MINUTES
TOWN OF NAGS HEAD
BOARD OF COMMISSIONERS
RECESSED SESSION
WEDNESDAY, DECEMBER 17, 2025

The Nags Head Board of Commissioners met at the Board Room located at 5401 S Croatan Highway, Nags Head, North Carolina on Wednesday, December 17, 2025 at 9:00 a.m. for a Recessed Meeting.

Board Members Present: Mayor Ben Cahoon; Mayor Pro Tem Megan Lambert; Comr. Bob Sanders Comr. Megan Vaughan; and Comr. Molly Harrison

Board Members Absent: None

Others Present: Town Manager Andy Garman; Attorney John Leidy; Amy Miller; David Ryan; Perry Hale; Nancy Carawan; Roberta Thuman; Karen Snyder; Katie Anzalone; Steven Panaro; Beth Sciaudone; Ayse Karanci; Andrew Carter; John Kenny; and Town Clerk Brittany A. Phillips

Mayor Cahoon called the meeting to order at 09:00 a.m.

ADOPTION OF AGENDA
MOTION: Comr. Sanders moved to approve the December 17th agenda as presented. The motion was seconded by Mayor Pro Tem Lambert, which passed unanimously.

PUBLIC COMMENT
Town Attorney John Leidy opened Public Comment at 09:00 a.m.

There was no one present who wished to speak during Public Comment.

CONSENT AGENDA
The Consent Agenda consisted of the following items:
- Consideration of Resolution Authorizing the Surplus and Donation of Police Department Items to the College of the Albemarle's Basic Law Enforcement Training Program
- Consideration of Local Government Commission Audit Contract Amendment

MOTION: Comr. Sanders moved to approve the Consent Agenda as presented. The motion was seconded by Comr. Harrison, which passed unanimously.

The Resolution Authorizing the Surplus and Donation of Police Department Items to the College of the Albemarle's Basic Law Enforcement Training Program, as adopted, read in part as follows:
"WHEREAS, the Board of Commissioners of the Town of Nags Head, North Carolina desires to surplus and dispose of certain Town owned property; AND

'WHEREAS, the Police Department has eight (8) Point Blank Ballistic Vests which were taken out of service in 2025.

'NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Town of Nags Head that:

'In accordance with GS 160A-280, *Donations of personal property to other governmental units*, the following described Town owned property is hereby declared surplus and authorized to be donated to College of the Albemarle's Basic Law Enforcement Training Program:

Fixed Asset Number	Description	Original Cost ($)	Reason for Surplus	Disposal Method
N/A	(8) Point Blank Ballistic Vests	N/A	Items were replaced due to the manufacturer's recommended service life schedule.	Donation"

<u>The summary sheet for the Consideration of Local Government Commission Audit Contract Amendment, as approved, read in part as follows</u>:
"This year the Local Government Commission has extended the audit dates because of the late release of the 2025 compliance supplement for federal single audits. Because the Town was subject to a federal single audit, an audit contract extension is requested.

'Agree to modified terms of the audit contract, which is an extension of the December 31, 2025, date through February 12, 2026"

The contract amendment, as approved, is on file in the Town Clerk's office.

NEW BUSINESS
<u>Discussion of Timing of the Town's Next Beach Nourishment Project/ Presentation of Fall Beach Monitoring Survey</u>
Manager Garman introduced this item. The summary sheet read in part as follows:
"Staff and representatives from Moffatt and Nichol will provide an update on the process to develop the town's next beach nourishment project. We will facilitate a discussion with the board on selecting a preferred project alternative, which will need to consider project timing (2026 or 2027) and the final sand quantity to be placed. Attached is a memo from Moffatt and Nichol which details the proposed project alternatives and the bid results. The memo also includes points for the board to consider in its decision.

'Additionally, Moffatt and Nichol will present the results of a recent monitoring survey, which was conducted in November to assist the board in understanding beach conditions prior to deciding on the timing of the project. As the board is aware, the Town subcontracts surveying and engineering services to perform an annual beach condition survey and engineering data analysis in accordance with the Town's Beach Monitoring & Maintenance Plan. The survey scope of work includes measuring the shoreline and volume change analysis of 107 profiles along the Town of Nags Head shoreline.

'At the November 5, 2025 meeting, authorization was given by the Board to proceed with an additional fall survey to monitor the beach conditions. This was done to understand the impacts of higher than average storm conditions the town experienced this fall. This information will be compared to the normal survey we conducted during the summer (2025).

'The results of the beach surveys aid with the planning and design of the next beach nourishment maintenance project.

'Presenters:

- Beth Sciaudone, Ph.D., PE, and Ayse Karanci, Ph.D., PE (Moffatt & Nichol) will present the condition survey findings, project design details, and bid tabulations, and will be available to answer questions from the Board.
- David Ryan, P.E. will provide information on sand relocation applications and will be available to answer questions from the Board.

'This item is provided for Board information and discussion. Staff will request board guidance on the timing of the town's next beach nourishment project. This will allow staff to prepare documents for approval at the board's January 7, 2026 regular meeting.

'Two separate memorandums are provided; (1) 2025 Fall Monitoring Survey and (2) 2026 or 2027 Beach Renourishment Project Description and Bids along with a map exhibit of 2025 Sand Relocation Permits by Reach"

Town Engineer Ryan introduced Beth Sciaudone, Ph.D., PE from Moffatt & Nichol. He noted that hard copies of the Fall Monitoring Survey had been distributed to Board members. Dr. Sciaudone presented her report slides, which are attached to and made a part of these minutes as shown in Addendum "A".

Some key points include:
- The fall experienced four significant wave events with heights greater than 15 feet, which is unusual as typically only one such event would occur. These included Hurricane Aaron in August, the combined effects of Humberto and Imelda, a nor'easter during king tides in October, and a coastal low with 18-foot waves at the end of October.
- Extensive dune scarping (3-10 feet) was observed throughout the nourished oceanfront.
- Survey results showed an average of 27 feet of shoreline recession across the nourished oceanfront, with southern areas (Reach 3 South and Reach 4) experiencing approximately 50 feet of recession.
- Volumetric losses above the minus 14-foot contour (which provides infrastructure protection) averaged about 16 cubic yards per foot, with higher losses in Reach 3 South (35.1) and Reach 4 (31.5), totaling approximately 877,419 cubic yards lost.
- Multiple transects along the nourished oceanfront are at or nearing volumetric triggers that indicate insufficient protection for town infrastructure.
- Computer modeling showed that if another storm similar to the October coastal low occurred, there would likely be more overtopping and undermining of structures, particularly in hotspot areas.

Dr. Sciaudone also provided information on the proposed beach nourishment project:

- The project would cover the entire nourished oceanfront from Reach 1 to Reach 4.
- The base bid volume was 2.2 million cubic yards, with two additive alternates of 100,000 cubic yards each.
- For the first time, a taper would extend into National Park Service property through a special use permit.
- Bids were received for both 2026 and 2027 construction. Weeks Marine was the apparent low bidder for 2026 at $34,934,100 for the base bid plus $965,000 for each additive alternate. Great Lakes Dredge and Dock was the apparent low bidder for 2027 at $37,280,751 for the base bid.
- The 2026 bid was approximately $2.3 million less than the 2027 bid, and the town could place all the sand in the base bid and both additive alternates in 2026 for less than just the base bid price in 2027.

Mayor Cahoon clarified with Dr. Sciaudone the flexibility of the placement of the additive alternates and if there was an argument for waiting to complete the project. She said that the bid award should include the alternates, but that the placement could be determined later and that she was unaware of any argument for waiting to complete the project.

Engineer Ryan then discussed sand relocation permits by reach as requested at the last meeting. We received 281 applications in 2024 and 210 in 2025. This season so far, we have received 44 applications in Reach 1, 31 in Reach 2, and very few in Reaches 3 North, 3 South, and 4. Applications are being submitted earlier than usual, likely due to holiday rentals.

He also expressed concern about potential FEMA changes that could affect future funding for beach nourishment projects. He noted that FEMA might quadruple threshold requirements and possibly eliminate category G (recreational facilities), which would impact future funding for beach restoration. Previously, the town had benefited from approximately $28 million in FEMA funding for the 2019 and 2022 projects.

Mayor Cahoon emphasized that much of the town's efforts are geared towards preserving infrastructure and homes rather than solely for recreational purposes. He mentioned the importance of possibly defending against these changes in Washington, D.C., to ensure the town's continued capability to claim and receive necessary funding.

<u>Discussion/Presentation of Funding Options for the Town's 2026/2027 Beach Nourishment Project</u>
Deputy Town Manager/Finance Officer Amy Miller introduced this item. The summary sheet read in part as follows:
"The bid results of the next beach nourishment project were presented at the December 3, 2025 board meeting. For reference, these results were attached to a previous memorandum from the town's engineer, Moffatt and Nichol. At the upcoming meeting, the board will consider the timing of the next project and whether the town wishes to place additional sand on the beach above the base bid quantity.

'The town uses a consultant, DEC Associates, to assist with developing our financial strategy for beach nourishment. They also assist with procuring financing for our projects through the use of special obligation bonds. At the upcoming meeting, Andrew Carter with DEC Associates, will present a financial model to show the board scenarios that could be used to fund the next project. The model includes our revenue sources (dedicated townwide beach nourishment tax, municipal service district taxes, occupancy tax, sales tax), the actual project costs based on the recent bid results, cash reserves which can be applied to the project, and financing scenarios. Currently, the townwide beach nourishment tax is 2¢, generating $1 million annually. MSD's 1 and 2 are taxed at 9¢ and generate $1.5 million annually. MSD 3 is taxed at .5¢ and generates $82,000 annually, and MSD 4 is taxed at 1¢ and generates $111,000 annually. Including $665,000 of restricted sales tax generated from the MSD's, we anticipate generating $3.367 million from these revenue sources this year (FY 2025/26).

Tax	Fiscal Year 2025-26 Adopted Tax Rate	Valuation	One penny	Revenue generated at 99.75% collection rate
Town-wide beach nourishment	2¢	$5,014,663,053	$501,466	$1,000,425
MSD 1	9¢	$ 898,141,456	$89,814	$806,305
MSD 2	9¢	$ 781,486,500	$78,149	$701,583
MSD 3	.5¢	$1,650,566,461	$165,057	$82,529
MSD 4	1¢	$1,122,666,244	$112,267	$111,986
Restricted sales tax from MSD	n/a	n/a	n/a	$664,589

'The upcoming exercise will allow the board to understand if we are currently raising enough revenue to fund the next project or if we will need additional revenue through tax rate increases to support project financing. The model will also help us understand financial projections for future projects. If tax rate increases are necessary, combinations of adjustments to the MSD rates and the townwide rate can be considered by the board. Attached is a map which shows the boundaries of our MSDs. The town adopted an ordinance when the most recent MSDs were created. This is also attached. The ordinance provides the justification for the MSDs and describes what the funds can be used for. A page on the town's website also helps understand how projects are funded https://www.nagsheadnc.gov/1044/Beach-Nourishment-FinancingTaxes. How the town distributes the burden for paying for these projects is a policy question to be answered by the board. If the board wants to move forward with a project for 2026, any additional revenue needed would need to be considered during the FY 2026/27 budget process.

'DEC Associates will be presenting options to fund the town's next beach nourishment project. Consideration will be given to how much will be used from beach nourishment fund balance, how much will be financed, and whether any additional revenue would be required for debt payments. We will present a funding model in real time to illustrate different scenarios for structuring debt service on the project. This will take into account different funding sources and expenditures, while maintaining the coverage rate required by lending institutions on our debt service. The funding model will also project beach nourishment fund balances throughout the life of this project and future projects. Occupancy tax will be the revenue source pledged for the special obligation bond debt.

'Staff would request board guidance on the timing of the town's next beach nourishment project and a preferred funding strategy. This will be used to prepare documents for approval at the board's January 7, 2026 regular meeting."

Deputy Town Manager/Finance Officer Amy Miller introduced Andrew Carter from DEC Associates, the town's financial advisor who has been with us for all of our beach nourishment projects. Miller explained they were planning for a worst-case scenario with a 5% interest rate.

Mr. Carter presented his report slides, which are attached to and made a part of these minutes as shown in Addendum "B".

He highlighted that the project is focused on shoreline protection, which is aimed at defending town infrastructure such as roads and utilities rather than just providing a recreational beach, which would have a different dune profile.

Funding options presented for the beach nourishment project:

- The town has about $14 million in the beach nourishment fund that could be leveraged to reduce borrowing costs.
- Dare County would contribute approximately $13 million to the project.
- No grants or FEMA funds were currently identified for this project.
- The town would need to borrow approximately $11-12.5 million.
- Annual revenues coming into the beach nourishment fund are approximately $3.3 million.
- For special obligation bonds (SOBs), banks prefer a coverage factor of 1.2 times the debt service payment.
- The occupancy tax would be pledged as collateral for the SOBs but the repayment would come from Townwide BN Tax, MSDs, and restricted sales tax.
- Three funding scenarios were presented, with varying amounts of fund balance use and potential tax implications.
    - A Model uses 13 million
    - B Model uses 13.5 million
    - C Model uses 13.5 million and look at raising MSD tax in FY27

Carter noted that the town's fund balance would likely be around $5-8 million by the time of the next project after this one, which was less than the current $14 million position. He suggested the Board consider the health of the fund balance not just for this project but for future projects, especially given uncertainty about FEMA funding.

Mayor Cahoon thanked both of today's presenters for clear presentations on complex topics that explained what the Town has to do and how they can pay for it. He noted that project costs are unlikely to decrease due to inflation and emphasized the importance of planning conservatively, with particular focus on future projects rather than only the current one. He went on to acknowledge that the Town is currently in a strong financial position due to prudent financial management, but future projects are expected to be more expensive. Concerns were raised about risks associated with storms, uncertainty around FEMA and federal assistance, and increasing financial pressure on Dare County related to infrastructure needs, including NC 12 along Hatteras Island.

Board members expressed support for continuing Nags Head's historically conservative, forward-looking financial approach, with key decisions to be addressed during the upcoming budget process.

A clarification was provided regarding debt repayment: occupancy tax revenues are pledged as collateral but are not the primary source of annual debt payments. Occupancy tax would only be triggered if the Town failed to appropriate funds to pay debt service, and rolling averages are used rather than annual tests.

Further discussion addressed how maintaining stronger financial coverage ratios improves the Town's credit posture and helps secure more favorable interest rates. Staff explained that upcoming months will involve additional decisions on project scope, not-to-exceed costs, and financing parameters, with continued Board involvement anticipated through spring.

Board members concluded by reiterating appreciation for the presentations and emphasizing the importance of "staying the course" on long-term financial planning and future infrastructure needs.

Manager Garman stated that it was originally anticipated that the local agreement with Dare County and the project ordinance would be approved in January; however, it was noted that approval could be delayed until February without jeopardizing the overall project timeline. He recommended allowing this additional time in order to work through remaining details, including final cost numbers from the county and other outstanding items being addressed by staff, and indicated that no negative impacts are expected from the delay. It was also clarified that the town has continued to increase its financial commitment to the project. In the most recent budget adoption, the town did not implement a revenue-neutral tax rate for beach nourishment and instead expanded its revenue capacity, adding approximately $250,000 annually through the town-wide tax. This reflects continued financial participation by the town, and it was noted that if further funding is required in the future, the next potential source would likely be the Municipal Service Districts, particularly MSDs 3 and 4, which were established in 2021.

Mayor Cahoon moved to authorize the Town Manager to issue a notice of intent to award the 2026 Beach Nourishment Project to Weeks Marine for the base bid of $34,934,100 and add alternates 1A and 2A at $965,000 each for a total of $36,864,100. Mayor Pro Tem Lambert seconded, which passed unanimously.

ITEMS REFERRED TO AND PRESENTATIONS FROM TOWN ATTORNEY
Attorney Leidy requested a Closed Session be added to the January 7, 2026 agenda to discuss potential legal issues that could occur during beach nourishment.

ITEMS REFERRED TO AND PRESENTATIONS FROM TOWN MANAGER
Town Manager Garman announced the Board Retreat dates of February 26–27, 2026. He noted that the facilitator would be following up with each Board member individually and a proposed agenda would be forthcoming.

BOARD OF COMMISSIONERS AGENDA
Mayor Pro Tem Lambert – Wished everyone a Merry Christmas and gave a special thank you to town staff that are working the holidays.

Comr. Harrison – Praised the town’s festive appearance and thanked everyone involved in making it possible.

MAYOR’S AGENDA
Mayor Cahoon invited everyone to attend the Candy Cane Hunt tonight at 5:00 p.m. at Dowdy Park.

ADJOURNMENT
MOTION: Comr. Harrison moved to adjourn. The motion was seconded by Comr. Vaughan, which passed unanimously. The time was 10:27 a.m.

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Brittany A. Phillips, Town Clerk

Date Approved: January 7, 2026

Mayor: ______________________________
Benjamin Cahoon