couple of slides will be a bit of a refresher just to get everybody back up to speed as to where we last left off. I was here in July and gave a briefing and we have done quite a bit of work since then. This slide is a project overview map and really puts into perspective the three different projects.*

We just finished our sand source, the offshore surveys, and the primary borrow area is off the southern end of Kill Devil Hills. There is also a small borrow area where we identified about 3 million cubic yards offshore of Duck. Both of those will move forward in the permitting process. There is about 17 million cubic yards of sand in Area A-1 so more than enough to do the project several times over. We will get those two areas permitted and then when it comes to the design portion of the project, which will probably start sometime after the spring and summer of next year, we will get further into the actual specific design layout. We will look further into those areas using the data we already have and basically tease out the best material to put on the beach but right now all of that material meets the state sediment criteria. We have plenty of sand for the beach.

This is a zoomed in image of the Kitty Hawk portion of the project. It is the entire town limits and this is a sketch for the permitting. You will see there is a taper of 1,000 feet on both the south end and the north end. This project is built in conjunction with the Kill Devil Hills project and we will just continue on with Kill Devil Hills portion throughout their town project and then we will only have that 1,000 foot taper on the north end.

Tonight we are going to talk about what this fill will actually look like. This slide shows a generic fill and shows the layout of the project.

This slide shows the stated purposes we have spent a lot of time talking about. Number one is to reduce the vulnerability of the public infrastructure, NC 12, US Highway 158 and those feeder roads between them. Number two is reducing the flooding events. Those over washing events on both NC 12 and Highway 158 and the neighborhoods between the two highways. Then number three is reducing the vulnerability of the oceanfront homes. This continues to be our main three purposes of the project and what we continue to concentrate on.

The next three slides are going to show some maps that give an example of what we are talking about when we talk about those three goals. We really use two different engineering and modeling tools to look at the design options for this project. The first concentrates on the storm damage reduction. This is where we get into the S-beach model. We are looking at simulating a certain storm event on individual beach profiles and trying to get a feel for where the lines of impact are ... a certain level of erosion on that specific profile would be. And then we figure out where on the map that erosion point is and we connect the dots and create these lines along the shoreline.

This shows where the impacts to the actual road is. We have a number of different lines on this map. The yellow line shows if we were to build no project whatsoever. Where the defined impact line would be along this portion of the shoreline. Obviously we have these lines for the entire shoreline. The green line shows if we were to build a berm design where do we move that impact line back to. Then the pink would be pushing that impact line even further seaward away from the roads or the houses.

What we highlight in this image is that basically without action or no action alternative the yellow line really does not impact the road at all. We are not seeing any benefits to the actual oceanfront highway from this storm reduction model that we are running. Whether we build no project, the berm only, or the dune design, we get the same impacts to the road which are basically negligible.

There is really no information there to be able to make a decision so that moves us into the second criteria which is the flood damage reduction. This picture shows kind of what we are talking about. During these storm events the waves, the runup, comes through some of these gaps in the dune line whether they are through driveways or through public beach accesses. You can see this is after a storm in 2013. You have standing water in the neighborhoods between the two highways. That is a big focus of the runup evaluation.

The third principle is protection of the oceanfront homes. These are the same lines that I talked about that were generated from the S-beach analysis but here you can actually see some of the benefits. Again, there is really nowhere where this yellow line impacts the road but if we were to look at it in terms of oceanfront houses we do see a difference between this green impact line which intersects a lot of the oceanfront homes, or are actually landward of those oceanfront homes. And then the pink line would be if you actually constructed a dune out there in addition to the berm. You can see that you actually spare some of these simulated damages to a few of those homes.

These schematics are something I showed at the last meeting and this is our profile as it exists today. What we are looking for is some sort of a beach filled design that would provide a certain level of protection that could be defined in a lot of different ways. We will talk about some of those ways.

In this particular hypothetical design you have a dune and a beach berm that fronts that dune and again it is important to point out that the design not only includes this high and dry beach but the design actually moves all the way offshore. We are really talking about re-nourishing the entire profile sometimes down to a 20' or 25' depth so when the project is actually constructed you get ... we will construct that dune and berm design but at the time of construction that project looks a lot wider than it is actually designed to be and that is because we construct most of this project above water. What happens by nature is you move that portion over the course of, not necessarily one to three years, probably closer to six months to a year, maybe eighteen months, mother nature is moving that sand off to the outer portion of the profile. Then over the course of whatever the nourishment interval is, in this case we are looking at a five year re-nourishment interval, then you have that sacrificial sand or the advance fill that we have talked about in the past is put out there based on the existing erosion rate. Basically figure out the erosion rate per year and multiply that out by five years, give it a little bit of a safety factor, and that is how we come up with how much sacrificial sand we put on the beach.

After the five year cycle you are left with the design that is to provide some level of protection. Again, we will talk about what that means. We also talked last time about the difference of building one of these projects the way it is here in front of the dunes versus the issues that we have in Kitty

Hawk where we are trying to build these projects out in front of houses that are already out on the beach or seaward of the dunes.

I think I showed this slide last time. We are really talking about this design built in front of the house versus this design which is the same specifications, the same berm width, the same dune design, but we are really looking at the volume of this polygon. We are talking about a much greater volume of sand and we show this ... just looking at this hypothetical design we talked about last time. Basically to build those two designs side by side if we were to build them in front of those houses we are looking at an 81% increase in the volume of sand and that is kind of where we left off last time. We talked about looking at either a berm only option or this minimal dune design option. Again the berm only option at that time was a 50' wide berm built to a 6' elevation. The minimum dune design was going to have a narrower berm and we were going to build a 10' wide, 12' high dune between the structures out there and the berm.

The first thing we did was we ran through ... I talked about that storm damage reduction analysis where we use those lines on the beach to figure out whether there were any impacts to the road or impacts to the structures and what we came up with ... again these numbers represent basically design goal Number one which was to reduce the storm damage reduction to the roads. We have a minimal or no simulated impacts to the road given the existing conditions, and then again, no impacts to the road whether we build the berm only or that MDD, minimum dune design, 12' design.

As I mentioned earlier when we look at it in terms of those oceanfront houses, if we do nothing, there are about 122 structures that would be impacted by a storm similar in characteristic to the Isabel storm. If we were to build that berm only design we get about a 48% reduction in that number. If we were to put out that minimal dune design we get about a 64% reduction so there is a little bit of a benefit seen there but that is really on the Number three goal where we are talking about protecting the oceanfront structures.

We moved in at that point in time looking at what we are calling a Runup Analysis. Runup is basically an elevation that can be calculated using engineering principles and there are a number of different ways to calculate it. It is really not something that has been used a whole lot in the actual design of a beach but there has been a lot of analytical work done on both hardened structures and beaches over time so we are pushing the envelope on this type of analysis. We are looking at how to calculate these runups for certain storms. The way that this runup evaluation worked is basically if ... set certain storm conditions and we calculate with no project where is that runup elevation? In this schematic we are saying if we were to run these calculations during this storm about 2% of the waves that impact the beach would reach a height ... the water that runs up during those waves would reach the elevation at this blue line so depending on storm conditions that blue line changes. If there is a dune there that exceeds that elevation there is no wash over into the street, there is no impact. What happens though is there are areas where that elevation is lower, maybe at some of the beach accesses or underneath some of those houses and

so if those same conditions are achieved we would actually get water running onto the street and into those landward neighborhoods.

This is a good illustration of, I believe this house is just south of Eckner, and what we are saying here is if we calculate that runup elevation it would basically be that red line. In some storm conditions we could achieve a runup elevation that would be equal to that red line ... well there would not be any overtopping here because we have a nice dune but underneath of this house you can see a gap and that is basically what happens during these storm events. We get individual or localized areas of flooding where that water is able to come across the highway and then flood the inland neighborhoods. The principles of this runup are very much based on the slope from the toe of the dune to the point on the profile where the waves are breaking. In other words if we pushed that beach further into the water that slope reduces and we get an actual decrease of our calculated runup elevation and that is what we are showing here. Without that project we calculate the runup to be equal to that black line but if we built this project here we could actually reduce the calculated elevation of the runup. We are working with those calculations and designs to figure out how much of the shoreline would actually be overtopped.

Again we have that same illustration showing in some areas the dune is high and some areas the dune is low but what we found was that for both of those options we were looking at that minimum dune design and the berm only we are really advancing the shoreline out about the same distance. On one we are using a good portion of that advance to actually build this dune which is shown here and in the other one it is just basically a flat shoreline out there. I guess what I am getting at is that those ... when we look at these two alternatives the calculated runup is the same for both of those alternatives.

Let's look at this one for example. Going back to that same illustration. If we were to build either the minimal dune design or the berm only design we actually decrease that elevation of the runup below the grade of the road. If we are reducing it below the grade of the road, regardless of whether there is a dune there or not, we are not going to have that overtopping because it would not be able to come over top of the road.

Our initial analysis of all this was based on an annual event so this is really your nor'easter. Something you could expect to have at least once a year, maybe a couple of times a year, and get some flooding from those events. What we found was that whether we built that 12' minimum dune design or the 50' berm we were achieving somewhere between a 70% and 93% reduction in the length of the shoreline that was exceeded by that calculated runup. With no project we calculated a certain distance of the shoreline that would be exceeded if we were to build either one of these designs. We would decrease that number by somewhere between 70% and 93%. The reason there is a range on that is because in that calculated runup equation we have to make a determination as to where in the tidal cycle that storm is going to occur. The higher numbers, where you are seeing a bigger reduction, is based on the calculation being made that the storm would impact at mid-tide range. The lower numbers that you are looking at where you are seeing less of a reduction is basically the worst case scenario, if the storm hits at the high tide mark. I'll show you a couple

of other sets of these numbers and you will see that range but basically the higher amount of protection is based on it hitting at a mean tide range. The lower level of protection is based on it hitting at the high tide mark.

At that point in time, this was about September when we finished our analysis, and at that point in time we were ready to make a recommendation to the town, county, Kill Devil Hills and Duck. We came together and we provided this information and we said we are looking at this minimal dune design and the 50' berm. As far as the storm damage reduction we are not seeing much of a difference between the two. As far as this runup evaluation we are really not seeing a whole lot of difference between the two. Even though it is counterintuitive to go with the berm only design we are going to recommend that because as we got further and further into actually laying that beach fill out, that minimal dune design out, those numbers of design berms are really based on averages, but when we look at it on a profile by profile basis there were some areas where we were really ... we were not pushing the shoreline out very far in front of this constructed dune. We were using a lot of the platform we were going to build just this dune and if you do not have enough sand out in front of that dune basically that dune is just going to start getting eaten away very quickly.

When we actually laid it out we felt like that minimum dune design was really stretching the limits of the budget. To try and fit a design berm and a dune into that small cross section we said we think it might make a little more sense to go with the berm and we know that the entire length of shoreline does not need a dune. What we will do is go in with what we are calling a starter dune. Somebody brought up the idea of using sand fencing the last time because Nags Head had so much windblown sand. We looked further into that and basically we are recommending going with the berm, advancing the shore out as far as we can with the money we have and then we will put in, where there are these gaps, we will build this starter dune. Then we will put in sand fencing and hopefully we increase the size of that starter dune as we move along.

We presented these results back in September and during that meeting there was some concern that all of these analyses were based on that annual storm. Everyone asked the question. If this project is going to be out there for five years what will the five year storm do to this design? What kind of benefit is there to the town with the five year design? So the question was asked by the county what it would take to provide five years of protection for the five year storm.

The first thing we did was look at what we call the Kill Devil Hills design. We said what if we put the same design we are building at Kill Devil Hills out there along the entire length of beach at Kitty Hawk. What we found is that we would advance the shoreline about 100' and it would require about 3.2 million cubic yards in total. That is about a 100% increase in the volume that we have been talking about up to this point in time and it would be an additional \$15 million dollars. We also looked at that berm only design. What if we just pushed the shoreline out a 100' and those numbers come down a little but they are still not really manageable whether we are talking from a town standpoint or the county's standpoint. We are talking about an additional \$12.5 million dollars.

We provided these options to the county and they said there is no way they can make this work and asked what can be done with \$2 or \$3 million extra dollars? We looked at the numbers and said for \$3 million extra dollars we can increase the fill density by about 16 cubic yards a linear foot. Up until that point we were putting about 80 cubic yards a linear foot and with that extra \$3 million we can get almost up to ... we can get between 95 and 100 cubic yards per linear foot. For the Town of Nags Head, for those of you that are familiar with that project, I think the average there was about 75 cubic yards a linear foot. What that does is bump the 50' berm up to more like a 60' design berm. When we get to that 60' design berm our annual event numbers increase. They were previously about 70% to 93% so we have gone up a little on that annual event to 73.4% and 98.7% reduction of the shoreline that would be exceeded based on that runup calculation. And then when we look at the five year event we are looking at, again these ranges are based on those two different tide cycles, we are talking about a reduction in the length of shoreline between 40% and 72% of the shoreline. But that does not take into consideration the starter dune that I talked about.

This slide is an example of one of the beach pushes that was done in front of a couple of homes. This picture was taken back in February and is the kind of structure that we are talking about building. We are talking about pushing out the berm, creating that 60' wide berm and then using some of that sand to create some kind of an artificial dune like shown and putting sand fencing along the entire project area to start the creation of that dune. If we take into consideration building that starter dune up to an elevation of 14' these numbers actually become 100% depending on where that storm hits. If that 5 year storm hits at the mean tide mark we are going to get less of a reduction. It would exceed that 14' dune that we are going to start with out there. However if it hits somewhere in the average around the mean tide cycle we could achieve 100% reduction.

A couple of other caveats to say before we wrap this up is that when we talk about that design we are talking about it at the end of the five year cycle. At that point in time we are left with just the 60' wide berm. Up until that point in time, theoretically we would have a wider beach, especially in the first year where we are undergoing that equilibration if you will. With that big project some of the sand is moving offshore and then you have that advance fill start eroding away. So obviously those numbers are based on at the end of that five year cycle. Up until that point in time those numbers are a little bit better. That is really kind of the worst case scenario.

With all of that we do end up recommending that 60' berm design. Given some of the financial considerations with the county and the town, looking at this runup evaluation and how to reduce the amount of flooding throughout the town, we would recommend that 60' berm design. Again that is the 60' berm, the advance fill, the starter dune and putting in sand fencing along that project area. The main fill length is still at 18,900' which is about 3.58 miles with a 1,000' taper on the north end. The fill density, as I mentioned earlier, is about 95 cubic yards per linear foot to about 100 cubic yards a linear foot on average. The total volume was 1.6 million and is now around 1.91 million cubic yards and the total project cost is now \$20.5 million because we have increased that cost by \$3 million. We heard today from the county they have approved the increase of \$3 million

Kitty Hawk Town Council Meeting: November 3, 2014

Page 14

so as far as the numbers ... I'm sure the mayor and John have shared with you in the past those town wide numbers have not changed. The county is supportive of the increase of that design to take advantage of that additional \$3 million dollars.

This final slide is a schedule of where we are. The compatibility analysis is about the borrow area and we finished up those final numbers for the borrow area last week. The Kitty Hawk design is basically finalized today with the approval of the council unless there are concerns or we want to look at something else. At this point in time our design is finalized. We have been able to submit some of the environmental documents. We talked about in the past about those two documents that go to U.S. Fish and Wildlife and National Marine Fisheries Service. They have asked for about a year-long co-ordination period and that clock started last week when those documents were submitted. We are undergoing right now the completion of the draft Environmental Assessment for all three towns and we suspect that those will be released in the next two weeks or so, which again, will keep us on track. We will probably be looking at submitting our state CAMA applications sometime early next year in February or March. We expect to start the process of the lease agreement with BOEM sometime after Christmas of 2015 and that is about the time we expect all these permits to come in. Then we will be timing the opening of the bids to finally get the final costs of these projects, once we have all those permits in hand and we have the BOEM lease agreement in hand. We expect that to happen around January of 2016. That keeps us on track for a March or April construction of 2016. Any questions?

Perry: *That was a lot. Let's simplify this for everybody. We would wind up with a berm, and by the way for those of you in the audience, there should be a list of definitions of terms that Ken has been using attached to the agenda. It explains berm versus dune versus other, runup in particular, and if anyone in the public viewing wants the list ask the town clerk. She will be more than happy to give you a copy. This can be confusing but the bottom line is within the money available to us a 60' berm will give us added protection over the normal and some protection over the extreme. There is not enough money to do any more than that. The Dare County Commissioners have bent over backwards to find the extra money beyond what was originally obligated.*

There is one other thing that is important in this. I know you have put out a lot of schedules of what you propose to do and where you are going to be and those sorts of things but I want to tell the people, this is not a done deal without their consent. That will come through in the MSD mailing that we send out to the property owners. Property owners have to tell us if they are willing to spend the town's money. Unless that happens then our part of this would stop but we won't know that until we hold the hearing. The commissioners have bent over backwards and they are going to cover whatever excess beyond what they originally told us. I would add that the other towns understand the difficulty particular to Kitty Hawk and you have had to do a lot of engineering just for Kitty Hawk because we are unique in what we are trying to accomplish and the problems that are posed. The other towns have been very quiet, they have been very understanding and they have not said a word. We have to appreciate the fact that they understand what we are going through.

I would also say that we are not likely to get another chance in the foreseeable future, certainly not in my foreseeable future, to do something like this. That is important for the public to understand as well.

Does anyone else have any questions of Ken?

Klutz: *When you are talking about the 14' starter dune is that a 60' berm without the extra elevation? You put sand fencing in and that builds up or is that actually built and then sand fencing is placed to try to get it higher?*

Willson: *When we talk about the berm only design that berm is at an elevation of 6'. If I had to take a guess on this slide image here the 6' contour is probably down here. They will start on the actual dry sand beach and progress out beyond that. Again, when that project is initially constructed it is probably going to be more like 110' to 120' wide, not 60' wide, but all of that would be seaward of where we see this structure here. This is a good example of what we are talking about. Once that project is constructed we will look at the actual volume of sand that will be needed to build something like this. When you talk in terms of cubic yards a linear foot we are talking about a couple of cubic yards a linear foot to build something like this so it is not a ... when you were talking about 100 cubic yards per linear foot being the full density one or two cubic yards here or there to build this type of structure isn't significant. We would start here, build out and then we would use some of that sand that was placed to make sure we had a similar structure to this along the shoreline where those gaps exist or in front of those structures. Then after this structure is completed we will go back in and put the sand fencing in at that point in time so we would achieve the 14' right off the bat. Then anything the sand fencing will capture could both increase the elevation and increase the width of that dune.*

Klutz: *And all of it is in front of all of the houses?*

Willson: *That's right.*

Klutz: *Even Pelican's Perch?*

Willson: *No, probably not. When they built the Nags Head project there were a bunch of houses that were sort of an issue for the town and what they did was as they constructed that they basically didn't place any sand in front of those houses. Now after a couple of tidal cycles the sand kind of flows in between there and ... that if that house is there when we construct that is the same thing that would happen there. We wouldn't necessarily place sand ... we would place sand in front of it, we would not place sand underneath of it or behind it but we would place sand in front of it and then the tide would fill it in as needed.*

Perry: *For clarification we are using in front of in two different places. The starter dune in every place except Pelican's Perch in front of means east of houses. In Pelican's Perch case you are*

talking about perhaps to the west of the house. All I am trying to do is make sure the public understands in front of for the beach berm is to the seaward or east of the houses.

Klutz: *And so is the starter dune but the one exception perhaps would be Pelican's Perch because it is already on the wet sand beach almost all of the time.*

Perry: *Anyone else have a question? If we don't have any other questions we will move on. Thank you Ken. We appreciate it.*

5. Public Comment

Mr. Morgan directed his questions and comments to Mr. Willson.

Brian Morgan: *My name is Brian Morgan and I actually don't live on the beach but Ken with respect to the consideration of the people that are going to be asked to foot this bill, how rosy are those estimates? When you say this is all predicated on the normal average cyclical behavior of a five year event is that predicated on the fact that we are waiting until 2016 to put down sand? Or is that anticipating any issues between now and then and that we are going to be hit again with a change in design in the next year and a half or is this a fairly conservative estimate that is probably going to hold up when we ask people over the course of the next year and a half to foot the bill such that they don't get surprised. Does that make sense?*

Willson: *Obviously with these projects there are so many variables that if we do over simplify things ... I just spent 25 minutes and I'm not sure how much of this went over the heads of the folks that we are trying to explain it to. I feel for you guys that have to deal with all these issues. There is a fair amount of simplification but in all of these decisions we make we are putting in a factor of safety. When I look at some of those elevations for say the five year storm event, which is probably consistent with the types of waves and energy that we saw hit the shoreline during Hurricane Sandy, it is somewhere around that five year storm period. Some of those runup elevations that we calculated for the no action alternative suggested that we could see elevations of 18 or 19'. Now I don't think we experienced those types of runup elevations over the tops of some of our highest dunes. I think we obviously saw a lot of over wash of the road that is somewhere around 12'. When we look at these things, and I do mention that we are pushing the envelope on this type of analysis, trying to get some level of understanding of what protections we can provide ... whenever we are pushing the envelope with that we do step back to make sure we have some safety factors built into that.*

As far as the amount of sand that would be lost between this ... all of these designs are based on a survey we did over the summer. As far as the amount of sand that we might lose between now and then we are looking at rates of loss that are somewhere around two cubic yards a linear foot. So I mean the margins of errors in some of these analyses are probably along that. I guess what you are talking about is the difference between the design based on a survey that was done four months ago to building this project in early 2016.

Morgan: *Yes because obviously a \$20 million dollar project with a 2% change is substantial. Now you are talking about 2 cubic yards and we are talking about 95 to 100 cubic yards a linear foot so that is roughly 2%.*

Willson: *I am saying that the analyses that these numbers are is not going to change significantly if we make those small changes. When you look at it in a plan view and how far out you are pushing the shoreline and things like that it is not a significant difference.*

Morgan: *So nobody is saying you are going to get caught with your pants down right?*

Willson: *There are a lot of variables to these projects. We have gone through a lot of analysis on this one and a lot of analysis on the Kill Devil Hills project. We are building a very long project so I would say that there is a high degree of success on these projects but like I said we are trying to assess what sort of an impact this project would have based on thousands of different conditions that we might experience over the next 10 years. You do your best with the budget that you have. Obviously you would like to build to the ... you could build to the 10 year storm but what if you get the 20 year storm? You could build to the 20 but what if you get the 50 year storm?*

Perry: *All right I think you have answered the question as best you can. Generally engineers build in a pretty good safety factor and a safety factor in this particular case would take into consideration the changing shoreline. It is changing as we speak. I think you have answered the question sufficiently and if you haven't then you are certainly welcome to catch him on the way out. Thank you Ken.*

There were no further speakers.

6. Consent Agenda

a.) Approval of October 6, 2014 Council Minutes. *(An affirmative vote for the consent agenda will approve these minutes.)*

b.) Revenues and Expenses Report for September 2014. *(An affirmative vote for the consent agenda will acknowledge this report.)*

c.) Acceptance of Donation. OBX Frozen Yogurt LLC has made a donation to the police department in the amount of \$325.00 and the police chief would like to designate the funds be used for Project Lifesaver. *(An affirmative vote for the consent agenda will accept this donation.)*

(Removed from the agenda) d.) Fire Department Request to Hire a Captain. There is a vacancy in the fire department due to a resignation and this request is to fill the position at a starting salary of \$41,951.90. *(An affirmative vote for the consent agenda will approve this request.)*

e.) Public Works Request to Hire a Public Works Technician. There will soon be a vacancy due to retirement and this request is to fill the position at a starting salary of \$29,814.42. *(An affirmative vote for the consent agenda will approve this request.)*

f.) Request to Re-surface Bath House Parking Area. This is an approved capital project in the 2014-15 fiscal year budget in an amount not to exceed \$40,000.00 *(An affirmative vote for the consent agenda will approve this request.)*

g.) Change Order. The town has received a change order from Coastal Planning and Engineering in the amount of \$10,038 for the development of easement area drawings and dune elevation survey. The funds from Dare County for storm damage reduction will be used to pay for this change order. *(An affirmative vote for the consent agenda will approve this change order.)*

Councilwoman Klutz made a motion to approve the consent agenda as modified. Councilman Garriss provided a second and it was unanimously approved, 5-0.

7. Items Removed from the Consent Agenda

Mayor Perry mentioned the item that was removed was a request to hire a captain in the fire department but the current fire captain has decided to stay.

8. Public Hearings

a.) Text Amendment: Application to amend Subsection 14-90(6)a of the Flood Damage Prevention Ordinance to allow alternative options for recreational vehicles to comply with flood hazard reduction standards.

MPT Bateman made a motion to go into public hearing. Councilman Garriss seconded and it passed unanimously, 5-0.

Heard: The first text amendment item is as about a minor change as you can have in an ordinance. We are literally proposing changing the word and to or in one location in the Flood Damage Prevention ordinance. The reasons are outlined in the staff report but I also want to cover them for the folks who are here. In April of 2013 the town's flood management program was reviewed and audited. We expected to get answers back a little sooner but it was not until June 2014 that we received a letter from the National Flood Insurance Program outlining some things they would like for us to do to improve our program or bring it into compliance with what they feel we should be doing.

The letter instructed the town to make some significant changes in how we ensure that recreational vehicles are compliant with the Flood Damage Prevention ordinance. The purpose of this change

Kitty Hawk Town Council Meeting: November 3, 2014

Page 19

is that ... right now in order for an RV to be compliant it has to be on the site for 180 consecutive days, be fully licensed and ready for highway use. They also go on to define that a little further.

The proposal, and this is allowable under the NFIP, we have confirmed this with them, is that we change that word and to or so a recreational vehicle could be on site for fewer than 180 consecutive days to be compliant or it can be fully licensed and ready to be moved. The intent is that basically our flood damage prevention standards exempt recreational vehicles from all of these standards that structures have to meet. The reason for that is they are considered to be vehicles, and they are vehicles, and therefore the intent is they can be moved in the event of a storm. Given enough notice an owner can get that vehicle out of harms way. Now that may or may not happen all the time but that is the intent. That vehicle is capable of being moved. The reason the planning board has recommended it is that it gives owners a more flexible option of complying as opposed to having to do both of those things.

Perry: *I believe the county had to do something similar. One of the steps they are doing to get their percentages better. Is that correct?*

Heard: *The county has adopted a similar type of statement. That is correct.*

Perry: *And in doing this the flood insurance program does not do anything as far as structures so it keeps our percentage where we want it to be and gets us out of trailer parks is that right?*

Heard: *We'll call this step one. There are some other things the staff and planning board may bring forward as it relates to the RV's but this is a first step and allows us greater flexibility in developing a plan to work with the owners of RV's and RV parks.*

Klutz: *So they can just tow it or move it at 179 days.*

Heard: *Correct.*

Klutz: *How are you going to enforce this? Is it going to have to be the trailer park owner or are we going to have the RV police?*

Heard: *That is part of the bigger picture and as part of this the town is being asked to institute some measures on documenting this type of activity. If vehicles are moved or if they are ... we may have to do a periodic inspection to determine if a vehicle is capable of being moved or not. Does it have a license plate on it, does it appear that it is ... we have some vehicles where people have gone in and put additions on them and they cannot be moved. You literally have a structure that is attached to it so there will be some things like that we will have to work through. That will be part of the plan. We are working with the town attorney on fine tuning it but this is the first step that would give us a greater flexibility in working with those situations.*

Klutz: *I don't think there are a trivial number of those situations. It is going to be interesting.*

Mayor Perry asked if anyone wished to speak during this public hearing. No one came forward.

Councilman Garriss made a motion to go back into regular session. MPT Bateman seconded the motion and it passed unanimously, 5-0.

Councilman Garriss made a motion to amend subsection 14-90(6)a of the Flood Damage Prevention ordinance to allow alternative options for recreational vehicles to comply with flood hazard reduction standards. The town council finds that the proposed text amendment is consistent with the town's adopted CAMA Land Use plan and finds this amendment to be in the public interest by providing more flexible standards for RV and RV park owners. Councilwoman Klutz seconded and it passed unanimously, 5-0. (Ordinance No. 14-10)

8 (b.) Text Amendment: Application to amend Chapter 40, Article III of the Town Code to update standards for wireless communications facilities consistent with recent changes in state and federal laws.

Perry: We called for a public hearing for a text amendment to update standards for wireless communication facilities consistent with some recent changes in state and federal laws. However our duty editor, Councilwoman Klutz, has gone through it and found some references that are not consistent with our code. If we tried to approve this tonight we would have some problems so I am going to recommend, unless the lawyer tells me I cannot, we send this back to the planning board and wait until we get the new planner on board. He can get his teeth into it and we'll try and get it right the first time around.

Michael: You may send it back to the planning board.

Mayor Perry made a motion to send this text amendment back to the planning board. Councilman Pruitt seconded and it passed unanimously.

8 (c.) Text Amendment: Application to amend Subsection 42-419(3) of the Town Code by eliminating the requirement for a buffer area between adjoining PCD and PUD zoning districts.

MPT Bateman made a motion to go into public hearing. Councilman Garriss provided a second and it passed unanimously, 5-0.

Heard: This item is one that was presented by an applicant and he is here this evening. The issue this text amendment is attempting to address is something that came up during the recent review of the project regarding the improvements to Barrier Island Station that the council considered at their meeting in October. The projects you reviewed had two buildings that were undergoing significant renovations, the recreation center/sales center in the PCD, the commercial part of

Kitty Hawk Town Council Meeting: November 3, 2014
Page 21

Barrier Island Station and the area with the pavilion building by the pool which is located in the PUD residential section. Two properties with a property line that runs through them. Two different zoning districts that abut each other that are part of the same development but are zoned differently and allow different types of uses. A new owner is looking to tie these together and would like to place an enclosed corridor that would run from the recreation building over to the pavilion building.

Presently the way the ordinance reads that is not permitted due to a requirement for a buffer area in the PCD district. That is what we are looking at addressing and that connection was removed for the purpose of your consideration of the development proposal at the last meeting. The applicant will come forward at some point in the future if this text amendment is acceptable to council.

The only area in Kitty Hawk this proposed amendment will apply is where the PCD and PUD districts meet each other within the Barrier Island Station development. It will not change anything for any other place in the town. Also what we are talking about is right now in the Planned Unit Development, the residential side, the way the ordinance is worded is that there is a buffer distance of 50' from any Planned Unit Development project exterior boundary or perimeter line. Then it goes on to say this restriction shall not apply to any interior development line or any exterior boundary or perimeter line which abuts a non-residential zoning district. So in the PUD district you already have an exemption that says you can go within that ... closer to this PCD district. The issue is that there is no corresponding exemption in the PCD district. It is exempt on one side and it is not exempt coming in the other direction and that is what is being proposed. The applicant is simply proposing to add a corresponding statement that would have an exemption from the buffer, with some limitations, in the PCD district and it will allow this proposed covered walkway to proceed.

After reviewing this at their meeting on September 11th the planning board voted unanimously to recommend approval of this text amendment. I will be glad to answer any questions the council has.

Perry: *If another PCD/PUD were to ever occur in town, and I don't know where that would happen, but if it were to happen, this would give them the same right but it would not allow them to do a PUD and not have a PCD next to it. Are we are creating an exemption? We don't want that to go out and be a general exemption.*

Heard: *It does not mean it cannot happen in the future should a development proposal come forward and someone wants to have a PUD and PCD that happen to be next to each other. Then it would apply to them. Presently we have no other circumstances like that in town.*

Perry: *But the two would have to be together for this to apply.*

Heard: *Yes.*

No one came forward to speak during this public hearing.

Councilman Garriss made a motion, seconded by Councilwoman Klutz, to go back into regular session. It was approved unanimously.

MPT Bateman made a motion to adopt the proposed text amendment to subsection 42-419(3) eliminating the requirement for a buffer between adjoining PCD and PUD zoning districts. The town council finds that the proposed text amendment is consistent with the town's adopted CAMA Land Use Plan and finds this amendment to be in the public interest by eliminating an unnecessary requirement. Councilman Garriss seconded and it passed unanimously, 5-0. (Ordinance No. 14-11)

9. Planning

a.) Call for Public Hearing: Zoning Amendment/Application to rezone the remaining portions of the properties at 103 First Flight Run and 3732 N. Croatan Highway from Beach Residential (BR-1) to Beach Commercial (BC-1). A public hearing is requested to be scheduled for the December 1, 2014 Town Council meeting.

Councilwoman Klutz made a motion, seconded by Councilman Pruitt, to set a public hearing regarding the proposed zoning amendments at 103 First Flight Run and 3732 North Croatan Highway for the town council meeting on December 1, 2014. The vote was unanimous, 5-0.

b.) Call for Public Hearing: Text Amendment/Application to amend Section 42-445 of the Kitty Hawk Town Code to allow "Veterinary hospitals and clinics" as a conditional use, subject to certain conditions, in the Emergency and Governmental Services (MS-1) zoning district. A public hearing is requested to be scheduled for the December 1, 2014 Town Council meeting.

Councilman Pruitt made a motion to set a public hearing for the town council meeting on December 1, 2014 regarding the proposed text amendment to allow veterinary hospitals and clinics as a conditional use in the MS-1 zoning district. MPT Bateman seconded the motion and it passed unanimously, 5-0.

c.) Call for Public Hearing: Conditional Use Permit/Application for a conditional use permit to construct three 2,520 square foot buildings to contain medical offices and a veterinary clinic at 5121, 5125, and 5129 Putter Lane. Although each building will be on its own separate lot, the development will share a common parking area, drive aisles, and access drives onto Croatan Highway and Putter Lane. Specifically, approval for the following types of conditional uses is being sought as part of this application: licensed physician offices, chiropractor offices, optometrist offices, and veterinary hospitals/clinics. A public hearing is requested to be scheduled for the December 1, 2014 Town Council meeting.

Councilman Garriss made a motion, seconded by Councilwoman Klutz, to set a public hearing at the town council meeting on December 1, 2014 to consider a conditional use permit application to establish medical offices and a veterinary clinic at 5121, 5125 and 5129 Putter Lane. The motion passed unanimously, 5-0

10. Unfinished Business

a.) Establish Date of Public Hearing and Proposed Tax Rates to Include in Letter to Property Owners for Municipal Service Districts

Stockton: *At the last council meeting staff presented letter to be mailed out and the MSD map for council's consideration. The MSD map was approved as well as the letter to be mailed to all the property owners. The council comments for the letter have been added. The letter will include a date for a proposed public hearing on the Municipal Service Districts and the possible tax rates for each district. Staff is proposing that the public hearing be set for Monday, February 9, 2015. After the public hearing the tax rates for each district will be part of the budget approval, tentatively scheduled for June 1, 2015. In order to stay on schedule with mailing the letters of notification of the public hearing we need to know if the public hearing date and the proposed tax rates for the MSD's is okay with council.*

Perry: *A couple of facts for the property owners. There is an estimate of \$23,327,770 to do the 60' berm beach nourishment project. The town cannot do that on its own so the county is ponying up a difference. Dare County is committing to contributing \$18,679,573 of the expense leaving for the town \$4,648,197. That is our obligation.*

The next thing we need to state is that in this particular letter, unless council decides differently, we are proposing for District A, which is essentially the commercial section of town or the commercial section that benefits most from the beach per se, a rate of 15 cents per \$100 of assessed valuation. Then for District B, which is the rest of Kitty Hawk, a special tax rate of 4 cents per \$100 of assessed valuation. I want to add that if we approve these, the town currently is collecting 2 extra cents, a 32 cents levy, and the extra 2 cents is to assist us in preparation for beach nourishment. That 2 cents would come off if this is approved. That is why these numbers are 15, not 13, and 4, not 2. We have to have some funds up front not only to pay for it but we have to have enough built in to have a maintenance fund, that sacrificial sand the engineer kept talking about that has to be replaced at some point assuming the project goes forward. And assuming everything holds up and the town in the future considers to continue nourishing that beach we have to have funds set up for two reasons. That is one of them and the other is if a storm washes it away in the first year after it is constructed then we are able to get FEMA to come in and hopefully repair the part that is damaged. There are a couple of reasons why it is more than just the construction. We have to build in some funds in order to nourish and have FEMA reimbursement if we need it. With that said does anyone else have any questions or things that you want to bring up?

Kitty Hawk Town Council Meeting: November 3, 2014

Page 24

Klutz: *I would like to clarify for the beach district, which is District A and has the 15 cent tax rate, that does include all of the residential properties as well as the commercial properties on the east side of 158.*

Perry: *The other item we are approving tonight is holding a public hearing on February 9, 2015 in the Kitty Hawk Municipal Building at 6:00 p.m. It is not a regular meeting date, it is a special meeting. I want to make sure everybody understands you do not have to physically come to the hearing in order to speak your mind. We have email, we have letter correspondence and you can telephone call us. This is for property owners, for people that actually pay the bill. Tell us your consent or denial and as I have tried to say in a cover letter that will go out in the mailing, silent consent or denial is really not acceptable. We need to hear from you. You are paying the bill. Tell us what you want and we'll go from there.*

If there are no other questions do I hear a motion to approve this MSD letter so the town can get it sent out?

Councilwoman Klutz made a motion that a public hearing be set for February 9, 2015 at 6:00 p.m. at the Kitty Hawk Municipal Building for the purpose of establishing the Municipal Service Districts for the storm damage reduction project. The proposed tax rate (District A, 15 cents and District B, 4 cents) as stated in the letter to property owners will be considered for adoption on June 1, 2015.

Perry: *And that is the one we are going to consider. It is not necessarily the one we will approve. It could change but it is the proposed so people will understand what is coming down the pike.*

MPT Bateman seconded the motion and it passed unanimously, 5-0.

11. Reports or General Comments from Town Manager

a.) East Lillian Street Beach Access Parking Improvements Update - Manager Stockton reported on the schedule for the East Lillian Street Beach Access Parking Improvements. Advertising for the project will be on November 25th and bid specifications will be distributed on December 1st. On January 6, 2015 a pre-bid conference will be held and on January 14, 2015 a bid opening is scheduled. On Monday, February 2, 2015 the bids will be presented to council for approval. On Friday, February 20, 2015 there will be a pre-construction meeting. The project should be completed within 60 days after a notice to proceed.

b.) Compliment to the Police Department - Manager Stockton mentioned the town has received a letter from Margaret Privott complimenting Officers Helms and Tyler for assisting her on September 16th when two pit bulls attacked her dog.

Kitty Hawk Town Council Meeting: November 3, 2014
Page 25

Mayor Perry asked what happened to the pit bulls and Chief Johnson said they were taken into custody and the owners were cited.

12. Reports or General Comments from Town Attorney

a.) **Winks** - Attorney Michael reported there was a hearing last week and the town now has a judgment against Winks for \$27,000. They may appeal it.

b.) **Beach Nourishment** - With regards to beach nourishment Mayor Perry asked if the town needs easements for the taper into Southern Shores. Attorney Michael answered yes. The title work has been done for the taper but until it is known where the line is going the process of contacting owners for the easements could not begin.

13. Reports or General Comments from Town Council

There were no further comments from council.

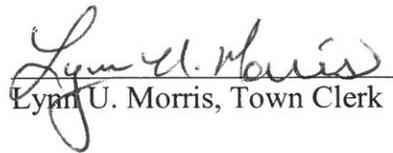
14. Public Comment

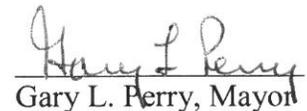
There were no public comments.

15. Adjourn

Councilman Garriss made a motion, seconded by MPT Bateman, to adjourn. It was unanimously approved, 5-0. Time was 7:37 p.m.

These minutes were approved at the December 2, 2014 council meeting.


Lynn U. Morris, Town Clerk


Gary L. Perry, Mayor