

# CAROLINA BEACH

Town Council Regular Meeting

Tuesday, April 11, 2023 – 6:00 PM

Council Chambers, 1121 N. Lake Park Boulevard, Carolina Beach, NC



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## AGENDA

### CALL TO ORDER

INVOCATION GIVEN BY JEN NAU OF LIFEPOINT CHURCH, FOLLOWED BY THE PLEDGE OF ALLEGIANCE

### ADOPT THE AGENDA

### CONSENT AGENDA

- [1.](#) Amend Capital Project Budget for Saint Joseph Bike/Ped Project
- [2.](#) Set a Public Hearing for May 9, 2023, to amend Chapter 40, Art. XVIII. - Definitions. To Amend the Definition of Gross Floor Area, Outdoor. Applicant: Town of Carolina Beach
- [3.](#) Adopt General Compliance Policies for the American Rescue Plan
- [4.](#) Budget Amendments/Transfers
- [5.](#) Resolution Requesting coverage of Building Inspections and Plan Review by New Hanover County
- [6.](#) Notification of Expiring Committee Terms
- [7.](#) Approval of Council Meeting Minutes

### SPECIAL PRESENTATIONS

- [8.](#) Events Update by Tim Murphy
- [9.](#) Update from the Friends of Carolina Beach Parks and Greenways
- [10.](#) Manager's Update

### PUBLIC COMMENT

*Public Comment allows the public the opportunity to address Town Council. Please direct your comments to Council only. Speakers should restrict comments to no more than three minutes. Items or questions presented during this time will not be discussed by Council. However, the topic may be deferred to Town staff or a Town committee for follow-up. Please be sure to state your name and address, and speak directly into the microphone for those watching online.*

## **PUBLIC HEARINGS**

- [11.](#) Presentation of System Development Fees Study
- [12.](#) Text Amendment to amend Chapter 40, Art. III. – Zoning District Regulations, Art. IX. – Development Standards for Particular Uses, and Art. XVII. – Definitions to create standards for Wine Shops and Beer Shops in Neighborhood Business. Applicant: Maxwell Sussman
- [13.](#) Public Hearing to Receive Public Input on the 2023/2024 Budget

## **ITEMS OF BUSINESS**

- [14.](#) Text Amendment to amend Chapter 28, Article I. – In General, to allow for more non-motorized vending carts on the municipal beach strand.  
Applicant: Town of Carolina Beach

## **COUNCIL COMMENTS**

## **CLOSED SESSION**

- [15.](#) Closed Session – Real Estate and Personnel

## **ADJOURNMENT**



# AGENDA ITEM COVERSHEET

**PREPARED BY:** Debbie Hall, Finance Director

**DEPARTMENT:** Finance

**MEETING:** Town Council – 4/11/2023

**SUBJECT:** Amend Capital Project Budget for Saint Joseph Bike Ped Project

**BACKGROUND:**

This ordinance will correct the Saint Joseph Bike Ped budget established with Ordinance 22-1175 on May 10<sup>th</sup>, 2022. The NCDOT portion should have been \$457,777 instead of \$343,332 for a total project budget of \$572,222.

NCDOT 80% -	\$ 457,777
Match 20% -	<u>\$ 114,445</u>
<b>Total</b>	<b>\$ 572,222</b>

**ACTION REQUESTED:**

Approval of Ordinance No. 23-1200

**ORDINANCE NO. 23-1200**

**AN ORDINANCE TO AMEND THE GENERAL FUND BUDGET CREATING A CAPITAL PROJECT ORDINANCE FOR THE ST JOSEPH/LEWIS DRIVE BIKE & PED PROJECT**

Town Council of the Town of Carolina Beach, North Carolina, doth ordain:

**SECTION ONE:**

That the Fiscal Year 2022-2023 Budget for the Town of Carolina Beach is hereby amended to include the expenditures associated with St Joseph/Lewis Dr Bike Ped Project by adopting the following General Fund Capital Project Ordinance:

<u>Account Code</u>	<u>Description</u>	<u>Previous</u>	<u>Amended</u>	<u>Changed</u>
41-410-074	Capital Over \$10,000	+\$ 457,777	+ \$ 572,222	+ \$114,445
<b>TOTAL</b>			<b>\$ <u>572,222</u></b>	

**SECTION TWO:**

That the Fiscal Year 2022-2023 Budget for the Town of Carolina Beach is hereby amended to include the revenues associated with St Joseph/Lewis Dr Bike Ped Project by adopting the following General Fund Capital Project Ordinance:

<u>Account Code</u>	<u>Description</u>	<u>Previous</u>	<u>Amended</u>	<u>Changed</u>
41-350-000	General Fund (20%)	+\$114,445	+ \$ 114,445	
41-396-000	NCDOT Grant (80%)	+\$343,332	+ \$ <u>457,777</u>	+ \$114,445
<b>TOTAL</b>			<b>\$ <u>572,222</u></b>	

**SECTION THREE:**

A copy of this Ordinance shall be furnished to the Finance Officer for direction in disbursement of Town funds and for public inspection.

Duly adopted this 11<sup>th</sup> day of April 2023

ATTEST:

\_\_\_\_\_  
Albert L Barbee, Mayor

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Kimberlee Ward, Town Clerk



- Design
- Environmental Documentation
- Construction

as further set forth in this Agreement.

### 3. FUNDING

#### PROGRAMMING AND AUTHORIZATION OF FEDERAL FUNDS

The funding currently programmed for the project in the State Transportation Improvement Program (STIP) is STBG-DA. The funding source may be modified with the coordination and approval of the respective Metropolitan Planning Organization (MPO) and/or the Department prior to authorization of funds. The Department will authorize and reimburse federal funding based on the type of federal funding that is programmed in the STIP at the time of the authorization request. The Department will notify the Municipality of the type of federal funds authorized by issuing a Technical Amendment – Funds Authorization letter. A modification in the source of funds will have no effect on project responsibilities outlined in this agreement.

#### REIMBURSEMENT FOR ELIGIBLE ACTIVITIES

Subject to compliance by the Municipality with the provisions set forth in this Agreement and the availability of federal funds, the Department shall reimburse (80%) of eligible expenses incurred by the Municipality up to a maximum amount of Four Hundred Fifty Seven Thousand Seven Hundred Seventy Seven Dollars (\$457,777), as detailed below. The Municipality shall provide the non-federal match, as detailed in the FUNDING TABLE below, and all costs that exceed the total estimated cost.

#### FUNDING TABLE

Fund Source	Federal Funds Amount	Reimbursement Rate	Non-Federal Match \$	Non-Federal Match Rate
STBG-DA	\$457,777	80%	\$114,445	20%
<b>Total Estimated Cost</b>			<b>\$572,222</b>	

#### WORK PERFORMED BY NCDOT

All work performed by the Department on this Project, including, but not limited to, reviews, inspections, and Project oversight, during any phase of the delivery of the Project, shall reduce



## AGENDA ITEM COVERSHEET

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**PREPARED BY:** Gloria Abbotts, Sr Planner

**DEPARTMENT:** Planning

**MEETING:** Town Council 4/11/2023

**SUBJECT:** Set a public hearing for May 9<sup>th</sup>, 2023, to amend Chapter 40, Art. XVIII. - Definitions. to amend the definition of Gross floor area, outdoor.

Applicant: Town of Carolina Beach

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**BACKGROUND:**

**ACTION REQUESTED:**

Adopt the consent agenda.

**RECOMMENDED MOTION:**



## AGENDA ITEM COVERSHEET

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**PREPARED BY:** Debbie Hall, Finance Director

**DEPARTMENT:** Finance

**MEETING:** Town Council – 4/11/2023

**SUBJECT:** Adopt General Compliance Policies for the American Rescue Plan

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### **BACKGROUND:**

Recipients of funds from the American Rescue Plan Act of 2021 are required to adopt and implement written general compliance policies and financial internal controls. The required documents are listed below:

Resolution 23-2280 – Record Retention Policy  
Resolution 23-2281 – Eligible Use Policy  
Resolution 23-2282 – Allowable Cost Policy  
Resolution 23-2283 – Conflict of Interest Policy  
Internal Controls Policy

### **ACTION REQUESTED:**

Approval of the policies listed above.

## RESOLUTION 23-2281

### ELIGIBLE USE POLICY FOR THE EXPENDITURE OF AMERICAN RESCUE PLAN ACT OF 2021 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS BY TOWN OF CAROLINA BEACH

**WHEREAS** the Town of Carolina Beach, has received an allocation of funds from the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF); and

**WHEREAS** US Treasury is responsible for implementing ARP/CSLFRF and has enacted a Final Rule outlining eligible projects; and

**WHEREAS** the funds may be used for projects within these categories, to the extent authorized by state law.

1. Support COVID-19 public health expenditures, by funding COVID-19 mitigation and prevention efforts, medical expenses, behavioral healthcare, preventing and responding to violence, and certain public health and safety staff;
2. Address negative economic impacts caused by the public health emergency, including economic harms to households, small businesses, non-profits, impacted industries, and the public sector;
3. Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
4. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
5. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet; and

**WHEREAS** the ARP/CSLFRF are subject to the provisions of the federal Uniform Grant Guidance, 2 CFR Part 200 (UG), as provided in the [Assistance Listing](#); and

**WHEREAS** US Treasury has issued a [Compliance and Reporting Guidance v.4.1 \(June 17, 2022\)](#) dictating implementation of the ARP/CSLFRF award terms and compliance requirements; and

**WHEREAS** the Compliance and Reporting Guidance states on page 6 that

Per 2 CFR Part 200.303, your organization must develop and implement effective internal controls to ensure that funding decisions under the SLFRF award constitute eligible uses of funds, and document determinations.

**BE IT RESOLVED** that the Town of Carolina Beach hereby adopts and enacts the following Eligibility Determination Policy for ARP/CSLFRF funds.

Duly adopted this 11th day of April, 2023

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Albert L. Barbee, Mayor

ATTEST:

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Kimberlee Ward, Town Clerk

Eligibility Determination Policy for American Rescue Plan Act of 2021  
Coronavirus State and Local Fiscal Recovery Funds

This policy defines the permissible and prohibited uses of the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF) funds. It also outlines the procedures for determining how Town of Carolina Beach will spend its ARP/CSLFRF funds.

#### I. PERMISSIBLE USES OF ARP/CSLFRF FUNDING

US Treasury issued its **Final Rule** regarding use of ARP funds on January 6, 2022. (The Final Rule is effective as of April 1, 2022. Until that date, a local government may proceed under the regulation promulgated by US Department of the Treasury in its **Interim Final Rule** or the Final Rule.) The Final Rule (and the Interim Final Rule) identify permissible uses of ARP/CSLFRF funds and certain limitations and process requirements. Local governments must allocate ARP/CSLFRF funds no later than December 31, 2024 and disburse all funding no later than December 31, 2026. Failure of an entity to expend all funds by December 31, 2026 will result in forfeiture of ARP funds.

ARP/CSLFRF funds may be used for projects within the following categories of expenditures:

1. Support COVID-19 public health expenditures, by funding COVID-19 mitigation and prevention efforts, medical expenses, behavioral healthcare, preventing and responding to violence, and certain public health and safety staff;
2. Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, non-profits, impacted industries, and the public sector;
3. Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
4. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and
5. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet; and

#### II. PROHIBITED USES OF ARPA FUNDING

The ARP/CSLFRF and US Treasury's Final Rule prohibit certain uses of ARP/CSLFRF funds. Specifically, ARP/CSLFRF funds may not be used for projects within the following categories of expenditures:

1. To make a deposit into a pension fund that constitutes an extraordinary payment of an accrued, unfunded liability (Note that routine contributions as part of a payroll obligation for an eligible project are allowed.);
2. To borrow money or make debt service payments;
3. To replenish rainy day funds or fund other financial reserves;
4. To satisfy an obligation arising from a settlement agreement, judgment, consent decree, or judicially confirmed debt restricting in a judicial, administrative, or regulatory proceeding (There is an exception to this prohibition if the settlement or judgment requires the Town of Carolina Beach to provide services to respond to the COVID-19 public health emergency or its negative economic impacts or to provide government services, then the costs of those otherwise ARP/CSLFRF-eligible projects are allowed.);
5. For a project that includes a term or condition that undermines efforts to stop the spread of COVID-19 or discourages compliance with recommendations and guidelines in CDC guidance for stopping the spread of COVID-19;
6. In violation of the conflict-of-interest requirements imposed by the award terms and 2 CFR 200.318(c).
7. For any expenditure that would violate other applicable federal, state, and local laws and regulations.

The Town of Carolina Beach, and any of its contractors or subrecipients, may not expend any ARP/CSLFRF funds for these purposes.

### III. PROCEDURES FOR PROJECT APPROVAL

The following are procedures for ARP/CSLFRF project approvals. All Town of Carolina Beach employees and officials must comply with these requirements.

1. Requests for ARP/CSLFRF funding, must be made in writing and include all the following:
  - a. Brief description of the project
  - b. Identification of ARP/CSLFRF Expenditure Category (EC) (A list of ECs in in the Appendix to the US Treasury Compliance and Reporting Guidance.)
  - c. Required justifications for applicable projects, according to the requirements in the Final Rule. Employees or any applicant seeking ARP funding should review the Final Rule and Final Rule Overview prior to submitting a proposal.
  - d. Proposed budget, broken down by cost item, in accordance with the Town of Carolina Beach's Allowable Cost Policy.
  - e. A project implementation plan and estimated implementation timeline (All ARP/CSLFRF funds must be fully obligated by December 31, 2024, and fully expended by December 31, 2026.)
2. Requests for funding must be submitted to the Town Manager for approval. All requests will be reviewed by the Project Manager for ARP/CSLFRF compliance and by the Finance Director for allowable costs and other financial review.

3. No ARP/CSLFRF may be obligated or expended before final written approval by the Finance Director who will determine if board approval or budget amendments will be required.
4. If a proposal does not meet the required criteria, it will be returned to the requesting party for revision and resubmittal.
5. Following approval, employees responsible for implementing the project must conform actual obligations and expenditures to the pre-approved project budget. Changes in project budgets must be approved by the Town Manager and may require a budget amendment before proceeding. Any delay in the projected project completion date shall be communicated to the Project Manager immediately.
6. The Finance Director must collect and document required information for each EC, for purposes of completing the required Project and Expenditure reports.
7. The Finance Director must maintain written project requests and approvals, all supporting documentation, and financial information at least until December 31, 2031.



## RESOLUTION 23-2282

### RESOLUTION FOR ALLOWABLE COSTS AND COST PRINCIPLES FOR EXPENDITURE OF AMERICAN RESCUE PLAN ACT CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS BY NORTH CAROLINA LOCAL GOVERNMENTS

**WHEREAS** the Town of Carolina Beach, has received an allocation of funds from the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF); and

**WHEREAS** the funds may be used for projects within these categories, to the extent authorized by state law.

1. Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
2. Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
3. Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
4. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
5. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet; and

**WHEREAS** the ARP/CSLFRF are subject to the provisions of the federal Uniform Grant Guidance, 2 CFR Sect. 200 (UG), as provided in the Assistance Listing; and

**WHEREAS** the Compliance and Reporting Guidance for the State and Local Fiscal Recovery Funds provides, in relevant part:

**Allowable Costs/Cost Principles.** As outlined in the Uniform Guidance at 2 CFR Part 200, Subpart E regarding Cost Principles, allowable costs are based on the premise that a recipient is responsible for the effective administration of Federal awards, application of sound management practices, and administration of Federal funds in a manner consistent with the program objectives and terms and conditions of the award. Recipients must implement robust internal controls and effective monitoring to ensure compliance with the Cost Principles, which are important for building trust and accountability.

[ARP/CSLFRF] Funds may be, but are not required to be, used along with other funding sources for a given project. Note that [ARP/CSLFRF] Funds may not be used for a non-Federal cost share or match where prohibited by other Federal programs, e.g., funds may not be used for the State share for Medicaid.

Treasury's Interim Final Rule and guidance and the Uniform Guidance outline the types of costs that are allowable, including certain audit costs. For example, per 2 CFR 200.425, a reasonably proportionate share of the costs of audits required by the Single Audit Act Amendments of 1996 are allowable; however, costs for audits that were not performed in accordance with 2 CFR Part 200, Subpart F are not allowable. Please see 2 CFR Part 200, Subpart E regarding the Cost Principles for more information.

- a. Administrative costs: Recipients may use funds for administering the SLFRF program, including costs of consultants to support effective management and oversight, including consultation for ensuring compliance with legal, regulatory, and other requirements. Further, costs must be reasonable and allocable as outlined in 2 CFR 200.404 and 2 CFR 200.405. Pursuant to the [ARP/CSLFRF] Award Terms and Conditions, recipients are permitted to charge both direct and indirect costs to their SLFRF award as administrative costs. Direct costs are those that are identified specifically as costs of implementing the [ARP/CSLFRF] program objectives, such as contract support, materials, and supplies for a project. Indirect costs are general overhead costs of an organization where a portion of such costs are allocable to the [ARP/CSLFRF] award such as the cost of facilities or administrative functions like a director's office. Each category of cost should be treated consistently in like circumstances as direct or indirect, and recipients may not charge the same administrative costs to both direct and indirect cost categories, or to other programs. If a recipient has a current Negotiated Indirect Costs Rate Agreement (NICRA) established with a Federal cognizant agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals, then the recipient may use its current NICRA. Alternatively, if the recipient does not have a NICRA, the recipient may elect to use the de minimis rate of 10 percent of the modified total direct costs pursuant to 2 CFR 200.414(f).
- b. Salaries and Expenses: In general, certain employees' wages, salaries, and covered benefits are an eligible use of [ARP/CSLFRF] award funds; and

**WHEREAS** Subpart E of the UG dictates allowable costs and cost principles for expenditure of ARP/CSLFRF funds; and

**WHEREAS** Subpart E of the UG (specifically, 200.400) states that:

The application of these cost principles is based on the fundamental premises that:

- (a) The non-Federal entity is responsible for the efficient and effective administration of the Federal award through the application of sound management practices.
- (b) The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.
- (c) The non-Federal entity, in recognition of its own unique combination of staff, facilities, and experience, has the primary responsibility for employing whatever form of sound organization and management techniques may be necessary in order to assure proper and efficient administration of the Federal award.
- (d) The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity. However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to the Federal award.
- (e) In reviewing, negotiating and approving cost allocation plans or indirect cost proposals, the cognizant agency for indirect costs should generally assure that the non-Federal entity is applying these cost accounting principles on a consistent basis during their review and negotiation of indirect cost proposals. Where wide variations exist in the treatment of a given cost item by the non-Federal entity, the reasonableness and equity of such treatments should be fully considered.
- (f) For non-Federal entities that educate and engage students in research, the dual role of students as both trainees and employees (including pre- and post-doctoral staff) contributing to the completion of Federal awards for research must be recognized in the application of these principles.
- (g) The non-Federal entity may not earn or keep any profit resulting from Federal financial assistance, unless explicitly authorized by the terms and conditions of the Federal award;

**BE IT RESOLVED** that the governing board of Town of Carolina Beach hereby adopts and enacts the following US Cost Principles Policy for the expenditure of ARP/CSLFRF funds.

Duly adopted this 11th day of April, 2023

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Albert L. Barbee, Mayor

ATTEST:

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Kimberlee Ward, Town Clerk

## ALLOWABLE COSTS AND COSTS PRINCIPLES POLICY

### OVERVIEW

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, commonly called Uniform Guidance (UG), specifically Subpart E, defines those items of cost that are allowable, and which are unallowable. The tests of allowability under these principles are: (a) the costs must be reasonable; (b) they must be allocable to eligible projects under the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF); (c) they must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (d) they must conform to any limitations or exclusions set forth in these principles or in the ARP/CSLFRF grant award as to types or amounts of cost items. Unallowable items fall into two categories: expenses which are by their nature unallowable (e.g., alcohol), and unallowable activities (e.g., fund raising).

Town of Carolina Beach shall adhere to all applicable cost principles governing the use of federal grants. This policy addresses the proper classification of both direct and indirect charges to ARP/CSLFRF funded projects and enacts procedures to ensure that proposed and actual expenditures are consistent with the ARP/CSLFRF grant award terms and all applicable federal regulations in the UG.

Responsibility for following these guidelines lies with the Town Manager, Finance Director and Project Manager who are charged with the administration and financial oversight of the ARP/CSLFRF. Further, all local government employees and officials who are involved in obligating, administering, expending, or monitoring ARP/CSLFRF grant funded projects should be well versed with the categories of costs that are generally allowable and unallowable. Questions on the allowability of costs should be directed to the Project Manager. As questions on allowability of certain costs may require interpretation and judgment, local government personnel are encouraged to ask for assistance in making those determinations.

### GENERAL COST ALLOWABILITY CRITERIA

All costs expended using ARP/CSLFRF funds must meet the following general criteria:

**1. Be necessary and reasonable for the proper and efficient performance and administration of the grant program.**

A cost must be *necessary* to achieve a project object. When determining whether a cost is necessary, consideration may be given to:

- Whether the cost is needed for the proper and efficient performance of the grant project.
- Whether the cost is identified in the approved project budget or application.
- Whether the cost aligns with identified needs based on results and findings from a needs assessment.

- Whether the cost addresses project goals and objectives and is based on program data.

A cost is *reasonable* if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. For example, reasonable means that sound business practices were followed, and purchases were comparable to market prices. When determining reasonableness of a cost, consideration must be given to:

- Whether the cost is a type generally recognized as ordinary and necessary for the operation of the Town of Carolina Beach or the proper and efficient performance of the federal award.
- The restraints or requirements imposed by factors, such as: sound business practices; arm's-length bargaining; federal, state, and other laws and regulations; and terms and conditions of the ARP/CSLFRF award.
- Market prices for comparable goods or services for the geographic area.
- Whether individuals concerned acted with prudence in the circumstances considering their responsibilities to Town of Carolina Beach, its employees, the public at large, and the federal government.
- Whether Town of Carolina Beach significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the ARP/CSLFRF award's cost.

- 2. Be allocable to the ARP/CSLFRF federal award.** A cost is allocable to the ARP/CSLFRF award if the goods or services involved are chargeable or assignable to the ARP/CSLFRF award in accordance with the relative benefit received. This means that the ARP/CSLFRF grant program derived a benefit in proportion to the funds charged to the program. *For example, if 50 percent of a local government program officer's salary is paid with grant funds, then the local government must document that the program officer spent at least 50 percent of his/her time on the grant program.*

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized by the ARP/CSLFRF, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required.

- 3. Be authorized and not prohibited under state or local laws or regulations.**

4. **Conform to any limitations or exclusions set forth in the principles, federal laws, ARP/CSLFRF award terms, and other governing regulations as to types or amounts of cost items.**
5. **Be consistent with policies, regulations, and procedures that apply uniformly to both the ARP/CSLFRF federal award and other activities of Town of Carolina Beach.**
6. **Be accorded consistent treatment.** A cost MAY NOT be assigned to a federal award as a direct cost and also be charged to a federal award as an indirect cost. And a cost must be treated consistently for both federal award and non-federal award expenditures.
7. **Be determined in accordance with generally accepted accounting principles (GAAP), unless provided otherwise in the UGG.**
8. **Be net of all applicable credits.** The term “applicable credits” refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to and received by the local government related to the federal award, they shall be credited to the ARP/CSLFRF award, either as a cost reduction or a cash refund, as appropriate and consistent with the award terms.
9. **Be adequately documented.**

## **DIRECT AND INDIRECT COSTS**

Allowable and allocable costs must be appropriately classified as direct or indirect charges. It is essential that each item of cost be treated consistently in like circumstances either as a direct or an indirect cost.

*Direct costs* are expenses that are specifically associated with a particular ARP/CSLFRF-eligible project and that can be directly assigned to such activities relatively easily with a high degree of accuracy. Common examples of direct costs include salary and fringe benefits of personnel directly involved in undertaking an eligible project, equipment and supplies for the project, subcontracted service provider, or other materials consumed or expended in the performance of a grant-eligible project.

*Indirect costs* are (1) costs incurred for a common or joint purpose benefitting more than one ARP/CSLFRF-eligible project, and (2) not readily assignable to the project specifically benefited, without effort disproportionate to the results achieved. They are expenses that benefit more than one project or even more than one federal grant. Common examples of indirect costs include utilities, local telephone charges, shared office supplies, administrative or secretarial salaries.

For indirect costs, the Town of Bolivia may charge a 10 percent de minimis rate of modified total direct costs (MTDC). According to UGG Section 200.68 MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up

to the first \$25,000 of each subaward regardless of the period of performance the subawards under the award). MTDC EXCLUDES equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000.

## **COST ALLOWABILITY REVIEW PROCESS**

### **PREAPPROVAL COST ALLOWABILITY REVIEW**

Before an ARP/CSLFRF-funded project is authorized, the Project Manager must review the proposed cost items within an estimated project budget to determine whether they are allowable and allocable and whether cost items will be charged as direct or indirect expenses. This review will occur concurrently with the review of project eligibility and *before* obligating or expending any ARP/CSLFRF funds.

- Local government personnel must submit proposed ARP/CSLFRF projects to the Town Manager for review. In addition to other required information, all proposed project submissions must delineate estimated costs by cost item.
- Along with a general review of project eligibility and conformance with other governing board management directives, if required, the Project Manager must review estimated costs for specific allowable cost requirements, budget parameters, indirect rates, fringe benefit rates, and those activities/costs that require pre-approval by the US Treasury.
- If a proposed project includes a request for an unallowable cost, the Project Manager will return the proposal to the requesting party for review and, if practicable, resubmission with corrected cost items.
- Once a proposed project budget is pre-approved by Town Council, the local government personnel responsible for implementing the project must conform actual obligations and expenditures to the pre-approved project budget.

### **POST-EXPENDITURE COST ALLOWABILITY REVIEW**

Once an expenditure is incurred related to an eligible project, and an invoice or other demand for payment is submitted to the local government, the Finance Director must perform a second review to ensure that actual expenditures comprise allowable costs.

- All invoices or other demands for payment must include a breakdown by cost item. The cost items should mirror those presented in the proposed budget for the project. If an invoice or other demand for payment does not include a breakdown by cost item, the Finance Director will return the invoice to the project manager and/or vendor, contractor, or subrecipient for correction.

- The Project Manager must review the individual cost items listed on the invoice or other demand for payment to determine their allowability and allocability.
- If all cost items are deemed allowable and properly allocable, the Finance Director must proceed through the local government's normal disbursement process.
- If any cost item is deemed unallowable, the Finance Director will notify the project management and/or vendor, contractor, or subrecipient that a portion of the invoice or other demand for payment will not be paid with ARP/CSLFRF funds. The Finance Director may in their discretion, and consistent with this policy, allow an invoice or other demand for payment to be resubmitted with a revised cost allocation. If the local government remains legally obligated by contract or otherwise to pay the disallowed cost item, it must identify other local government funds to cover the disbursement. Town of Carolina Beach's governing board must approve any allocation of other funds for this purpose.
- The Finance Department must retain appropriate documentation of budgeted cost items per project and actual obligations and expenditures of cost items per project.

### **COST TRANSFERS**

Any costs charged to the ARP/CSLFRF federal award that do not meet the allowable cost criteria must be removed from the award account and charged to an account that does not require adherence to federal UGG or other applicable guidelines.

Failure to adequately follow this policy and related procedures could result in questioned costs, audit findings, potential repayment of disallowed costs and discontinuance of funding.



**EXHIBIT A**

Selected Items of Cost	Uniform Guidance General Reference	Allowability
Advertising and public relations costs	2 CFR § 200.421	Allowable with restrictions
Advisory councils	2 CFR § 200.422	Allowable with restrictions
Alcoholic beverages	2 CFR § 200.423	Unallowable
Alumni/ae activities	2 CFR § 200.424	Not specifically addressed
Audit services	2 CFR § 200.425	Allowable with restrictions
Bad debts	2 CFR § 200.426	Unallowable
Bonding costs	2 CFR § 200.427	Allowable with restrictions
Collection of improper payments	2 CFR § 200.428	Allowable
Commencement and convocation costs	2 CFR § 200.429	Not specifically addressed
Compensation – personal services	2 CFR § 200.430	Allowable with restrictions; Special conditions apply (e.g., § 200.430(i)(5))
Compensation – fringe benefits	2 CFR § 200.431	Allowable with restrictions
Conferences	2 CFR § 200.432	Allowable with restrictions
Contingency provisions	2 CFR § 200.433	Unallowable with exceptions
Contributions and donations	2 CFR § 200.434	Unallowable (made by non-federal entity); not reimbursable but value may be used as cost sharing or matching (made to non-federal entity)
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent	2 CFR § 200.435	Allowable with restrictions

infringements		
Depreciation	2 CFR § 200.436	Allowable with qualifications
Employee health and welfare costs	2 CFR § 200.437	Allowable with restrictions
Entertainment costs	2 CFR § 200.438	Unallowable with exceptions
Equipment and other capital expenditures	2 CFR § 200.439	Allowability based on specific requirement
Exchange rates	2 CFR § 200.440	Allowable with restrictions
Fines, penalties, damages and other settlements	2 CFR § 200.441	Unallowable with exceptions
Fund raising and investment management costs	2 CFR § 200.442	Unallowable with exceptions
Gains and losses on disposition of depreciable assets	2 CFR § 200.443	Allowable with restrictions
General costs of government	2 CFR § 200.444	Unallowable with exceptions
Goods and services for personal use	2 CFR § 200.445	Unallowable (goods/services); allowable (housing) with restrictions
Idle facilities and idle capacity	2 CFR § 200.446	Idle facilities - unallowable with exceptions; Idle capacity - allowable with restrictions
Insurance and indemnification	2 CFR § 200.447	Allowable with restrictions
Intellectual property	2 CFR § 200.448	Allowable with restrictions
Interest	2 CFR § 200.449	Allowable with restrictions
Lobbying	2 CFR § 200.450	Unallowable
Losses on other awards or contracts	2 CFR § 200.451	Unallowable (however, they are required to be included in the indirect cost rate base for

		allocation of indirect costs)
Maintenance and repair costs	2 CFR § 200.452	Allowable with restrictions
Materials and supplies costs, including costs of computing devices	2 CFR § 200.453	Allowable with restrictions
Memberships, subscriptions, and professional activity costs	2 CFR § 200.454	Allowable with restrictions; unallowable for lobbying organizations
Organization costs	2 CFR § 200.455	Unallowable except federal prior approval
Participant support costs	2 CFR § 200.456	Allowable with prior approval of the federal awarding agency
Plant and security costs	2 CFR § 200.457	Allowable; capital expenditures are subject to § 200.439
Pre-award costs	2 CFR § 200.458	Allowable if consistent with other allowabilities and with prior approval of the federal awarding agency
Professional services costs	2 CFR § 200.459	Allowable with restrictions
Proposal costs	2 CFR § 200.460	Allowable with restrictions
Publication and printing costs	2 CFR § 200.461	Allowable with restrictions
Rearrangement and reconversion costs	2 CFR § 200.462	Allowable (ordinary and normal)
Recruiting costs	2 CFR § 200.463	Allowable with restrictions
Relocation costs of employees	2 CFR § 200.464	Allowable with restrictions
Rental costs of real property and equipment	2 CFR § 200.465	Allowable with restrictions
Scholarships and student aid costs	2 CFR § 200.466	Not specifically addressed
Selling and marketing costs	2 CFR § 200.467	Unallowable with exceptions

Specialized service facilities	2 CFR § 200.468	Allowable with restrictions
Student activity costs	2 CFR § 200.469	Unallowable unless specifically provided for in the federal award
Taxes (including Value Added Tax)	2 CFR § 200.470	Allowable with restrictions
Termination costs	2 CFR § 200.471	Allowable with restrictions
Training and education costs	2 CFR § 200.472	Allowable for employee development
Transportation costs	2 CFR § 200.473	Allowable with restrictions
Travel costs	2 CFR § 200.474	Allowable with restrictions
Trustees	2 CFR § 200.475	Not specifically addressed

## TOWN OF CAROLINA BEACH, NORTH CAROLINA INTERNAL CONTROLS

### CONTROL ENVIRONMENT

Individuals seeking employment with the Town must complete a Town employment application. Applications are obtained through a link on the Town's website and processed by NEGOV. The application includes the individual's name, address, education, employment history and experience. Completed applications are sent to the Human Resource Department, who performs a prescreening and ranks them in order based on the applicant meeting the job requirements. The ranking and applications are given to the hiring department for review by a committee. Applicants, selected for interview by the department committee, are contacted by HR Director. The department committee will inform HR Director which applicant they wish to hire. HR Director will prepare a conditional hiring letter for the applicant to review and accept. If required, the HR Department will schedule a drug test and background check. Department Head and HR Director will discuss the approved pay rate for the applicant based on pay ranges set by the Town for each department and job description. All new hires are reviewed and approved by the Town Manager. The Town pays for classes for employees to obtain or maintain job required certifications as well as other training opportunities. Performance of employees of the Town are evaluated annually by the Department Heads who submit evaluation forms to the HR Department. The HR Department and Town Manager will approve suggested Merit Increases that fall within the pay guidelines and budget of the Town.

### RISK ASSESSMENTS

Access to the Town's financial software is controlled by individual login names and passwords. It's against Town policy for anyone to share their password and violators will be written up. Access for the majority of the system users is limited to entering purchase orders and viewing reports. Finance department, Billing department and Human Resource department staff only have access to the functions required to perform their daily duties. The Finance Director is responsible for adding new users and assigning user rights.

### CONTROL ACTIVITIES

#### ***Cash - Bank Reconciliation:***

The Town has several accounts including Operating, Parking and Payroll Accounts with Truist; and Investment Accounts and Bond Account with North Carolina Capital Management Trust (NCCMT). On a monthly basis, Assistant Finance Director prepares the bank reconciliation for the payroll bank account, which is a ZBA account. Accounting Technician II prepares the bank reconciliation for the Operating, Investment and Revenue Bond Accounts. Finance Director reviews and approves the bank reconciliations. Each month the Investment Account statements

are used to prepare and post the journal entries for the monthly investment income and activity. The Town has several restricted cash amounts: Unspent Bond Funds (held in Bond Account) and Powell Bill Funds (held in the NCCMT Investment Account), with subledgers for the amounts used to reclass for financial statement presentation. Unspent American Rescue Plan Funds and State Grants are held in the NCCMT Investment Account until needed.

***Cash Receipts:***

Property taxes (collected by New Hanover County) and most intergovernmental taxes, etc. (collected by the State of North Carolina) are received as an ACH deposit. The Town receives a detailed listing which is used to correctly receipt funds into the General Ledger. The receptionist of the Town sorts the incoming mail, and all checks are given to the Billing Department for processing. There are two cashiers and a supervisor who receipt the various payments. Payment types include business registrations/licenses, permit fees, parking, and utility bills. The accounting software has payment codes which dictates how the receipts will be recorded in the General Ledger. At the end of the day, the cashier's drawers are closed, counted, and balanced for the day. The next day, Assistant Finance Director gets the drawers, verifies the count, and prepares a deposit slip. Assistant Finance Director will also compare the amounts to the close out report to ensure all receipts were posted to the correct general ledger account. The Town's police officers take the deposits to the bank (daily) and give the validated deposit slip back to Assistant Finance Director, which is entered into a cash summary excel spreadsheet. This spreadsheet, the validated deposit slip, and the close out reports are attached together and filed by month for future reference. The Accounting Technician II reviews the spreadsheet information on a daily basis and then again monthly when preparing the operating bank account reconciliation. The only receipts not processed by the Billing Department will be those funds collected by the Parking Department (parking permits, tickets and Freeman Park Passes). The Parking Department collects cash daily, prepares the deposits and makes the deposits. The cash reports from the Parking Department are given to the Assistant Finance Director for entry into the accounting system through the cash receipts process in the General Ledger. Monthly, the Utility Department performs readings on the customers' accounts, which are automatically read from cell towers located throughout the Town and transmitted to the Utility Department for processing. The accounts are read around the third week of the month. Utility bills are processed and emailed or mailed to the customers by the end of the month. These bills also include the fees for stormwater and trash collections for the month. Around the 15<sup>th</sup> of the following month, customers' bank accounts are drafted, and the ACH reports are given to the Billing Department for recording. The Town does have credit card payments through the website, which are processed by Invoice Cloud. The Billing Department imports the daily file from Invoice Cloud and posts to customer accounts.

***Cash Disbursements:***

All expenditures are approved by the Finance Director and Town Manager or their designees. The Town requires a purchase order for all disbursements over \$200. Each Department Head or their

assistant will enter the purchase information in the computer to generate a purchase order. Purchase Orders are pre-audited by the Finance Director who prints and sends them to the Town Manager for his approval. A pre-audit of the transaction means that the Finance Director has reviewed it for proper authorization and coding; ensured that the Town has enough funds to cover the disbursement; and confirmed that it complies with the budget as well as the laws and regulations of the State of North Carolina. Approved purchase orders are sent back to the department for the Department Head's signature and final processing with the vendor. Invoices that are under \$200 and do not require a PO are stamped received by the Assistant Finance Director and distributed to the various departments for review and approval. The departments submit approved PO's and all invoices to the Finance Director for approval. After approval, the Assistant Finance Director enters the invoices into the computer system for payment and matches them to the purchase orders in the system to clear the encumbrance. The Assistant Finance Director prints the checks. The Assistant Finance Director also prints a check register for the Finance Director's review and approval (this is considered a "pre-audit" of the checks). Each check requires two signatures, which are applied electronically; one for the Finance Director and one for the mayor (the Town Manager does not have the authority to sign checks). A detailed check register is emailed to all Council members for their review prior to checks being mailed. The Assistant Finance Director prepares the checks for mailing. A copy of the check is attached to the approved invoice and purchase order and filed by vendor for future reference if needed. The Accounting Technician II reviews the processed invoices and compares to the General Ledger posting to verify accuracy of data entry. She prepares correcting journal entries if errors are found.

***Human Resource/Payroll:***

HR Benefits Coordinator or HR Administrative Assistant will enter new employees into the payroll system. Employees are classified as either Salary or Hourly and are paid on a bi-weekly basis via direct deposit. All employees are required to prepare a weekly digital timesheet which is reviewed and approved by the Department Head. Approved timesheets are received by HR Benefits Coordinator and HR Administrative Assistant for entry or importation into the payroll system. The HR Benefits Coordinator or HR Administrative Assistant will prepare a pay register which is used to prepare a journal entry to record the payroll, taxes and benefits paid electronically. The journal entry is given to the Assistant Finance Director for review and posting to the General Ledger. HR Benefits Coordinator also prepares all necessary payroll reports such as 941's and year-end W-2's for HR Director's review and approval. The payroll system tracks each employee's vacation and sick leave, which is updated through the entry of the timesheets. HR Benefits Coordinator will print the accrued vacation and sick leave reports for year-end accrual entries. When an employee is terminated by the Town, a termination notice is sent to the HR Department to remove the employee from the payroll system and to have their final paycheck computed and paid out.

***Capital Assets and Debt:***

The Town has a \$5,000 capitalization threshold for their capital assets. Two general ledger accounts (one for purchases over \$10,000 and one for purchases less than \$10,000) are used to budget capital asset additions. At year end, the Finance Director reviews the individual items recorded to these accounts and decides whether they should be capitalized in Capital Assets and depreciated. Capital Assets are tagged and entered in the Town's Fixed Asset System. If an asset is no longer needed by the Town, it is removed from the Fixed Asset System and sold as surplus property by the Town Clerk unless the asset has no value. The invoices for capital assets are prepared and processed similar to those noted within the Cash Disbursement section of this policy.

Capital asset purchases or construction projects are funded by debt or grants. These construction projects are set up as capital project funds and are approved (budgeted) by the Town Council, which includes the authorization to issue new debt or accept grant funding to pay for those assets/projects. For debt issuance, the Town will request quotes from several financial institutions. The bank issuing the debt provides the Town with maturity schedules and due dates of debt payments. These debt payments are prepared and processed similar to those noted within the Cash Disbursement section of this policy. The debt documents do not hold any covenants or liens (other than on the assets purchased or constructed).

***Journal Entries:***

Finance Director, Assistant Finance Director, and Accounting Technician II are the only individuals within the Town that can prepare and post journal entries. The Town has a journal entry standard sheet that is prepared for any correcting entries needed. The standard sheet includes the account number, account name, amount, and description of the purpose of the entry. These standard entry sheets are printed and supporting documentation for the entry is attached and filed monthly by the Town.

***Budget:***

Each year, the Town Manager, with the assistance of the Finance Director and Department Heads, prepares an annual budget for the review and approval by the Town Council. The budget is entered into a budgeting program that interfaces with the Town's accounting software. This budget is presented to the Town Council in May/June of each year and approved by July 1<sup>st</sup> of the upcoming fiscal year. The budget is imported into the general ledger budget application after adoption and opened for transaction on July 1. Any necessary budget amendments are prepared by the Finance Director and given to the Town Council for approval. After they are approved, Finance Director will update the budget.

***Financial Reporting:***

On a monthly basis, each Department Head and the Finance Director reviews the department/Town budget versus actual reports. Any unusual items or fluctuations are noted and investigated for follow up. The Finance Director prepares an Available Fund Balance report for the Town Council



to review that shows the running total of cash receipts and disbursements and their impact on the fund balance. The Town Manager also prepares a weekly update for the Town Council members and Town employees outlining the issues or important items affecting the Town for communication and informational purposes. The Department Heads can include information in this weekly update that impacts their department.

**COMMUNICATION/TRAINING**

Town Council communicates its goals and objects for the coming fiscal year at the annual budget retreat in January. The Town Manager and department heads all attend the meeting. Periodic department head meetings are held to keep all departments informed of the progress of projects as well as the discussion of any new issues or concerns. Department heads are responsible for communicating with their staff. Town Council holds two public meeting each month: a regular Council meeting on the second Tuesday of the month and a workshop on the fourth Tuesday of the month. The Town Manager provides monthly updates to Council to keep them informed on the progress in achieving the Town’s goals and the Finance Director provides Budget versus Actual reports. Meeting minutes are prepared and maintained by the Town Clerk. The community is kept informed of the Town’s budget, project’s, issues or events through the Town’s website, Facebook, code red and press releases. Surveys are also used requesting citizens input on the budget various topics they would like to see addressed by Town Council and staff.

**MONITORING ACTIVITIES**

The Town has separation of duties in place to help catch errors in a timely manner and correct them. No single employee has complete control of any financial process. Each customer service representative operates out of their own till and must count out their drawer every evening and record the balance on the cash balance log and initials it. It is then placed in the Town safe. Every morning the Assistance Finance Director recounts the drawer to verify the previous count was correct and initials the cash balance log. Any overage or shortage is recorded, and a verbal warning is given. If overages or shortage continue to be an issue, the employee will be written up.

Adopted this the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_

Albert L Barbee, Mayor

**RESOLUTION 23-2283**

**CONFLICT OF INTEREST POLICY**

**APPLICABLE TO CONTRACTS AND SUBAWARDS OF TOWN OF CAROLINA BEACH  
[TOWN] SUPPORTED BY FEDERAL FINANCIAL ASSISTANCE**

\* \* \* \* \*

**I. Scope of Policy**

- a. Purpose of Policy. This Conflict of Interest Policy (“*Policy*”) establishes conflict of interest standards that (1) apply when Town of Carolina Beach (“*Town*”) enters into a Contract (as defined in Section II hereof) or makes a Subaward (as defined in Section II hereof), and (2) meet or exceed the requirements of North Carolina law and 2 C.F.R. § 200.318(c).
- b. Application of Policy. This Policy shall apply when the Town (1) enters into a Contract to be funded, in part or in whole, by Federal Financial Assistance to which 2 C.F.R. § 200.318(c) applies, or (2) makes any Subaward to be funded by Federal Financial Assistance to which 2 C.F.R. § 200.318(c) applies. If a federal statute, regulation, or the terms of a financial assistance agreement applicable to a particular form of Federal Financial Assistance conflicts with any provision of this Policy, such federal statute, regulation, or terms of the financial assistance agreement shall govern.

**II. Definitions**

Capitalized terms used in this Policy shall have the meanings ascribed thereto in this Section II: Any capitalized term used in this Policy but not defined in this Section II shall have the meaning set forth in 2 C.F.R. § 200.1.

- a. “*COI Point of Contact*” means the individual identified in Section III(a) of this Policy.
- b. “*Contract*” means, for the purpose of Federal Financial Assistance, a legal instrument by which the Town purchases property or services needed to carry out a program or project under a Federal award.
- c. “*Contractor*” means an entity or individual that receives a Contract.
- d. “*Covered Individual*” means a Public Officer, employee, or agent of the Town.
- e. “*Covered Nonprofit Organization*” means a nonprofit corporation, organization, or association, incorporated or otherwise, that is organized or operating in the State of North Carolina primarily for religious, charitable, scientific, literary, public health and safety, or educational purposes, excluding any board, entity, or other organization created by the State of North Carolina or any political subdivision of the State (including the Town).
- f. “*Direct Benefit*” means, with respect to a Public Officer or employee of the Town, or the spouse of any such Public Officer or employee, (i) having a ten percent (10%) ownership interest or other interest in a Contract or Subaward; (ii) deriving any income or commission

directly from a Contract or Subaward; or (iii) acquiring property under a Contract or Subaward.

- g. “*Federal Financial Assistance*” means Federal financial assistance that the Town receives or administers in the form of grants, cooperative agreements, non-cash contributions or donations of property (including donated surplus property), direct appropriations, food commodities, and other Federal financial assistance (except that the term does not include loans, loan guarantees, interest subsidies, or insurance).
- h. “*Governing Board*” means the Town Council of the Town.
- i. “*Immediate Family Member*” means, with respect to any Covered Individual, (i) a spouse, and parents thereof, (ii) a child, and parent thereof, (iii) a parent, and spouse thereof, (iv) a sibling, and spouse thereof, (v) a grandparent and grandchild, and spouses thereof, (vi) domestic partners and parents thereof, including domestic partners of any individual in (ii) through (v) of this definition; and (vii) any individual related by blood or affinity whose close association with the Covered Individual is the equivalent of a family relationship.
- j. “*Involved in Making or Administering*” means (i) with respect to a Public Official or employee, (a) overseeing the performance of a Contract or Subaward or having authority to make decisions regarding a Contract or Subaward or to interpret a Contract or Subaward, or (b) participating in the development of specifications or terms or in the preparation or award of a Contract or Subaward, (ii) only with respect to a Public Official, being a member of a board, commission, or other body of which the Public Official is a member, taking action on the Contract or Subaward, whether or not the Public Official actually participates in that action.
- k. “*Pass-Through Entity*” means a non-Federal entity that provides a Subaward to a Subrecipient to carry out part of a Federal program.
- l. “*Public Officer*” means an individual who is elected or appointed to serve or represent the Town (including, without limitation, any member of the Governing Board), other than an employee or independent contractor of the Town.
- m. “*Recipient*” means an entity, usually but not limited to a non-Federal entity, that receives a Federal award directly from a Federal awarding agency. The term does not include Subrecipients or individuals that are beneficiaries of the award.
- n. “*Related Party*” means (i) an Immediate Family Member of a Covered Individual, (ii) a partner of a Covered Individual, or (iii) a current or potential employer (other than the Town) of a Covered Individual, of a partner of a Covered Individual, or of an Immediate Family Member of a Covered Individual.
- o. “*Subaward*” means an award provided by a Pass-Through Entity to carry out part of a Federal award received by the Pass-Through Entity. It does not include payments to a contractor or payments to a contractor or payments to an individual that is a beneficiary of a Federal program.

- p. “*Subcontract*” means mean any agreement entered into by a Subcontractor to furnish supplies or services for the performance of a Contract or a Subcontract. It includes, but is not limited to, purchase orders, and changes and modifications to purchase orders.
- q. “*Subcontractor*” means an entity that receives a Subcontract.
- r. “*Subrecipient*” means an entity, usually but not limited to a non-Federal entity, that receives a subaward from a Pass-Through Entity to carry out part of a Federal award; but does not include an individual that is a beneficiary of such award. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.
- s. “*Town*” has the meaning specified in Section I hereof.

### III. COI Point of Contact.

- a. Appointment of COI Point of Contact. Project Manager, an employee of the Town, shall have primary responsibility for managing the disclosure and resolution of potential or actual conflicts of interest arising under this Policy. In the event that Project Manager is unable to serve in such capacity, Assistant Town Manager shall assume responsibility for managing the disclosure and resolution of conflicts of interest arising under this Policy. The individual with responsibility for managing the disclosure and resolution of potential or actual conflicts of interest under this Section III(a) shall be known as the “*COI Point of Contact*”.
- b. Distribution of Policy. The COI Point of Contact shall ensure that each Covered Individual receives a copy of this Policy.

### IV. Conflict of Interest Standards in Contracts and Subawards

- a. North Carolina Law. North Carolina law restricts the behavior of Public Officials and employees of the Town involved in contracting on behalf of the Town. The Town shall conduct the selection, award, and administration of Contracts and Subawards in accordance with the prohibitions imposed by the North Carolina General Statutes and restated in this Section III.
  - i. G.S. § 14-234(a)(1). A Public Officer or employee of the Town Involved in Making or Administering a Contract or Subaward on behalf of the Town shall not derive a Direct Benefit from such a Contract or Subaward.
  - ii. G.S. § 14-234(a)(3). No Public Officer or employee of the Town may solicit or receive any gift, favor, reward, service, or promise of reward, including but not limited to a promise of future employment, in exchange for recommending, influencing, or attempting to influence the award of a Contract or Subaward by the Town.
  - iii. G.S. § 14-234.3. If a member of the Governing Board of the Town serves as a director, officer, or governing board member of a Covered Nonprofit Organization, such member shall not (1) deliberate or vote on a Contract or Subaward between

the Town and the Covered Nonprofit Corporation, (2) attempt to influence any other person who deliberates or votes on a Contract or Subaward between the Town and the Covered Nonprofit Corporation, or (3) solicit or receive any gift, favor, reward, service, or promise of future employment, in exchange for recommending or attempting to influence the award of a Contract or Subaward to the Covered Nonprofit Organization.

- iv. G.S. § 14-234.1. A Public Officer or employee of the Town shall not, in contemplation of official action by the Public Officer or employee, or in reliance on information which was made known to the public official or employee and which has not been made public, (1) acquire a pecuniary interest in any property, transaction, or enterprise or gain any pecuniary benefit which may be affected by such information or other information, or (2) intentionally aid another in violating the provisions of this section.

b. Federal Standards.

- i. Prohibited Conflicts of Interest in Contracting. Without limiting any specific prohibition set forth in Section IV(a), a Covered Individual may not participate in the selection, award, or administration of a Contract or Subaward if such Covered Individual has a real or apparent conflict of interest.

1. Real Conflict of Interest. A real conflict of interest shall exist when the Covered Individual or any Related Party has a financial or other interest in or a tangible personal benefit from a firm considered for a Contract or Subaward. Exhibit A attached hereto provides a non-exhaustive list of examples of (i) financial or other interests in a firm considered for a Contract or Subaward, and (ii) tangible personal benefits from a firm considered for a Contract or Subaward.

2. Apparent Conflict of Interest. An apparent conflict of interest shall exist where a real conflict of interest may not exist under Section IV(b)(i)(1), but where a reasonable person with knowledge of the relevant facts would find that an existing situation or relationship creates the appearance that a Covered Individual or any Related Party has a financial or other interest in or a tangible personal benefit from a firm considered for a Contract or Subaward.

- ii. Identification and Management of Conflicts of Interest.

1. Duty to Disclose and Disclosure Forms

- a. Each Covered Individual expected to be or actually involved in the selection, award, or administration of a Contract or Subaward has an ongoing duty to disclose to the COI Point of Contact potential real or apparent conflicts of interest arising under this Policy.

- b. Prior to the Town's award of a Contract or Subaward, the COI Point of Contact shall advise Covered Individuals expected to be involved in the selection, award, or administration of the Contract or Subaward of such duty.
- c. If the value of a proposed Contract or Subaward exceeds \$250,000, the COI Point of Contact shall collect a Conflict of Interest Disclosure Form contained in Exhibit C (for Contracts) and Exhibit E (for Subawards) from each Covered Individual and file such Conflict of Interest Disclosure Form in records of the Town.

2. Identification Prior to Award of Contract or Subaward.

- a. Prior to the Town's award of a Contract or Subaward, the COI Point of Contact shall complete the appropriate Compliance Checklist contained in Exhibit B (for Contracts) and Exhibit D (for Subawards) attached hereto and file such Compliance Checklist in the records of the Town.

3. Management Prior to Award of Contract or Subaward

- a. If, after completing the Compliance Checklist, the COI Point of Contact identifies a potential real or apparent conflict of interest relating to a proposed Contract or Subaward, the COI Point of Contact shall disclose such finding in writing to Town Manager and to each member of the Governing Board. If the Governing Board desires to enter into the proposed Contract or Subaward despite the identification by the COI Point of Contact of a potential real or apparent conflict of interest, it may either:
  - i. accept the finding of the COI Point of Contact and direct the COI Point of Contact to obtain authorization to enter into the Contract or Subaward from (a) if Town is a Recipient of Federal Financial Assistance, the Federal awarding agency with appropriate mitigation measures, or (b) if Town is a Subrecipient of Federal Financial Assistance, from the Pass-Through Entity that provided a Subaward to Town; or
  - ii. reject the finding of the COI Point of Contact and enter into the Contract or Subaward. In rejecting any finding of the COI Point of Contact, the Governing Board shall in writing document a justification supporting such rejection.
- b. If the COI Point of Contact does not identify a potential real or apparent conflict of interest relating to a proposed Contract or

Subaward, the Town may enter into the Contract or Subaward in accordance with the Town's purchasing or subaward policy.

4. Identification After Award of Contract or Subaward.

- a. If the COI Point of Contact discovers that a real or apparent conflict of interest has arisen after the Town has entered into a Contract or Subaward, the COI Point of Contact shall, as soon as possible, disclose such finding to the Town Manager and to each member of the Governing Board. Upon discovery of such a real or apparent conflict of interest, the Town shall cease all payments under the relevant Contract or Subaward until the conflict of interest has been resolved.

5. Management After Award of Contract or Subaward.

- a. Following the receipt of such disclosure of a potential real or apparent conflict of interest pursuant to Section IV(b)(ii)(4), the Governing Board may reject the finding of the COI Point of Contact by documenting in writing a justification supporting such rejection. If the Governing Board fails to reject the finding of the COI Point of Contact within 15 days of receipt, the COI Point of Contact shall:
  - i. if Town is a Recipient of Federal Financial Assistance funding the Contract or Subaward, disclose the conflict to the Federal awarding agency providing such Federal Financial Assistance in accordance with 2 C.F.R. § 200.112 and/or applicable regulations of the agency, or
  - ii. if Town is a Subrecipient of Federal Financial Assistance, disclose the conflict to the Pass-Through Entity providing a Subaward to Town in accordance with 2 C.F.R. § 200.112 and applicable regulations of the Federal awarding agency and the Pass-Through Entity.

V. Oversight of Subrecipient's Conflict of Interest Standards

- a. Subrecipients of Town Must Adopt Conflict of Interest Policy. Prior to the Town's execution of any Subaward for which the Town serves as a Pass-Through Entity, the COI Point of Contact shall ensure that the proposed Subrecipient of Federal Financial Assistance has adopted a conflict of interest policy that satisfies the requirements of 2 C.F.R. § 200.318(c)(1), 2 C.F.R. § 200.318(c)(2), and all other applicable federal regulations.
- b. Obligation to Disclose Subrecipient Conflicts of Interest. The COI Point of Contact shall ensure that the legal agreement under which the Town makes a Subaward to a Subrecipient shall require such Subrecipient to disclose to the COI Point of Contact any potential real

or apparent conflicts of interest that the Subrecipient identifies. Upon receipt of such disclosure, the COI Point of Contact shall disclose such information to the Federal awarding agency that funded the Subaward in accordance with that agency's disclosure policy.

## VI. Gift Standards

- a. Federal Standard. Subject to the exceptions set forth in Section VI(b), a Covered Individual may not solicit or accept gratuities, favors, or anything of monetary value from a Contractor or a Subcontractor.
- b. Exception. Notwithstanding Section VI(a), a Covered Individual may accept an unsolicited gift from a Contractor or Subcontractor of one or more types specified below if the gift has an aggregate market value of \$20 or less per source per occasion, provided that the aggregate market value of all gifts received by the Covered Individual pursuant to this Section VI(b) does not exceed \$50 in a calendar year:
  - i. honorariums for participating in meetings;
  - ii. advertising items or souvenirs of nominal value; or
  - iii. meals furnished at banquets.
- c. Internal Reporting. A Covered Individual shall report any gift accepted under Section VI(b) to the COI Point of Contact. If required by regulation of a Federal awarding agency, the COI Point of Contact shall report such gifts to the Federal awarding agency or a Pass-Through Entity for which the Town is a Subrecipient.

## VII. Violations of Policy

- a. Disciplinary Actions for Covered Individuals. Any Covered Individual that fails to disclose a real, apparent, or potential real or apparent conflict of interest arising with respect to the Covered Individual or Related Party may be subject to disciplinary action, including, but not limited to, an employee's termination or suspension of employment with or without pay, the consideration or adoption of a resolution of censure of a Public Official by the Governing Board, or termination of an agent's contract with the Town.
- b. Disciplinary Actions for Contractors and Subcontractors. The Town shall terminate any Contract with a Contractor or Subcontractor that violates any provision of this Policy.
- c. Protections for Whistleblowers. In accordance with 41 U.S.C. § 4712, the Town shall not discharge, demote, or otherwise discriminate against an employee in reprisal for disclosing to any of the list of persons or entities provided below, information that the employee reasonably believes is evidence of gross mismanagement of a federal contract or grant, a gross waste of federal funds, an abuse of authority relating to a federal contract or grant, a substantial and specific danger to public health or safety, or a violation of law, rule, or regulation related to a federal contract (including the competition for or negotiation of a contract) or grant: (i) a member of Congress or a representative of a committee of Congress;



(ii) an Inspector General; (iii) the Government Accountability Office; (iv) a Treasury or other federal agency employee responsible for grant oversight or management; (v) an authorized official of the Department of Justice or other law enforcement agency; (vi) a court or grand jury; of (vii) a management official or other employee of the Town, a Contractor, or Subcontractor who has the responsibility to investigate, discover, or address misconduct.

Duly adopted this 11th day of April, 2023

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Albert L. Barbee, Mayor

ATTEST:

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Kimberlee Ward, Town Clerk

**EXHIBIT A**

## Examples

<b><i>Potential Examples of a “Financial or Other Interest” in a Firm or Organization Considered for a Contract or Subaward</i></b>	<b><i>Potential Examples of a “Tangible Personal Benefit” From a Firm or Organization Considered for a Contract or Subaward</i></b>
<p>Direct or indirect equity interest in a firm or organization considered for a Contract or Subaward, which may include:</p> <ul style="list-style-type: none"> <li>- Stock in a corporation.</li> <li>- Membership interest in a limited liability company.</li> <li>- Partnership interest in a general or limited partnership.</li> <li>- Any right to control the firm or organization’s affairs. For example, a controlling equity interest in an entity that controls or has the right to control a firm considered for a contract.</li> <li>- Option to purchase any equity interest in a firm or organization.</li> </ul>	<p>OpportTowny to be employed by the firm considered for a contract, an affiliate of that firm, or any other firm with a relationship with the firm considered for a Contract.</p> <p>A position as a director or officer of the firm or organization, even if uncompensated.</p>
<p>Holder of any debt owed by a firm considered for a Contract or Subaward, which may include:</p> <ul style="list-style-type: none"> <li>- Secured debt (e.g., debt backed by an asset of the firm (like a firm’s building or equipment))</li> <li>- Unsecured debt (e.g., a promissory note evidencing a promise to repay a loan). <ul style="list-style-type: none"> <li>o Holder of a judgment against the firm.</li> </ul> </li> </ul>	<p>A referral of business from a firm considered for a Contract or Subaward.</p>
<p>Supplier or contractor to a firm or organization considered for a Contract or Subaward.</p>	<p>Political or social influence (e.g., a promise of appointment to an local office or position on a public board or private board).</p>

**EXHIBIT B**

**COMPLIANCE CHECKLIST FOR OVERSIGHT OF CONTRACT CONFLICTS OF INTEREST**

The Town of Carolina Beach (“Town”) has adopted a Conflict of Interest Policy (“Policy”) that governs the Town’s expenditure of Federal Financial Assistance (as defined in Section II of the Policy). The Policy designates Project Manager as the “COI Point of Contact.” The Policy requires the COI Point of Contact to complete this Compliance Checklist to identify potential real or apparent conflicts of interest in connection with proposed Contracts (as defined in Section II) and file the Checklist in the records of the Town.

Instructions for Completion

1. The COI Point of Contact shall complete Steps 1 through 5 of the Checklist below.
2. If the value of the proposed Contract exceeds \$250,000, the COI Point of Contact shall collect a Conflict of Interest Disclosure Form from each Covered Individual.
3. If the COI Point of Contact identifies a potential real or apparent conflict of interest after completing this Compliance Checklist, the COI Point of Contact shall report such potential conflict of interest to Town Manager and to each member of the Governing Board.

Definitions.

1. *Covered Individual.* Each person identified in Section 1 of this Checklist is a “Covered Individual” for purposes of this Compliance Checklist and the Policy.
2. *Immediate Family Member* means, with respect to any Covered Individual, (i) a spouse, and parents thereof, (ii) a child, and parent thereof, (iii) a parent, and spouse thereof, (iv) a sibling, and spouse thereof, (v) a grandparent and grandchild, and spouses thereof, (vi) domestic partners and parents thereof, including domestic partners of any individual in (ii) through (v) of this definition; and (vii) any individual related by blood or affinity whose close association with the Covered Individual is the equivalent of a family relationship.
3. *Related Party* means (i) an Immediate Family Member of a Covered Individual, (ii) a partner of a Covered Individual, or (iii) a current or potential employer (other than the Town) of a Covered Individual, of a partner of a Covered Individual, or of an Immediate Family Member of a Covered Individual.

<b>Step</b>			
<b>1</b>	Identify the proposed Contract, counterparty, and the subject of the Contract.	<u>Name of Contract:</u> <hr/> <u>Name of Counterparty</u> <hr/> <u>Subject of Contract:</u> <hr/>	
<b>2</b>	Identify all individuals involved in the selection, award, or administration of the Contract. These individuals are “Covered Individuals”. Ensure that each Covered Individual has been provided with a copy of the Conflict of Interest Policy.		
	<u><i>Public Officials</i></u>	<u><i>Employees</i></u>	<u><i>Agents</i></u>
<b>3</b>	Identify whether any Covered Individual has a (i) financial or other interest in, or (ii) tangible personal benefit from the firm considered for a Contract. [If the estimated Contract amount exceeds \$250,000, ensure that each Covered Individual files a Conflict of Interest Disclosure Form with the COI Point of Contact.]		
<b>Any identified interest in Step 3 is a potential “real” conflict of interest.</b>	<u><i>Public Officials</i></u>	<u><i>Employees</i></u>	<u><i>Agents</i></u>
<b>4</b>	Identify whether any Related Party has a (i) financial or other interest in or (ii) tangible personal benefit from the firm considered from a Contract. If the estimated Contract amount exceeds \$250,000, ensure that each Covered Individual files a Conflict of Interest Disclosure Form with the COI Point of Contact.		
<b>Any identified interest in Step 4 is a potential “real” conflict of interest.</b>	<u><i>Public Officials – Related Party</i></u>	<u><i>Employees – Related Party</i></u>	<u><i>Agents – Related Party</i></u>

<b>5</b>	Identify whether a reasonable person with knowledge of the relevant facts would find that an existing situation or relationship creates the <i>appearance</i> that a Covered Individual or any Related Party has a financial or other interest in or a tangible personal benefit from a firm considered for a Contract? If yes, explain.		
<b>Any identified interest in Step 5 is a potential “apparent” conflict of interest.</b>	<u><i>Public Officials</i></u>	<u><i>Employees</i></u>	<u><i>Agents</i></u>

COI Point of Contact: \_\_\_\_\_

Signature of COI Point of Contact: \_\_\_\_\_

Date of Completion: \_\_\_\_\_

**EXHIBIT C**  
**CONTRACT CONFLICT OF INTEREST DISCLOSURE FORM**  
**FOR OFFICIALS, EMPLOYEES, AND AGENTS**

The Town of Carolina Beach (“Town”) has adopted a Conflict of Interest Policy (“Policy”) that governs the Town’s expenditure of Federal Financial Assistance (as defined in Section II of the Policy). The Policy designates Project Manager as the “COI Point of Contact.”

The COI Point of Contact has identified you as an official, employee, or agent of the Town that may be involved in the selection, award, or administration of the following contract: \_\_\_\_\_ (the “Contract”). To safeguard the Town’s expenditure of Federal Financial Assistance, the COI Point of Contact has requested that you identify any potential real or apparent conflicts of interest in the Firm considered for the award of a Contract. Using the Exhibit A to the Policy as a guide, please answer the following questions:

---

1. Do you have a financial or other interest in a firm considered for this Contract?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

2. Will you receive any tangible personal benefit from a firm considered for this Contract?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

3. For purposes of Question 3(a) and 3(b), your “Immediate Family Members” include: (i) your spouse and their parents, (ii) your child, (iii) your parent and any spouse of your parent, (iv) your sibling and any spouse of your sibling, (v) your grandparents or grandchildren, and the spouses of each, (vi) any domestic partner of any individual in (ii) through (v) of this definition; and (vii) any individual related by blood or affinity whose close association with you is the equivalent of a family relationship.

a. Do you have an Immediate Family Member with a financial or other interest in a firm considered for this Contract?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

b. Do you have an Immediate Family Member that will receive a tangible personal benefit from a firm considered for this Contract?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

4. Do you have any other partner with a financial or other interest in a firm considered for this Contract?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

5. Will any other partner of yours receive any tangible personal benefit from a firm considered for this Contract?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

6. Does your current or potential employer (other than the Town) have a financial or other interest in a firm considered for this Contract or will such current or potential employer receive a tangible personal benefit from this Contract?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

7. Benefits to Employers

a. Does a current or potential employer (other than the Town) of any of your Immediate Family Members have a financial or other interest in a firm considered for this Contract?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

b. Will a current or potential employer (other than the Town) of any of your Immediate Family Members receive a tangible personal benefit from this Contract?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

c. Does a current or potential employer (other than the Town) of any partner of yours have a financial or other interest in a firm considered for this Contract?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

d. Will a current or potential employer (other than the Town) of any partner of yours receive a tangible personal benefit from this Contract?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

8. Does any existing situation or relationship create the *appearance* that you have a financial or other interest in a firm considered for this Contract or will receive a tangible personal benefit from a firm considered for this Contract?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

9. Does any existing situation or relationship create the *appearance* that any Immediate Family Member of yours has a financial or other interest in a firm considered for this Contract or will receive a tangible personal benefit from a firm considered for this Contract?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

10. Does any existing situation or relationship create the *appearance* that your current or potential employer (other than the Town) has a financial or other interest in a firm considered for this Contract or will receive a tangible personal benefit from a firm considered for this Contract?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

11. Does any existing situation or relationship create the *appearance* that any current or potential employer (other than the Town) of any of your Immediate Family Members has a financial or other



interest in a firm considered for this Contract or will receive a tangible personal benefit from a firm considered for this Contract?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

12. Does any existing situation or relationship create the *appearance* that any current or potential employer (other than the Town) of any other partner has a financial or other interest in a firm considered for this Contract or will receive a tangible personal benefit from a firm considered for this Contract?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

\* \* \* \* \*

Sign Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Name of Employer \_\_\_\_\_

Job Title: \_\_\_\_\_

Date of Completion: \_\_\_\_\_

\* \* \* \* \*

## EXHIBIT D

### COMPLIANCE CHECKLIST FOR SUBAWARD OVERSIGHT

The Town of Carolina Beach (“*Town*”) has adopted a Conflict of Interest Policy (“*Policy*”) that governs the Town’s expenditure of Federal Financial Assistance (as defined in Section II of the Policy). The Policy designates Project Manager as the “COI Point of Contact.” The Policy requires the COI Point of Contact to complete this Compliance Checklist to identify potential real or apparent conflicts of interest in connection with proposed Subawards (as defined in Section II) and file the Checklist in the records of the Town.

#### Instructions for Completion

1. The COI Point of Contact shall complete Steps 1 through 5 of the Checklist below.
2. If the value of the proposed Subaward exceeds \$250,000, the COI Point of Contact shall collect a Conflict of Interest Disclosure Form from each Covered Individual.
3. If the COI Point of Contact identifies a potential real or apparent conflict of interest after completing this Compliance Checklist, the COI Point of Contact shall report such potential conflict of interest to Town Manager and to each member of the Governing Board.

#### Definitions.

1. *Covered Individual.* Each person identified in Section 1 of this Checklist is a “Covered Individual” for purposes of this Compliance Checklist and the Policy.
2. *Immediate Family Member* means, with respect to any Covered Individual, (i) a spouse, and parents thereof, (ii) a child, and parent thereof, (iii) a parent, and spouse thereof, (iv) a sibling, and spouse thereof, (v) a grandparent and grandchild, and spouses thereof, (vi) domestic partners and parents thereof, including domestic partners of any individual in (ii) through (v) of this definition; and (vii) any individual related by blood or affinity whose close association with the Covered Individual is the equivalent of a family relationship.
3. *Related Party* means (i) an Immediate Family Member of a Covered Individual, (ii) a partner of a Covered Individual, or (iii) a current or potential employer (other than the Town) of a Covered Individual, of a partner of a Covered Individual, or of an Immediate Family Member of a Covered Individual.

<b>Step</b>			
1	Identify the proposed Subaward, Subrecipient, and the subject of the Subaward.	<u>Name of Contract:</u> <hr/> <u>Name of Counterparty</u> <hr/> <u>Subject of Subaward:</u> <hr/>	
2	Identify all individuals involved in the selection, award, or administration of the Subaward. These individuals are “Covered Individuals”. Ensure that each Covered Individual has been provided with a copy of the Conflict of Interest Policy.		
	<u><i>Public Officials</i></u>	<u><i>Employees</i></u>	<u><i>Agents</i></u>
3	Identify whether any Covered Individual has a (i) financial or other interest in, or (ii) tangible personal benefit from the firm considered for a Subaward. If the estimated Subaward amount exceeds \$100,000, ensure that each Covered Individual files a Conflict of Interest Disclosure Form with the COI Point of Contact.]		
<b>Any identified interest in Step 3 is a potential “real” conflict of interest.</b>	<u><i>Public Officials</i></u>	<u><i>Employees</i></u>	<u><i>Agents</i></u>
4	Identify whether any Related Party has a (i) financial or other interest in or (ii) tangible personal benefit from the firm considered from a Subaward. If the estimated Subaward amount exceeds \$100,000, ensure that each Covered Individual files a Conflict of Interest Disclosure Form with the COI Point of Contact.		
<b>Any identified interest in Step 4 is a potential “real” conflict of interest.</b>	<u><i>Public Officials – Related Party</i></u>	<u><i>Employees – Related Party</i></u>	<u><i>Agents – Related Party</i></u>

<b>5</b>	Identify whether a reasonable person with knowledge of the relevant facts would find that an existing situation or relationship creates the <i>appearance</i> that a Covered Individual or any Related Party has a financial or other interest in or a tangible personal benefit from a firm considered for a Subaward? If yes, explain.		
<b>Any identified interest in Step 5 is a potential “apparent” conflict of interest.</b>	<u><i>Public Officials</i></u>	<u><i>Employees</i></u>	<u><i>Agents</i></u>

COI Point of Contact: \_\_\_\_\_

Signature of COI Point of Contact: \_\_\_\_\_

Date of Completion: \_\_\_\_\_

**EXHIBIT E**  
**SUBAWARD CONFLICT OF INTEREST DISCLOSURE FORM**  
**FOR OFFICIALS, EMPLOYEES, AND AGENTS**

The Town of Carolina Beach (“Town”) has adopted a Conflict of Interest Policy (“Policy”) that governs the Town’s expenditure of Federal Financial Assistance (as defined in Section II of the Policy). The Policy designates [\_\_\_\_\_] as the COI Point of Contact.

The COI Point of Contact has identified you as an official, employee, or agent of the Town that may be involved in the selection, award, or administration of the following subaward: \_\_\_\_\_ (the “Subaward”). To safeguard the Town’s expenditure of Federal Financial Assistance, the COI Point of Contact has requested that you identify any potential real or apparent conflicts of interest in the Firm considered for the award of a Subaward. Using the Exhibit A to the Policy as a guide, please answer the following questions:

---

1. Do you have a financial or other interest in a firm considered for this Subaward?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

2. Will you receive any tangible personal benefit from a firm considered for this Subaward?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

3. For purposes of Question 3(a) and 3(b), your “Immediate Family Members” include: (i) your spouse and their parents, (ii) your child, (iii) your parent and any spouse of your parent, (iv) your sibling and any spouse of your sibling, (v) your grandparents or grandchildren, and the spouses of each, (vi) any domestic partner of any individual in (ii) through (v) of this definition; and (vii) any individual related by blood or affinity whose close association with you is the equivalent of a family relationship.

a. Do you have an Immediate Family Member with a financial or other interest in a firm considered for this Subaward?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

b. Do you have an Immediate Family Member that will receive a tangible personal benefit from a firm considered for this Subaward?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

4. Do you have any other partner with a financial or other interest in a firm considered for this Subaward?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

5. Will any other partner of yours receive any tangible personal benefit from a firm considered for this Subaward?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

6. Does your current or potential employer (other than the Town) have a financial or other interest in a firm considered for this Subaward or will such current or potential employer receive a tangible personal benefit from this Subaward?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

7. Benefits to Employers

a. Does a current or potential employer (other than the Town) of any of your Immediate Family Members have a financial or other interest in a firm considered for this Subaward?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

b. Will a current or potential employer (other than the Town) of any of your Immediate Family Members receive a tangible personal benefit from this Subaward?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

c. Does a current or potential employer (other than the Town) of any partner of yours have a financial or other interest in a firm considered for this Subaward?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

d. Will a current or potential employer (other than the Town) of any partner of yours receive a tangible personal benefit from this Subaward?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

8. Does any existing situation or relationship create the *appearance* that you have a financial or other interest in a firm considered for this Subaward or will receive a tangible personal benefit from a firm considered for this Subaward?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

9. Does any existing situation or relationship create the *appearance* that any Immediate Family Member of yours has a financial or other interest in a firm considered for this Subaward or will receive a tangible personal benefit from a firm considered for this Subaward?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

10. Does any existing situation or relationship create the *appearance* that your current or potential employer (other than the Town) has a financial or other interest in a firm considered for this Subaward or will receive a tangible personal benefit from a firm considered for this Subaward?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

11. Does any existing situation or relationship create the *appearance* that any current or potential employer (other than the Town) of any of your Immediate Family Members has a financial or other

interest in a firm considered for this Subaward or will receive a tangible personal benefit from a firm considered for this Subaward?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

12. Does any existing situation or relationship create the *appearance* that any current or potential employer (other than the Town) of any other partner has a financial or other interest in a firm considered for this Subaward or will receive a tangible personal benefit from a firm considered for this Subaward?

Yes \_\_\_\_\_ No \_\_\_\_\_ Unsure: \_\_\_\_\_

If the answer is Yes or Unsure, please explain:

\_\_\_\_\_

\* \* \* \* \*

Sign Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Name of Employer \_\_\_\_\_

Job Title: \_\_\_\_\_

Date of Completion: \_\_\_\_\_

\* \* \* \* \*



## RESOLUTION 23-2280

### Record Retention Policy: Documents Created or Maintained Pursuant to the ARP/CSLFRF Award

**Retention of Records:** The Coronavirus Local Fiscal Recovery Funds (“CSLFRF”) Award Terms and Conditions and the Compliance and Reporting Guidance set forth the U.S. Department of Treasury’s (“Treasury”) record retention requirements for the ARP/CSLFRF award.

It is the policy of the Town of Carolina Beach to follow Treasury’s record retention requirements as it expends CSLFRF pursuant to the APR/CSLFRF award. Accordingly, the Town of Carolina Beach agrees to the following:

- Retain all financial and programmatic records related to the use and expenditure of CSLFRF pursuant to the ARP/CSLFRF award for a period of five (5) years after all CLFRF funds have been expended or returned to Treasury, whichever is later.
- Retain records for real property and equipment acquired with CSLFRF for five years after final disposition.
- Ensure that the financial and programmatic records retained sufficiently evidence compliance with section 603(c) of the Social Security Act “ARPA,” Treasury’s regulations implementing that section, and guidance issued by Treasury regarding the foregoing.
- Allow the Treasury Office of Inspector General and the Government Accountability Office, or their authorized representatives, the right of timely and unrestricted access to any records for the purpose of audits or other investigations.
- If any litigation, claim, or audit is started before the expiration of the 5-year period, the records will be retained until all litigation, claims, or audit findings involving the records have been resolved.

**Covered Records:** For purposes of this policy, records are information, regardless of physical form or characteristics, that are created, received, or retained that evidence the Town of Carolina Beach’s expenditure of CSLFRF funds on eligible projects, programs, or activities pursuant to the ARP/CSLFRF award.

Records that shall be retained pursuant to this policy include, but are not limited to, the following:

- Financial statements and accounting records evidencing expenditures of CSLFRF for eligible projects, programs, or activities.
- Documentation of rationale to support a particular expenditure of CSLFRF (e.g., expenditure constitutes a general government service);
- Documentation of administrative costs charged to the ARP/CSLFRF award;
- Procurement documents evidencing the significant history of a procurement, including, at a minimum, the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for contract cost or price;
- Subaward agreements and documentation of subrecipient monitoring;
- Documentation evidencing compliance with the Uniform Guidance property management standards set forth in 2 C.F.R. §§ 200.310-316 and 200.329;
- Personnel and payroll records for full-time and part-time employees compensated with CSLFRF, including time and effort reports; and
- Indirect cost rate proposals

**Storage:** Town of Carolina Beach's records must be stored in a safe, secure, and accessible manner. Wherever practicable, such records should be collected, transmitted, and stored in open and machine-readable formats.

**Departmental Responsibilities:** Any department or unit of the Town of Carolina Beach, and its employees, who are responsible for creating or maintaining the covered documents in this policy shall comply with the terms of this policy. Failure to do so may subject the Town of Carolina Beach to civil and/or criminal liability. Any employee who fails to comply with the record retention requirements set forth herein may be subject to disciplinary sanctions, including suspension or termination.

The Finance Director is responsible for identifying the documents that Town of Carolina Beach must or should retain and arrange for the proper storage and retrieval of records. The Finance Director shall also ensure that all personnel subject to the terms of this policy are aware of the record retention requirements set forth herein.

**Reporting Policy Violations:** The Town of Carolina Beach is committed to enforcing this policy as it applies to all forms of records. Any employee that suspects the terms of this policy have been violated shall report the incident immediately to that employee's supervisor. If an employee is not comfortable bringing the matter up with the supervisor, the employee may bring the matter to the attention of the Finance Director. The Town of Carolina Beach prohibits, any form of discipline, reprisal, intimidation, or retaliation for reporting incidents of inappropriate conduct of any kind, pursuing any record destruction claim, or cooperating in related investigations.

**Questions About the Policy:** Any questions about this policy should be referred to Debbie Hall, Finance Director, [debbie.hall@carolinabeach.org](mailto:debbie.hall@carolinabeach.org) who is in charge of administering, enforcing, and updating this policy.

Duly adopted this 11th day of April, 2023

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Albert L. Barbee, Mayor

ATTEST:

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Kimberlee Ward, Town Clerk



## AGENDA ITEM COVERSHEET

**PREPARED BY:** Debbie Hall, Finance Director

**DEPARTMENT:** Finance

**MEETING:** Town Council – 4/11/2023

**SUBJECT:** Budget Amendments/Transfers

### **BACKGROUND:**

I received several budget amendments and/or transfer requests. As you know, transfers require only your notification whereas amendments require your approval. Listed below you will find a description of the amendments and/or transfers. I have also attached a copy of the supporting documentation for the appropriation.

### **Appropriations:**

Appropriate \$20,557.08 from account 46-329-000 Interest earned on SCIF State Grant to account 46-581-074 Capital Projects CBAN paving and transfer \$11,267.92 from account 46-580-074 Capital Project Ocean Sidewalk to account 46-581-074 Capital Project CBAN to cover cost of paving Carolina Beach Avenue North.

### **Transfers:**

Transfer \$393 from account 10-550-046 Marina Professional Services to account 10-550-075 Marina Capital Under \$10,000 to cover the cost to of re-feeding wire from panel to J-box at the marina dock.

Transfer \$9,000 from account 10-510-016 M&O- Equipment Police to account 10-510-017 M&O - Vehicles to cover anticipated vehicle repairs and routing maintenance for the remainder of the fiscal year.

### **BUDGET IMPACT:**

Amendments and transfers will not affect the budget.

### **ACTION REQUESTED:**

Approve the budget amendments and/or transfers as presented by the Finance Director.

**Subject:** FW: CBAN Paving Project Budget Transfer

**From:** Brian Stanberry <brian.stanberry@carolinabeach.org>  
**Sent:** Wednesday, March 22, 2023 2:45 PM  
**To:** Debbie Hall <debbie.hall@carolinabeach.org>  
**Cc:** Bruce Oakley <Bruce.Oakley@carolinabeach.org>; Ed Parvin <ed.parvin@carolinabeach.org>  
**Subject:** CBAN Paving Project Budget Transfer

Debbie,

I would like to request the following budget transfers for the Carolina Beach Avenue North Paving Project.

- Appropriate \$20,557.08 interest account number 46-329-000 to account number 46-581-074 Capital Outlay CBAN paving.
- Transfer \$11,267.92 from account 46-580-074 Capital Outlay Ocean Sidewalk to account 46-581-074 Capital Outlay CBAN paving.

Thank you for your assistance. Let me know if there are any questions.

*Brian Stanberry*  
Director of Public Works  
Town of Carolina Beach  
910-458-8291 office  
910-443-1837 mobile  
brian.stanberry@carolinabeach.org



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E-mail correspondence to and from this address may be subject to the North Carolina Public Records Law and may be disclosed to third parties

**From:** Sheila Nicholson  
**Sent:** Tuesday, March 14, 2023 3:30 PM  
**To:** Debbie Hall  
**Cc:** Ed Parvin; Bruce Oakley  
**Subject:** Budget transfer request 10-550-046 to 10-550-075: \$393

Please transfer \$393.00 from 10-550-046 to 10-550-075 to cover the cost of an invoice for re-feeding wire from panel to J-box at marina/dock.

Please let me know if you have any questions.

Thank you,

*Sheila P. Nicholson*

Executive Assistant to the Town Manager  
Town of Carolina Beach  
[sheila.nicholson@carolinabeach.org](mailto:sheila.nicholson@carolinabeach.org)  
(910)458-2995

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# CAROLINA BEACH POLICE DEPARTMENT

1121 N. Lake Park Blvd.  
Carolina Beach, NC 28428  
Tel: (910) 458-2540  
Fax: (910) 458-2988



Item 4.

To: Debbie Hall, Finance Director  
Bruce Oakley, Town Manager

From: Chief Vic Ward *CV Ward*

Date: 3/9/2023

Re: Budget Transfer Request

The Police Department is requesting the transfer of \$9,000.00 from line item **10-510-016 Maintenance & Repair - Equipment** to line item **10-510-017 Maintenance & Repair - Vehicles** to cover anticipated vehicle repairs and routine maintenance for the remainder of the budget year.

\$9,000.00

From 10-510-016 Maintenance & Repair - Equipment  
To 10-510-017 Maintenance & Repair - Vehicles



# AGENDA ITEM COVERSHEET

**PREPARED BY:** Jeremy Hardison, Planning Director

**DEPARTMENT:**

**MEETING:** 4/11/23

**SUBJECT:** Resolution Requesting coverage of Building Inspections and Plan Review by New Hanover County

**BACKGROUND:**

The Carolina Beach Building Inspector resigned on February 8, 2023. Since that time New Hanover County has been issuing building permits and performing building inspections for the Town. The resolution is requesting Council support in continuing the support from the County for those services.

**ACTION REQUESTED:**

Adopt Resolution Number 23-2284 to request coverage of building inspections and plan review by New Hanover County

**MOTION:**

Adopt the consent agenda





**Resolution No. 23-2284**

**RESOLUTION REQUESTING COVERAGE OF BUILDING INSPECTIONS AND PLAN REVIEW BY NEW HANOVER COUNTY**

**WHEREAS**, General Statute § 160D-1102 require municipalities to enforce within their territorial jurisdiction State and local laws relating to

- (1) The construction of buildings and other structures;
- (2) The installation of such facilities as plumbing systems, electrical systems, heating systems, refrigeration systems, and air-conditioning systems;
- (3) The maintenance of buildings and other structures in a safe, sanitary, and healthful condition;
- (4) Other matters that may be specified by the town council.

**WHEREAS**, § 160D-1104 and 160D-202 authorizes counties to manage building inspections for municipalities when so requested by Town Council; and

**WHEREAS**, the Town of Carolina Beach does have a need to fill the role of building inspector by New Hanover County.

**NOW, THEREFORE, BE IT RESOLVED THAT** the Town of Carolina Beach Town Council requests New Hanover County Board of Commissioners provide building inspections for Carolina Beach until otherwise notified.

Adopted by the Carolina Beach Town Council this 11<sup>th</sup> day of April, 2023 by a vote of \_ in favor and \_ against.

\_\_\_\_\_  
Albert L. Barbee, Mayor  
Mayor

Attest:

\_\_\_\_\_  
Kim Ward  
Town Clerk





## AGENDA ITEM COVERSHEET

**PREPARED BY:** Kim Ward

**DEPARTMENT:** Clerk

**MEETING:** Town Council 4/11/2023

**SUBJECT:** Notification of Expiring Committee Terms

### **BACKGROUND:**

The following committee members have a term expiration date of June 30, 2023. I will reach out to each committee chair to find out if their committee members would like to be considered for reappointment if they are eligible. Council will receive a ballot at the May 23, 2023 workshop to consider reappointing the current members or selecting a new applicant. No action needed. This is for information only.

<b>Member</b>	<b>Committee</b>	<b>Appointed</b>	<b>Notes</b>
Cindy Dunn	Beautification	3/10/2020	
Dawn Betz	Beautification	3/10/2020	
Karen Graybush	Beautification	3/10/2020	
John Dismukes	Bike/Ped	10/11/2022	Filling Unexpired Term
Keith Boswell	Bike/Ped	8/14/2018	
Ricky Niec	Bike/Ped	9/8/2020	
Ken Thompson	BOA	9/14/2021	Filling Unexpired Term
Patrick Boykin	BOA	1/12/2016	
Wayne Hartsell	BOA	12/10/1996	
Brad Bradley	Marketing	6/13/2017	
Tom Uling	Marketing	2/13/2018	
Matthew Shuttleworth	Operations	1/11/2022	Filling Unexpired Term
Paul Levy	Operations	1/14/2020	
Stephen Taylor	Operations	11/9/2022	Filling Unexpired Term
Eric Lachance	Parks & Rec	9/14/2021	Filling Unexpired Term
Danielle Kurtz	Parks & Rec	9/8/2020	
Duke Hagestrom	Parks & Rec	10/14/2009	
Jasmine McKee	Parks & Rec	6/14/2022	Filling Unexpired Term
Amanda Amyot	Police Advisory	9/8/2020	
Bill Skinner	Police Advisory	10/11/2022	Filling Unexpired Term
Christina Lopez	Police Advisory	1/11/2022	Filling Unexpired Term
Stephen Graybush	Police Advisory	6/14/2022	Filling Unexpired Term



## AGENDA ITEM COVERSHEET

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**PREPARED BY:** Kim Ward, Town Clerk

**DEPARTMENT:** Clerk

**MEETING:** Town Council Meeting 4/11/2023

**SUBJECT:** Approval of Council Meeting Minutes

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**BACKGROUND:**

Attached are the meeting minutes from February 28<sup>th</sup> and March 14<sup>th</sup>.

**ACTION REQUESTED:**

Review and consider approving under the consent agenda.

# CAROLINA BEACH

Town Council Workshop

Tuesday, February 28, 2023 - 9:00 AM

Council Chambers, 1121 N. Lake Park Boulevard, Carolina Beach, NC



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## MINUTES

### CALL TO ORDER

Mayor Barbee called the meeting to order at 9:00 AM.

### PRESENT

Mayor Lynn Barbee

Mayor Pro Tem Jay Healy

Council Member Joe Benson

Council Member Mike Hoffer

Council Member Deb LeCompte

### ALSO PRESENT

Town Manager Bruce Oakley

Assistant Town Manager Ed Parvin

Finance Director Debbie Hall

Town Clerk Kim Ward

### DISCUSSION ITEMS

1. Employee Recognition

Fire Chief Alan Griffin introduced new Ocean Rescue Captain Shawn Kelly and new Administrative Support Specialist Cate Freeman.

Planning Director Jeremy Hardison introduced new Code Enforcement Officer Ashley Martin. He also recognized Andrea Deopp-Norris for 5 years of service in Planning.

Mr. Parvin recognized Mr. Hardison for 20 years of service in Planning.

Public Utilities Director Mark Meyer and Council recognized Kenny Lewis for more than 38 years of service with the Town and congratulated him on his recent retirement.

**ACTION:** Motion to take a short recess

Motion made by Mayor Barbee

Voting Yea: Mayor Barbee, Mayor Pro Tem Healy, Council Member Benson, Council Member Hoffer, Council Member LeCompte

*Motion passed unanimously*

Mayor Barbee called the meeting back to order.

## 2. Bike/Ped Committee Presentation Regarding Bike Lanes on Carolina Beach Avenue South

Bike/Ped Committee Chairman Ricky Niec said the committee is looking to redesign the Town's Bike Plan and Pedestrian Plan. He asked for a resolution of support to apply for grant money. Council gave consensus to move forward. Mr. Niec said the Wilmington Urban Area Metropolitan Planning Organization (WMPO) will also submit a resolution of support.

Mr. Niec also gave a presentation on a striping proposal for Carolina Beach Avenue South that would include a bike lane and golf cart parking spaces. He reviewed pros and cons and said the committee recommends the walking portion be on the east side to keep pedestrians by beach accesses and allow for better use of existing sidewalks. Mr. Niec said this is a striping project only, so the cost is relatively low because no street work is required. He reviewed photos of various options.

Mayor Barbee said the main thing is that it's very clear where cars can go because right now it's not, so this will help clarify. He said Council will look at all solutions and decide what's best to do there.

Mr. Parvin said the Technical Review Committee (TRC) will want to review the options. Mayor Barbee said after TRC, the process would be to determine staff's recommendation and cost before budget consideration.

Council Member Hoffer said he's not 100% sold on doing this because he has walked Carolina Beach Avenue South for 20 years and never felt threatened by a car and has rarely seen cars going in the wrong direction. He thinks arrows and basic signage may be enough, but he wants to hear from TRC and hear about cost. Council Member Hoffer said he thinks South Lake Park Boulevard is the biggest hazard on the island, and it could be improved for a relatively low amount of money. Mayor Barbee agreed that this will not stop issues on South Lake Park Boulevard.

Council Member Benson said the Bike/Ped Committee may have gotten way ahead on this. Mayor Barbee said a workshop is a good place to look at options and as a Council give direction to staff to come back with more information, including cost.

## 3. Manager's Update

Mr. Oakley gave an update on various projects and events.

### Pavement Condition Index (PCI) Project

Highland Paving started the paving project today. Staff has requested a quote for striping Canal Drive as part of the project.

### Parking Lot Striping

The parking lots around Town Hall and the Rec Center will be striped Sunday; the Rec Center will be closed during that time.

### Boardwalk Restroom

The Coastal Resources Commission (CRC) has approved a variance to build a restroom on the Boardwalk. The Town will still have to get a floodplain variance from its own Board of Adjustment and an approved budget before the project can start. It will be a long process, with possible completion by summer 2025.

Council Member Hoffer said he hopes staff will consider expanding the paving project to other streets that need work. He said it would be cheaper to do them now than next year.

Mayor Pro Tem Healy asked about the lake dredge project. Mr. Oakley said it is currently out for bid. Council Member Benson said bids close on March 23.

Mayor Barbee said paid parking starts tomorrow, and some signs are missing. Mr. Oakley said he is meeting with the parking company tomorrow.

Mayor Barbee said the Town may eventually have to put no-parking signs where the parking spaces were recently removed on South Lake Park Boulevard. He said it's hard to tell they are no longer there.

With the consensus of Council, Mayor Barbee asked staff to look at adding handicapped and 30-minute parking spaces around the Boardwalk.

Mayor Pro Tem Healy asked what the Town's options are for designating that the removed spots are no longer available for parking. Council Member Hoffer said the Town could run a stripe 5 feet off the curb to establish they are not parking spots, but he isn't sure what the process is for the N.C. Department of Transportation (DOT) to paint in a shoulder. Mayor Barbee asked Mr. Oakley to find out from DOT what simple things the Town can do and bring ideas back to Council. Mr. Oakley said he will talk to the District Engineer.

Council Member Benson asked about approval from DOT to proceed with the traffic light by The Proximity. Mr. Oakley said the Town is working with the four private property owners affected. Mr. Parvin said the Town is waiting for more information from the project's Traffic Engineer.

#### 4. Financial Update Given by the Finance Director

Ms. Hall gave an update on the current state of the Town's finances. She reviewed revenue from property tax collections, sales and use tax, room occupancy tax, Alcoholic Beverage Control (ABC) tax, building inspections, parking lots, parking meters, and the Utility Fund.

Mayor Barbee praised billing office staff members for the job they did during parking permit sales. He was impressed by the number of transactions they completed each day.

Mayor Pro Tem Healy asked how many parking permits have been sold to Kure Beach residents. Mr. Oakley said he will find out.

Mayor Barbee asked how building permitting is going. Mr. Hardison said the Town had a record past year, issuing more permits than it ever had. He said he doesn't have specific numbers at this time, but the current rate is steady with just a small decline.

Ms. Hall went over budget vs. actual numbers for the General Fund and Utility Fund. She reported that through February 21, the estimated fund balance is 40%.

Mayor Barbee said 40% is in a healthy range and praised staff for prioritizing fiscal responsibility.

#### 5. Discussion on Placing Sand Toy Boxes on the Beach Strand

Council Member LeCompte presented the idea of providing storage boxes for sand toys near beach accesses. She said the Town is considering putting the boxes on lifeguard stands but will look at multiple options. The purpose would be for people to leave beach toys they no longer want so others can use them. Council Member LeCompte said a reputable local tradesman has volunteered his time to make the boxes, and sponsors will pay for the cost of materials.

Jason Allen spoke from the audience and said his son, Jake Allen, reached out to the Town's Parks & Recreation Department about doing toy boxes for his Eagle Scout project. Council Member LeCompte gave him her card and told him to coordinate with her.

#### 6. Discuss Agenda Items Scheduled for the March Council Meeting

Council Member LeCompte asked if the Planning and Zoning Commission appointments item would be back on the agenda. Mr. Oakley said yes.

Mayor Barbee asked to receive an update on seasonal preparations.

### **COUNCIL COMMENTS**

Council Member LeCompte said April 21 is Cape Fear Realtors Give Back Day. This year's service project will entail the group putting plantings at the bumpouts on Cape Fear Boulevard.

Council Member Benson said the Town website reads there will be 35 miles of paving, but the figure should be 3.5. He asked what the process is for paving unpaved roads that are not part of a deed-restricted community. Mayor Barbee said the Town needs a paving request to start the process.

Mayor Pro Tem Healy reminded everyone that paid parking starts March 1 and asked staff to make sure all the necessary signage is in place.

Council Member Hoffer said Beautification Committee members cleared out an area around the "Welcome to Carolina Beach" sign, and they will be putting in plantings. This is an all-volunteer project. He also reminded everyone that March 17 is Arbor Day in North Carolina.

### **ADJOURNMENT**

Mayor Barbee adjourned the meeting at 10:55 AM.



# CAROLINA BEACH

Town Council Regular Meeting

Tuesday, March 14, 2023 - 6:00 PM

Council Chambers, 1121 N. Lake Park Boulevard, Carolina Beach, NC



## MINUTES

### CALL TO ORDER

Mayor Barbee called the meeting to order at 6:00 PM, followed by the invocation by Commissioner LeCompte and Pledge of Allegiance.

### PRESENT

Mayor Lynn Barbee

Mayor Pro Tem Jay Healy

Council Member Joe Benson

Council Member Mike Hoffer

Council Member Deb LeCompte

### ALSO PRESENT

Town Manager Bruce Oakley

Assistant Town Manager Ed Parvin

Finance Director Debbie Hall

Town Clerk Kim Ward

Town Attorney Noel Fox

### ADOPT THE AGENDA

**ACTION:** Motion to adopt the agenda

Motion made by Mayor Barbee

Voting Yea: Mayor Barbee, Mayor Pro Tem Healy, Council Member Benson, Council Member Hoffer, Council Member LeCompte

*Motion passed unanimously*

### CONSENT AGENDA

1. Set a Public Hearing for April 11, 2023, to amend Chapter 40, Article III – Zoning District Regulations, Article IX – Development Standards for Particular Uses, and Article XVIII – Definitions to Create Standards for Wine Shops and Beer Shops in Neighborhood Business  
Applicant: Maxwell Sussman
2. Resolution No. 23-2279 Supporting H.R. 524 Exempting Carolina Beach from Provisions of the Coastal Barrier Resources Act
3. Approve Contract for Auditing Service for Period Ending June 30, 2023
4. Budget Amendments/Transfers
5. Amend Capital Project Fund for American Rescue Plan
6. Approval of Council Meeting Minutes
7. Approve Kure Beach and N.C. Aquarium Sewer Rates

Mayor Pro Tem Healy gave background on item 2.

Congressman David Rouzer filed a bill that would, in effect, exempt Carolina Beach and Wrightsville Beach from provisions of the Coastal Barrier Resources Act that, based on some interpretations, have prevented federal funds to be spent to use Masonboro Inlet and Carolina Beach Inlet as borrow sites for coastal storm reduction projects. During meetings with Congressional staff earlier this month, representatives from New Hanover County were encouraged to provide resolutions or letters of support from local stakeholders over the next couple of months.

Mayor Pro Tem Healy said this is very important for the Town. He read from the last part of proposed Resolution No. 23-2279.

Council Member LeCompte encouraged other stakeholders to write letters of support to Congressman Rouzer. She said without the Town being exempt, renourishment projects will cost more and wildlife will be disturbed more.

**ACTION:** Motion to adopt the consent agenda

Motion made by Mayor Barbee

Voting Yea: Mayor Barbee, Mayor Pro Tem Healy, Council Member Benson, Council Member Hoffer, Council Member LeCompte

*Motion passed unanimously*

Mayor Barbee recognized former Council Member JoDan Garza in the audience.

### **SPECIAL PRESENTATIONS**

#### 8. Events Update by Tim Murphy

Ken and Kim Feyen of Pleasure Island Jeep Jam gave a presentation about using the Boardwalk Gazebo Stage area for the event's kickoff party on the evening of May 18. The party will feature live music, and organizers are proposing to set up displays for non-profit organizations along Cape Fear Boulevard.

Tim Murphy, Recreation Programs Superintendent/Community Events Coordinator, said this would be similar to the Thursday night fireworks events in which organizers would have to pay for the parking spots on Cape Fear Boulevard so that section of the road from the stage to Lake Park Boulevard can be closed. He said the Events Committee was comfortable with allowing organizers to set up displays in that area as long as there is room for emergency vehicles. Mr. Murphy also said organizers have talked to all businesses on the block and have the green light to proceed.

Council Member LeCompte asked if the kickoff party is a private event. Ms. Feyen said it's open to the public, and the hope is that those attending will consider buying tickets to the other events happening on the island during the following Friday and Saturday.

**ACTION:** Motion to approve Pleasure Island Jeep Jam as presented

Motion made by Mayor Barbee

Voting Yea: Mayor Barbee, Mayor Pro Tem Healy, Council Member Benson, Council Member Hoffer, Council Member LeCompte

*Motion passed unanimously*

Mr. Murphy reviewed upcoming special events:

- Solstice Healing Arts & Music Festival – March 18 at Carolina Beach Lake
- Tinted Turtle Trot – April 2 beginning at Mike Chappell Park
- Fancy Pants Croquet Soiree – April 16 at Mike Chappell Park

9. Presentation of the N.C. League of Municipalities Law Enforcement Risk Review to the Carolina Beach Police Department

The purpose of the N.C. League of Municipalities Law Enforcement Risk Review is to assess an agency's adherence to best practices, court decisions, and policies and procedures related to high liability activities in law enforcement. The goal is to mitigate liability exposures, enhance officer safety, and validate that training and operating procedures are meeting industry standards. The process was designed and reviewed by a panel of Police Chiefs representing a cross-section of N.C. law enforcement agencies and is available to agencies that participate in the League's property and liability insurance pool.

Matthew Selves of the League recognized the Police Department for completing the Law Enforcement Risk Review and proactively serving the community in a professional manner while taking steps to minimize risks to citizens and officers. He gave details about what it encompasses and the 39 categories considered as part of the process. Mr. Selves presented a plaque to Police Chief Vic Ward, who introduced several of his staff members.

Mayor Barbee praised Chief Ward and his staff for the accomplishment.

10. Manager's Update

Mr. Oakley gave an update on various projects and events.

#### Public Works Pre-Season Projects

Mr. Oakley complimented Public Works Department staff members for their hard work getting ready for the 2023 season. He gave the following status updates:

- Marina restrooms are complete.
- Sandpiper Lane restrooms are complete.
- Lake Park restrooms are complete.
- Alabama Avenue restrooms are 80% complete. The exterior will be finished this week.
- Boardwalk and Hamlet Avenue restrooms had automatic door locks installed.
- Boardwalk walkway repairs will start after the Alabama Avenue restrooms are complete.
- The parking lot at 304 Carolina Beach Avenue South has been graded and stoned.

Council Member Hoffer asked how much of this work is standard vs. above and beyond. Mr. Oakley said most of it is standard, and there is a huge punch list every year. He said staff is tackling most of

these projects in-house this year instead of contracting them out, which is saving money and allowing things to get ahead of schedule.

Mayor Barbee asked Mr. Oakley to bring in some of the Public Works staff for recognition.

#### Paving Projects Update

Paving projects are underway, but there will be no paving March 13-17 due to cold weather. Paving of Carolina Beach Avenue North should begin March 20, and Florida Avenue will begin in April.

Mr. Oakley said Carolina Beach Avenue North was able to be added to the current project, so it will be good to get this done before peak season. He said if Council chooses, the Town can add other roads to the current paving projects and consider a budget transfer at the next meeting.

Mayor Barbee said Council Member Benson has brought up a good point about getting other projects done now to avoid further mobilization costs later. He said adding even just a few small projects would be a good idea. Council gave consensus for Mr. Oakley to look into additions and come back with cost details.

Mayor Pro Tem Healy asked about the price. Mr. Oakley said he thinks an additional \$50,000 could get some significant work done, but he will bring back specifics.

#### Lake Park Lighting

Town-maintained lampposts: Issues have been remedied with the Duke Energy meter, and power has been restored. A new light has been installed near Charlotte Avenue. An inspection filed on March 7 indicates 100% operational lighting.

Duke Energy lighting: A site visit conducted on March 3 confirmed locations for 10 new lights between Hamlet Avenue and Spartanburg Avenue. Duke Energy will schedule a contractor to install them.

Mayor Barbee said everyone needs to report street lights out when they see them.

Mr. Oakley said the Town is looking at new fixtures that are dark-sky compliant for lights downtown along Lake Park Boulevard. He said this may be a budget issue that has to come before Council.

#### Canal Drive Traffic Equipment

Staff created new and improved tidal flooding signage with an arm to deter traffic. This was produced in-house, which means reduced cost and wait time for repair parts, and it will be permanently stationed. It is scheduled for installation in March or April.

#### FY 23-24 Budget Process and Schedule

- March 14 – public hearing for non-profit requests (Council meeting)
- March 16 – budget open house – water and sewer 4:00-6:00 PM
- April 11 – public hearing to receive community input (Council meeting)
- April 25 – budget workshop
- May 2 – budget workshop

- May 2 – budget open house
- May 9 – public hearing for community input (Council meeting)
- May 23 – budget message presented to Council (workshop)
- June 13 – adopt budget (Council meeting)
- July 25 –budget/strategic plans follow-up retreat

At Council's next workshop, staff will present capital improvement planning financial models that propose how to pay for big-ticket items.

#### Public Utilities Open House

The Public Utilities Open House will be Thursday 4:00-6:00 PM in Council Chambers. It will contain information and answers to questions about water, sewer, and capital improvement planning.

#### Resident Parking Zone

Mr. Oakley explained the residential parking press release that went out last week. Nothing new has been added to the ordinance. It was just asking that the Town enforce the current code, such as parking in front of hydrants, stop signs, driveways, etc.

Council Member LeCompte said this is not about revenue but quality of life.

Mr. Oakley said the Town is not paying the parking company to look for violations in these areas unless there are complaints.

Mayor Barbee said Kure Beach has had a similar ordinance for years, and he has heard it has eliminated problems without being a huge issue for residents.

#### Other Updates

There was a huge turnout for the lake stabilization dredging project pre-construction bid meeting. Bids are due March 23.

Council Member Benson asked about the Ocean Boulevard sidewalk. Mr. Oakley said engineers are working out stormwater issues, and the project should go out for bid soon.

Council Member Hoffer asked that the sidewalks in the Seagrove community be connected to the new Ocean Boulevard sidewalk.

Mayor Barbee said the Town heard back from the N.C. Department of Transportation (DOT) about the Hamlet crosswalk and stoplight. He said this should be operable in five to six weeks, and the stoplight will be on flash for seven days after that to give drivers time to adjust.

#### **PUBLIC COMMENT**

Alex Torres of 310 Spencer Farlow Drive said he is frustrated with parking. He said the parking company is predatory and aggressive, and he would like to know if they have quotas for writing tickets.

Kristen Dunn of 907 Ocean Boulevard expressed concern about flooding on Canal Drive. She said there are grants available for nuisance flood mitigation. Ms. Dunn also said there are not enough restrooms at Mike Chappell Park.

Mayor Barbee encouraged residents to come to the Public Utilities Open House to hear more about what the Town has done with grants.

Danny Tangredi of 1309 Bonito Lane thanked the Town for the paving projects. He said he is not in favor of having to register golf carts as vehicles.

Tyler Smith of 322 Goldsboro Avenue thanked Council for enforcement of residential parking.

Steve Jaeb of 204 Tennessee Avenue is supportive of residential parking enforcement.

Patrick Boykin of 712 Glenn Avenue thanked Council and staff for repairing the pothole in front of his house. He said there has been no resolution to the unsanitary conditions on the property next door to his home.

JoDan Garza of 513 Atlanta Avenue said he supports the inlet resolution. He said the Town needs to trim back some trees for the safety of cyclists and pedestrians. Mr. Garza also made several other suggestions, including running the residential zone map to Alabama Avenue and bringing parking enforcement back in-house.

## **PUBLIC HEARINGS**

### 11. Public Hearing on Non-Profit Funding Requests

Non-profit representatives presented funding requests for the 2023/2024 fiscal year.

**ACTION:** Motion to open the public hearing

Motion made by Mayor Barbee

Voting Yea: Mayor Barbee, Mayor Pro Tem Healy, Council Member Benson, Council Member Hoffer, Council Member LeCompte

*Motion passed unanimously*

Nancy Busovne of the Pleasure Island Sea Turtle Project thanked Council for support over the years and said this will be her 23<sup>rd</sup> summer doing this work. She said the group's funding request remains the same as last year, but this year the turtle nests in Freeman Park past the pinch point will be left to hatch naturally with volunteers checking them twice per day. Ms. Busovne asked for creation of a decal so volunteers can access those nests.

LeeAnn Tluchowski of the Pleasure Island Chamber of Commerce reviewed the organization's activities and accomplishments and said the group is seeking Town support for the following 2023 events: the Carolina Beach Music Festival, Pets in the Park, and the Cape Fear Kite Festival.

Mayor Barbee said the Chamber has done fantastic work and praised the group's transformation over the past couple of years.

No one else requested to speak.

**ACTION:** Motion to close the public hearing

Motion made by Mayor Barbee

Voting Yea: Mayor Barbee, Mayor Pro Tem Healy, Council Member Benson, Council Member Hoffer, Council Member LeCompte

*Motion passed unanimously*

12. Approval of Financing Terms, Resolution of Necessary Findings, and Reimbursement Resolution for Acquisition of 1101 North Lake Park Boulevard

Finance Director Debbie Hall requested bid proposals from eight lenders for financing the acquisition of 1101 North Lake Park Boulevard for \$2 million with a 10-year term. The Town received three proposals, and Ms. Hall recommended Truist Bank as having the most favorable terms, including a 3.98% interest rate. To accept the proposal, Council must approve three resolutions.

**ACTION:** Motion to open the public hearing

Motion made by Mayor Barbee

Voting Yea: Mayor Barbee, Mayor Pro Tem Healy, Council Member Benson, Council Member Hoffer, Council Member LeCompte

*Motion passed unanimously*

Mr. Parvin said Ms. Hall did an excellent job getting the best deal for the Town.

No one else requested to speak.

**ACTION:** Motion to close the public hearing

Motion made by Mayor Barbee

Voting Yea: Mayor Barbee, Mayor Pro Tem Healy, Council Member Benson, Council Member Hoffer, Council Member LeCompte

*Motion passed unanimously*

Council Member Benson said this acquisition is important because it gives the Town a contingency for storage and treatment of water.

**ACTION:** Motion to approve Resolution No. 22-2275 accepting the terms of the proposal from Truist Bank

Motion made by Mayor Barbee

Voting Yea: Mayor Barbee, Mayor Pro Tem Healy, Council Member Benson, Council Member Hoffer, Council Member LeCompte

*Motion passed unanimously*

**ACTION:** Motion to approve Resolution No. 22-2274 authorizing the Finance Director to file a Local Government Commission (LGC) application

Motion made by Mayor Barbee

Voting Yea: Mayor Barbee, Mayor Pro Tem Healy, Council Member Benson, Council Member Hoffer, Council Member LeCompte

*Motion passed unanimously*

**ACTION:** Motion to approve Resolution No. 22-2276 to allow reimbursement of expenses from loan proceeds

Motion made by Mayor Barbee

Voting Yea: Mayor Barbee, Mayor Pro Tem Healy, Council Member Benson, Council Member Hoffer, Council Member LeCompte

*Motion passed unanimously*

### **ITEMS OF BUSINESS**

13. Consider the Police Advisory Committee's Request to Change the Committee Name to Police Advocacy Committee

Council Member LeCompte said Police Advisory Committee members have come to the conclusion that the group is not advisory in nature because it does not advise Chief Ward on how to run his department. She said it's more of an advocacy group that acts as a liaison to the public and provides volunteer support for events. She said the committee voted unanimously to request that Council change its name to the Police Advocacy Committee to better reflect its mission.

**ACTION:** Motion to change the Police Advisory Committee's name to the Police Advocacy Committee

Motion made by Mayor Barbee

Voting Yea: Mayor Barbee, Mayor Pro Tem Healy, Council Member Benson, Council Member Hoffer, Council Member LeCompte

*Motion passed unanimously*

14. Discussion on Planning and Zoning Commission Reappointments

Last month Council began discussing whether to extend the current Planning and Zoning Commission member terms while the Commission is working on the Unified Development Ordinance (UDO). Mayor Barbee said this is going to be a long project, and with four terms set to expire on June 30 continuity may be affected. The expiring seats belong to Chairman Wayne Rouse, Commissioner Lynn Conto, Commissioner Ethan Crouch, and Commissioner Todd Piper.

Ms. Fox advised Council on their options.

Council Member Hoffer said he doesn't think Council should do anything different and suggested consideration of reappointing the specific individuals at the normal time that would be done, which is closer to the end of the terms.



Mayor Pro Tem Healy said he is fine with doing the reappointments now for peace of mind for the Commissioners as they take part in a process that could go on for 16 months or more.

Council Member Benson said the Commission has not tackled something of this magnitude for a long time, so it's important to expedite it and get it right.

Council Member LeCompte said the current Commissioners are committed and have done a lot of homework, so having to start over on the UDO process with others would hamper progress.

**ACTION:** Motion to reappoint the four Planning and Zoning Commission members for an additional three-year term

Motion made by Mayor Barbee

Voting Yea: Mayor Barbee, Mayor Pro Tem Healy, Council Member Benson, Council Member LeCompte

Voting Nay: Council Member Hoffer

*Motion passed 4-1*

#### 15. Sunset of Golf Cart Allowances on Streets within the Town

On November 10, 2008, the Police Chief presented an ordinance to allow golf carts on Town streets. Since that time, safety concerns have continued to rise. To attempt to address many of these concerns, in 2017 the Town adopted:

1. Definitions for golf carts and low-speed vehicles (LSVs)
2. Clarifying language for where golf carts are allowed
3. Safety equipment (i.e., seat belts, headlights, tail lights, turn signals) required on golf carts
4. Installation of DOT-required safety equipment prior to being able to register a golf cart in the Town
5. Recognition of state-registered LSVs and clarification of regulations for them

After having the additional regulations from 2017 in place, public safety staff members continue to have significant concerns about maintaining public safety with golf carts on Town streets. These concerns have risen as traffic continues to increase due to more residents and exponential growth of tourism. To address these issues while protecting existing investments made in golf carts, a sunset date of December 31, 2025, is established by proposed Ordinance No. 23-1199. It states that from July 1, 2023, until December 31, 2025, only golf cart owners who have received permits in the previous calendar year may continue to renew their permits; no new permit applications shall be allowed. This does not include LSVs, which are registered with the N.C. Division of Motor Vehicles (DMV).

Mr. Parvin said there were 729 golf carts registered in the Town in 2022 and 579 so far in 2023.

Chief Ward said the main concerns with golf carts are unbelted minors and people driving after drinking. He also said the current permitting process is haphazard at best and makes it difficult to identify who owns a particular golf cart.

Mayor Barbee said he is torn because he is concerned about public safety but does not like passing costs to residents.

Council Member Hoffer asked if someone inspects each golf cart every year when people come in to register. Mr. Parvin said people just come in to get their permits, and there is not a staff member walking outside to inspect golf carts.

Council Member Hoffer said his main issue with the proposed ordinance is how quickly the changes would be implemented. He said he thought it would be more like five years.

Mayor Barbee asked what the logic is behind the proposed 2025 date. Mr. Parvin said the Technical Review Committee (TRC) discussed what a reasonable time frame would be, and after much deliberation the group came up with the date.

Council Member LeCompte said she also thought changes would not occur for five more years. She said she agrees that it's a safety issue, but the Town has already asked residents to invest a lot of money in golf carts during the past few years.

Mayor Pro Tem Healy said Council already planted the seed for allowing five years when this issue was discussed in the past.

Mayor Barbee said he also likes the five-year time frame, but he wants to be sensitive to the Police Department. He proposed four years as a compromise.

**ACTION:** Motion to approve Ordinance No. 23-1199 as presented but with the exception to change December 31, 2025, to December 31, 2027

Motion made by Mayor Barbee

Voting Yea: Mayor Barbee, Mayor Pro Tem Healy, Council Member Hoffer, Council Member LeCompte

Voting Nay: Council Member Benson

*Motion passed 4-1*

### **COUNCIL COMMENTS**

Council Member LeCompte asked to hear an update from the Centennial Committee at the next workshop.

Mayor Pro Tem Healy, said he wants to have a discussion at the next workshop about vendors on the beach, including how many, fees, etc.

Council Member Benson asked when the Carolina Beach Avenue South project will go to the TRC and come back to Council with associated costs and options.

Council Member Hoffer reminded everyone about the opening of the Friends of CB Nursery on Saturday at 10:00 AM, when trees from the N.C. Wildlife Federation will arrive. He also encouraged people to come to Thursday's open house to learn more and talk to Council and staff about anything. Council Member Hoffer said the public can walk into Town Hall to get his business card with his email address and phone number for future contact about any Town issues.

Mayor Barbee offered condolences to Council Member Hoffer on the passing of his mother.

**CLOSED SESSION**

**ACTION:** Motion to go into closed session to discuss a real estate matter in accordance with NCGS 143-318.11(a)(5); the properties being discussed include the following Parcel IDs:

- R08807-013-005-000
- R08807-013-004-000

Motion made by Mayor Barbee

Voting Yea: Mayor Barbee, Mayor Pro Tem Healy, Council Member Benson, Council Member Hoffer, Council Member LeCompte

*Motion passed unanimously*

Mayor Barbee called the meeting back to order and said Council took no action during closed session.

**ADJOURNMENT**

Mayor Barbee adjourned the meeting at 8:30 PM.



## AGENDA ITEM COVERSHEET

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**PREPARED BY:** Tim Murphy

**DEPARTMENT:** Parks and Rec

**MEETING:** Town Council Meeting 4/11/2023

**SUBJECT:** Events Update by Tim Murphy

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**BACKGROUND:**

Tim Murphy will give an update on the upcoming events.

**ACTION REQUESTED:**



## AGENDA ITEM COVERSHEET

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**PREPARED BY:** Kim Ward, Town Clerk

**DEPARTMENT:** Clerk

**MEETING:** Town Council 4/11/2023

**SUBJECT:** Update from the Friends of Carolina Beach Parks and Greenways

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**BACKGROUND:**

Janet Hoffer, Chair of the Friends of CB Parks and Greenways will give an update on their fundraising efforts for the skate park.



## AGENDA ITEM COVERSHEET

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**PREPARED BY:** Bruce Oakley, Town Manager

**DEPARTMENT:** Executive

**MEETING:** Town Council 4/11/2023

**SUBJECT:** Manager's Update

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**BACKGROUND:**

Town Manager Bruce Oakley will give an update on current and future projects.



## AGENDA ITEM COVERSHEET

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**PREPARED BY:** Debbie Hall, Finance Director

**DEPARTMENT:** Finance

**MEETING:** Town Council – 4/11/2023

**SUBJECT:** Presentation of System Development Fees Study

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**BACKGROUND:**

Daryll Parker from Willdan Financial Services will present the System Development Fees Study. Per North Carolina general statute under Section 1, Chapter 162A, Article 8, the fees charged by the Town are to be reviewed every five (5) years.

February 6, 2023

Mr. Bruce Oakley, Town Manager  
Town of Carolina Beach  
1121 N. Lake Park Blvd.  
Carolina Beach, NC 28428

**DRAFT 1**

**Subject: Water and Wastewater System Development Fee Study**

Dear Mr. Oakley,

WILLDAN FINANCIAL SERVICES (“Willdan”) is pleased to submit to the Town of Carolina Beach, North Carolina (the “Town”) the Water and Wastewater System Development Fee Study report (the “Report”) for your consideration. We have completed the analyses for the review and development of water and wastewater system development fees and have summarized the results herein.

	<b>GENERAL</b>
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System development fees (“SDF” or “SDFs”) and other comparable charges are often referred to by numerous terms including impact fees, capacity fees, system expansion fees, availability fees, connection fees, capacity reservation charges, facility fees, capital connection charges or other such terminology. In general, an SDF is a one-time charge implemented to recover (in whole or part) the costs associated with capital investments made by a utility system to make service available to future users of the system. Such capital costs generally include the construction of facilities as well as engineering, surveys, land, financing, legal and administrative costs. It has become common practice for water and wastewater utility systems to implement SDF (or other similar charges) to establish a supplemental source of funding for future capital projects. This practice helps to mitigate the need for existing customers to pay for system expansions entirely through increased user rates.

	<b>CRITERIA FOR SYSTEM DEVELOPMENT FEES</b>
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The purpose of a SDF is to assign, to the extent practical, growth-related capital costs to those customers responsible for such additional costs. To the extent that new population growth imposes identifiable additional capital costs to municipal services, equity and prudent financial practice necessitate the assignment of such costs to those customers or system users responsible for the additional costs rather than the existing user base. Generally, this practice has been labeled as “growth paying for growth” without placing the full cost burden on existing users.





It is important to note that an SDF is different than an assessment or tax. A special assessment is predicated upon an estimated increment in value to the property assessed by virtue of the improvement being constructed in the vicinity of the property. Further, the assessment must be directly and reasonably related to the benefit of which the property receives. SDFs are not directly related to the value of the improvement to the property but rather to the usage of the facilities required by the property. Until the property is put to use (i.e., developed), there is no burden placed upon the servicing facilities and the land use may be entirely unrelated to the value of the assessment basis of the underlying land. With respect to a comparison to taxes, SDFs are distinguishable primarily in the direct relationship between the amount charged and the measurable quantity of public facilities required. In the case of taxation, there is no requirement that the payment be in proportion to the quantity of public services consumed, and funds received by a municipality from taxes can be expended for any legitimate public purpose.

## LEGAL CONSIDERATIONS

### *Court Proceedings - General*

Generally, courts throughout the United States have found that capacity-related fees associated with new customer connections to utility systems are legal provided they meet a Rational Nexus Test. In accordance with common court rulings, the rational nexus test requires that certain conditions be met to have a valid capacity-related fee. Typically, the court decisions have found that such fees are valid if the following standards are met:

1. The required payment should primarily benefit those who must pay it because they receive a special benefit or service as a result of improvements made with the proceeds.
2. Proceeds from the required SDF payments are dedicated solely to the capital improvement projects (i.e., proceeds are not placed in a general fund to be spent on ongoing expenses and maintenance, which characterizes a tax, but are set aside in a restricted reserve fund).
3. The revenue generated by the required payment should not exceed the cost of capital improvements to the system.
4. The required payments are imposed uniformly and equitably on all new customers based on their anticipated usage (i.e., a relationship between the fees paid and the benefits received).

In general, most courts have found that it is reasonable for utility systems to take steps to ensure that there are adequate funds for capital projects, and to set aside collected fees in a special account for that purpose. Additionally, new customers are treated alike in that all must pay a fee based on anticipated usage and/or potential demand. Finally, courts have reasoned that it is rational for a utility system to prepare to pay for future capital projects and, while imposing a capacity-related



fee may not be the only way to raise such funds, it is a reasonable and legitimate method of accruing funds.

***Court Proceedings – North Carolina***

In 1990, a precedent was set in the State of North Carolina in a decision by the United States Court of Appeals, Fourth District for the case of Shell Island Investment v. Town of Wrightsville Beach North Carolina (900 F.2d 255), regarding the right of the Town of Wrightsville Beach to impose utility system impact fees to fund the expansion of the water and sewer facilities. The Court of Appeals upheld the decision of the United States District Court for the Eastern District of North Carolina that the Town of Wrightsville Beach had “authority to impose impact and tap fees under the Public Enterprise statute and that no specific enabling legislation is necessary.”

Pursuant to the ruling of the District Court and the Court of Appeals, it was concluded that “despite the absence of any express authorization in the Public Enterprise Statute for municipalities to establish or increase utility fees in order to offset future capital improvements to their sewer and water infrastructures, general authority to do so is implicit in relevant state law, limited only by the requirement that any discrimination among users be not based on arbitrary or unreasonable classifications.”

***Court Proceedings – Town of Carthage Case***

On April 8, 2016, in the case of Quality Built Homes, Inc. v. Town of Carthage, (766 S.E. 2d 897) the North Carolina Court of Appeals held that the Town of Carthage possessed authority to charge “impact fees” for water and sewer services. However, on August 16, 2016, the North Carolina Supreme Court reversed the North Carolina Court of Appeals’ decision and held that the Town did not possess authority to charge impact fees for water and sewer services. Although there were many different factors influencing this decision, the result generated a significant amount of confusion and concern for governmental utility systems within the State.

***House Bill 436***

The General Assembly of North Carolina recently enacted House Bill 436, which included a general statute under Section 1, Chapter 162A, Article 8 for the development of “System Development Fees” (herein referred to as “Chapter 162A”) that impacts all governmental entities in North Carolina who currently assess fees for the recovery of capital costs associated with new development and system growth. As defined in Chapter 162A, a system development fee is a charge or assessment for service imposed with respect to new development to fund costs of capital improvements necessitated by and attributable to such new development, to recoup costs of existing facilities which serve such new development, or a combination of those costs. Based on requirements of Chapter 162A, the calculation of the SDFs, must employ generally accepted accounting, engineering, and planning methodologies. Defined methodologies include the buy-in method, incremental or marginal cost method, and combined cost method. A brief description of each of these methods as defined in American Water Works Association Manual M1 is provided below.



- *Buy-in Method.* Based on the value of the existing system’s capacity. Under this method, new development “buys” a proportionate share of capacity at the cost (value) of the existing facilities.
- *Incremental/Marginal Cost Method.* Based on the value or cost to expand the existing system’s capacity. This method assigns to new development the incremental cost of future system expansion needed to serve new development.
- *Combined Cost Method.* Based on blended value of both the existing and expanded system capacity. This method uses a combination of the buy-in and incremental/marginal cost methods.

Chapter 162A allows a governmental unit to utilize any of the three methods described above depending on the availability of information from the governmental unit, i.e., a detailed listing of asset data (buy-in method) or a ten to twenty-year capital improvement plan (incremental method). The combined method includes both existing assets and future capital projects required to serve growth.

Chapter 162A states that an SDF shall be calculated based on a written analysis, which may constitute or be included in a capital plan, that:

1. Is prepared by a financial professional or a licensed professional engineer qualified by experience and training or education to employ generally accepted accounting, engineering, and planning methodologies to calculate system development fees for public water and sewer systems.
2. Documents in reasonable detail the facts and data used in the analysis and their sufficiency and reliability.
3. Employs generally accepted accounting, engineering, and planning methodologies, including the buy-in, incremental cost or marginal cost, and combined cost methods for each service, setting forth appropriate analysis as to the consideration and selection of a method appropriate to the circumstances and adapted as necessary to satisfy all requirements of this Article.
4. Documents and demonstrates the reliable application of the methodologies to the facts and data, including all reasoning, analysis, and interim calculations underlying each identifiable component of the system development fee and the aggregate thereof.
5. Identifies all assumptions and limiting conditions affecting the analysis and demonstrates that they do not materially undermine the reliability of conclusions reached.
6. Calculates a final system development fee per service unit of new development and includes an equivalency or conversion table for use in determining the fees applicable for various categories of demand.
7. Covers a planning horizon of not less than 5 years nor more than 20 years.
8. Is adopted by resolution or ordinance of the local governmental unit in accordance with G.S. 162A-209.
9. Uses the gallons per day per service unit that the local governmental unit applies to its water or sewer system engineering or planning purposes for water or sewer, as appropriate, in calculating the system development fee. (2017-138, s. 1; 2018-34, s. 1(a); 2021-76, s. 2.)



Further, Chapter 162A includes certain other minimum requirements as follows:

1. A system development fee shall not exceed that calculated based on the system development fee analysis.
2. Credits must be included no matter which methodology is used. A more detailed discussion on the applicable credits will be included in later sections of this report.
3. A construction or contribution credit shall be given with respect to new development such that the governmental unit will credit the value of costs in excess of a development's proportionate share of connecting facilities required to be oversized for the use of others outside the development.

As such, this report is intended to address the legal requirements set forth above to develop fees in accordance with Chapter 162A.

### **ADOPTION AND PERIODIC REVIEW OF SDF ANALYSIS**

Upon completion of the SDF analysis, Chapter 162A sets forth certain criteria regarding the adoption and periodic review of SDFs. These include the following:

1. For not less than 45 days prior to consideration for adoption of the SDF analysis, the governmental unit shall post the analysis on its website and solicit and furnish a means to submit written comments which shall be considered by the preparer for possible modifications or revisions to the analysis.
2. Following expiration of the 45 days posting period, the governing body shall conduct a public hearing prior to considering adopting the analysis with any modifications.
3. The governmental unit shall publish the SDFs in its annual budget, rate plan or ordinance. Further, the SDF analysis shall be updated at least every five years.

### **EXISTING SYSTEM DEVELOPMENT FEES**

The Town currently imposes capital-related charges to new customers requiring water and/or wastewater utility service. The current fees are \$2,470 and \$2,710 per residential dwelling unit, for water and wastewater, respectively. To be consistent with the definitions provided in Chapter 162A, the capital cost recovery terminology utilized in this report will be System Development Fees. For new, nonresidential/commercial customers, the fee is based on the size of the water meter. The existing SDFs are provided in **Table 1**.



**TABLE 1  
EXISTING SYSTEM DEVELOPMENT FEES**

Description	Water	Wastewater	Combined Fee
<b>Meter Size:</b>			
5/8 x 3/4 Inch	\$ 2,470	\$ 2,710	\$ 5,180
1.0 Inch	\$ 6,175	\$ 6,775	\$ 12,950
1.5 Inch	\$ 12,350	\$ 13,550	\$ 25,900
2.0 Inch	\$ 19,760	\$ 21,680	\$ 41,440
3.0 Inch	\$ 39,520	\$ 43,360	\$ 82,880
4.0 Inch	\$ 61,750	\$ 67,750	\$ 129,500
6.0 Inch	\$ 123,500	\$ 135,500	\$ 259,000
8.0 Inch	\$ 197,600	\$ 216,800	\$ 414,400

**EXISTING TAP & CONNECTION FEES**

The Town currently imposes tap and connection fees to new customers connecting to the water and wastewater systems. However, it is important to note that such tap-related fees are different than the SDFs developed and proposed herein. The distinguishing characteristic is that the tap and connection fees are established for the purpose of recovering the operating costs associated with performing the customer service act of physically making a new system tap/connection (i.e., labor and benefits, equipment, vehicles, materials, and supplies, etc.) SDFs, on the other hand, are established for the purpose of recovering the major capital costs incurred in making water and wastewater utility service available to the public. The proposed fees designed herein are intended to be in addition to the existing tap and connection fees. As such, it is proposed that the existing tap and connection fees continue to be imposed. It should be noted that, for the purpose of the Report, the existing tap and connection fees are assumed to recover the costs associated with these items. A review of these fees in relation to actual costs incurred is beyond the scope of this Report.

**EXISTING & PROJECTED CAPITAL FACILITIES**

***Existing Facilities – Buy-In Method***

In considering the recovery of existing asset costs under the buy-in method, the general concept is that new customers “buy” a proportionate share of system capacity at the value of the existing facilities. It is important to note that while this methodology is labeled as *buy-in*, payment of an



SDF does not transfer any ownership of the assets to the customer. Rather, such payment provides access to capacity at a status equal to that of existing customers of the system.

While there are different methods that can be used to establish a value to the existing facilities, a common approach is to value the existing assets at a replacement cost amount. According to the replacement cost method, the existing system components are valued at the estimated current cost of replacing the facilities. The analysis developed herein uses an approach referred to as Replacement Cost New Less Depreciation (RCNLD). Applying the RCNLD method, the original costs are escalated to current dollars using construction cost indices, and then the result is adjusted down for the accumulated depreciation, which is also adjusted by the construction cost indices. This approach results in a replacement cost valuation that reflects the remaining depreciable life of the facilities.

In performing the RCNLD analysis, the Town provided a detailed listing of the current water and wastewater system facilities (the “Asset Listing”). The Asset Listing contained the original cost, the date placed in service and the accumulated depreciation for each asset. The replacement cost of each asset is estimated by using construction cost indices information contained in the Handy-Whitman Index of Public Utility Construction Costs for the South Atlantic Region. The Handy-Whitman Index calculates the cost trends for different types of utility construction, including water systems. The published indices are used by regulatory bodies, operating entities, utility systems, service companies, valuation experts and insurance companies. The Handy-Whitman Index values are widely used to trend earlier valuations and original cost records to estimate reproduction cost at prices prevailing at a certain date or to the present. While other construction cost indexes are published, the Handy-Whitman Index is used in this analysis because it is specifically tailored to the utility industry.

After the replacement cost is calculated for each individual asset item, the adjusted accumulated depreciation is deducted for each asset item. The result is the RCNLD.

As provision for SDF analyses, the existing assets are categorized based on the major components of **Treatment** and **Transmission**. The treatment category includes the treatment plant facilities (water and wastewater) and accompanying supply and storage facilities (water only), as well as wastewater effluent disposal facilities. The transmission/collection category consists of major water mains, water pumping facilities, sewer lift stations and collection lines. Since the localized distribution and collection facilities are generally contributed by developers or funded from other sources (i.e., assessments, direct customer payments, etc.), these facilities are not included for recovery through the SDFs. Additionally, a cost limit or threshold has been set at \$100,000 as a condition of inclusion of the asset items in the SDF calculation. The cost limit assumes that any asset item that costs less than the limit amount is not a major facility that provides a system-wide benefit. The asset data and applicable recoverable cost allocations are provided in **Exhibit 1** at the end of this Report. The existing recoverable water and wastewater capital asset cost allocations included in the analysis are summarized in **Table 2**.





Description	RCNLD Included for Recovery		
	Water	Wastewater	Total
<b><u>Total Recoverable Assets:</u></b>			
Equipment	\$ 0	\$ 0	\$ 0
Vehicles	0	0	0
Land	0	0	0
Water Fire Hydrants	0	0	0
Buildings/Improvements	10,303,675	16,650,252	26,953,927
Infrastructure	5,583,395	5,638,372	11,221,767
<b>Total</b>	<b>\$ 15,887,070</b>	<b>\$ 22,288,624</b>	<b>\$ 38,175,694</b>

***Capital Improvements Program – Incremental Cost Method***

In considering the recovery of future asset costs under the incremental cost method, the general concept is to assign to new development the incremental cost of future system expansion needed to serve the new development. When using this method, Chapter 162A requires a minimum 10-year capital improvements program (“CIP”) that identifies the costs associated with new capacity and the timing of the expenditures. It is also important consider the planned funding sources for the projects identified in the CIP. For example, projects that are funded from grants or developer contributions are excluded from the SDF calculation since these are costs that are not incurred by the utility.

The SDFs developed herein utilize the incremental cost method and therefore includes future capital improvement projects and their applicable additions to system capacity. The Town has prepared a CIP that provides a listing of individual projects and anticipated construction costs for fiscal years 2024 through 2033 (i.e., a 10-year CIP). The projected capital costs are provided in 2023 dollars. As such, the analysis developed herein applies an annual inflationary adjustment of 3.00% to capture the impact of assumed future cost increases. The inflation-adjusted CIP is provided in **Exhibit 2**. Like the rationale for excluding certain existing assets from recovery through SDFs, the CIP project costs included for capital recovery in the analysis consist of only those projects associated with system-wide upgrades or expansions. As such, projects related to general maintenance (i.e., renewal and replacement of existing facilities) or localized facilities that benefit only certain customers are excluded from recovery through the SDFs. The CIP and resulting identification of assumed growth-related projects (i.e., project costs recoverable from SDFs) are provided in **Exhibit 3**. The Exhibit also provides a summary allocation of the recoverable costs between the treatment and transmission components. The projected growth-related projects and capital costs included in the analysis are summarized in **Table 3**.



**TABLE 3  
SUMMARY OF THE CIP**

Description	Recoverable Capital	Excluded Capital	Total CIP
<b><u>Recoverable Assets - Water:</u></b>			
Treatment Facilities	\$ 14,080,051	\$ 0	\$ 14,080,051
Transmission Facilities	16,103,522	11,337,561	27,441,083
Other Facilities	0	0	0
Total	\$ 30,183,573	\$ 11,337,561	\$ 41,521,134
<b><u>Recoverable Assets - Wastewater:</u></b>			
Treatment Facilities	\$ 4,917,735	\$ 0	\$ 4,917,735
Transmission Facilities	3,666,381	14,665,531	18,331,912
Other Facilities	0	0	0
Total	\$ 8,584,116	\$ 14,665,531	\$ 23,249,647
<b><u>Recoverable Assets - Combined:</u></b>			
Treatment Facilities	\$ 18,997,786	\$ 0	\$ 18,997,786
Transmission Facilities	19,769,903	26,003,092	45,772,995
Other Facilities	0	0	0
Total	\$ 38,767,689	\$ 26,003,092	\$ 64,770,781

***Total Facilities – Combined Method***

The analysis developed herein for calculation of the SDFs proposes the combined method. As the name implies, the combined method includes the cost/value of both the existing facilities currently providing service, as well as the planned facilities required to perpetuate or expand service. This method assumes that the utility capacity within the existing system is sufficient to serve near-term growth but will require additional capacity to serve future growth needs. Using this method, new customers pay an SDF that reflects the value of both existing and planned capacity. The combined system costs included for recovery are summarized in **Table 4**.





**TABLE 4**  
**SUMMARY OF COMBINED RECOVERABLE FACILITIES**

Description	Recoverable Facilities		
	Water	Wastewater	Total
<b>Existing Facilities:</b>			
Treatment Facilities	\$ 5,281,785	\$ 4,629,144	\$ 9,910,929
Transmission Facilities	10,605,285	17,659,480	28,264,765
Subtotal	\$ 15,887,070	\$ 22,288,624	\$ 38,175,694
<b>Capital Improvement Program:</b>			
Treatment Facilities	\$ 14,080,051	\$ 4,917,735	\$ 18,997,786
Transmission Facilities	16,103,522	3,666,381	19,769,903
Subtotal	\$ 30,183,573	\$ 8,584,116	\$ 38,767,689
<b>Combined:</b>			
Treatment Facilities	\$ 19,361,836	\$ 9,546,879	\$ 28,908,715
Transmission Facilities	26,708,807	21,325,861	48,034,668
Total	\$ 46,070,643	\$ 30,872,740	\$ 76,943,383

**SDF CALCULATION CREDITS**

It is common practice for utilities to fund major capital improvements and expansion projects with debt (i.e., bond issues). Generally, debt service payments associated with bond issues are recovered through the monthly user rates and charges applied to all system customers, as well as from other available revenue sources (including SDFs). To reduce the potential for new customers to pay twice for capital facilities (i.e., paying an SDF and then paying for debt service on expansion projects in their monthly user rates), the SDF analysis developed herein includes a debt service credit to the existing facilities (buy-in method). The credit on the existing facilities is equal to the outstanding principal remaining on all utility related debt. The debt service credit amount for the existing facilities is allocated between water and wastewater based on information provided by staff related to the capital projects that were funded from proceeds of each individual debt instrument.

In addition to the credit on the existing facilities, the analysis developed herein also applies a credit to the planned future facilities provided in the CIP (incremental cost method). The credit for the future facilities is equal to 25% of the recoverable CIP, which meets the requirements of Chapter 162A. A summary of the combined recoverable capital facilities as adjusted for the applicable credits is provided in **Table 5**.



**TABLE 5  
SUMMARY OF NET RECOVERABLE FACILITIES**

Description	Net Recoverable Facilities		
	Water	Wastewater	Total
<b>Combined Facilities:</b>			
Treatment Facilities	\$ 19,361,836	\$ 9,546,879	\$ 28,908,715
Transmission Facilities	26,708,807	21,325,861	48,034,668
Subtotal	\$ 46,070,643	\$ 30,872,740	\$ 76,943,383
<b>Less Combined Credits</b>			
Treatment Facilities	\$ (6,035,885)	\$ (2,396,489)	\$ (8,432,374)
Transmission Facilities	(9,077,496)	(5,368,730)	(14,446,226)
Subtotal	\$ (15,113,381)	\$ (7,765,219)	\$ (22,878,600)
<b>Net Capital Costs:</b>			
Treatment Facilities	\$ 13,325,951	\$ 7,150,390	\$ 20,476,341
Transmission Facilities	17,631,311	15,957,131	33,588,442
Net Recoverable Costs	\$ 30,957,262	\$ 23,107,521	\$ 54,064,783

**SYSTEM CAPACITIES**

As previously addressed, the purpose of the SDF is to have new customers pay for their proportionate share of system capacity. This concept implies that the fee is based on a unit cost of capacity. To apply a fee based on the unit cost of capacity, it is necessary to identify the capacities of the facilities for which cost recovery is assigned. As such, the methodology applied herein relies upon identifying the water and wastewater treatment capacities as well as estimating the capacities of the major transmission facilities. Due to the regulatory and design requirements for water and wastewater treatment plants, the capacity of treatment facilities is generally well documented. However, the volumetric capacity of the major transmission facilities is often more difficult to determine. For this reason, in performing an analysis of this nature, the assumed capacity of the transmission facilities is commonly based on a factor of the associated treatment capacities. In developing the estimated amount of capacity for each respective category, the analysis relies on information provided by the Town and included in master planning documents, as well as assumptions based on common industry standards.

**Water Treatment**

The Town currently has two water treatment plants consisting of the Cape Fear Water Plant 1 and Alabama Water Plant 2. Each plant has a treatment capacity of 2.40 million gallons per day (“MGD”). In addition to the existing water treatment capacity, the CIP has a project (New Water Treatment Plant #3) that will provide additional system capacity. Based on discussions with staff,



the new plant will have the same amount of capacity as each of the existing plants (i.e. 2.40 MGD). As such, the analysis developed herein utilizes a total water treatment capacity of 7.20 MGD.

While the permitted flow capacity is provided in terms of the maximum daily flow amount, the development and application of SDFs are based on average flow requirements. As such, it is necessary to convert the maximum daily flow (MDF) capacity to an estimated average daily flow (ADF) capacity. Pursuant to general industry standards and discussions with staff, it is assumed herein that the rated MDF is approximately 1.50 times the available capacity on an ADF basis. Applying this factor to the rated capacity for the water treatment plants results in an average daily flow capacity of 4.80 MGD. An additional adjustment is made based on the assumed amount of unaccounted-for water (i.e., system flushing and backwashing, testing, line loss, etc.). The unaccounted-for water reduces the amount of capacity available to existing and future customers. The analysis performed herein assumes a loss factor of 20.0% to adjust for the unaccounted-for water flows at the treatment plant. This final adjustment results in an assumed average daily treatment plant capacity of 3.84 MGD.

***Water Transmission***

Unlike the treatment facilities, the capacity information for major transmission facilities is very difficult to determine and quantify. Such transmission capacity estimates are typically not even developed in engineering documents such as master plans or Consulting Engineer's Reports. Based on discussions with Town staff, it is assumed that the transmission facilities can provide average water flow at least equal to the maximum flow amount of 7.20 MGD permitted for the combined water treatment plants. In addition, like the methodology utilized for water treatment, an adjustment is made for unaccounted-for water assuming losses of 20.0%. Applying these assumptions result in an estimated average daily water transmission capacity of 5.76 MGD.

***Wastewater Treatment***

The wastewater treatment facilities are designed and permitted in accordance with published hydraulic standards adopted by Section 15A NCAC 02T .0114 of the North Carolina Administrative Code regulations. The Town currently owns and operates a wastewater treatment plant with a permitted capacity of 3.00 MGD.

Unlike the application for water, the wastewater treatment capacity is permitted at average daily flow levels. As such, it is not necessary to convert the capacity. However, as with the line loss in the water system, the wastewater system is impacted by inflow and infiltration (I&I) into the wastewater collection facilities. In essence, the impact of I&I reduces the level of capacity that is available for use by existing and future system customers. Pursuant to discussions with staff, the wastewater treatment capacity is adjusted for an assumed I&I impact of 20.00%, resulting in an adjusted average daily capacity of 2.40 MGD.

***Wastewater Transmission***

Similar to the discussion provided above for the determination of water transmission capacity, it is difficult to identify the capacity of the wastewater transmission facilities. Although an exact



capacity number is difficult to determine, for the purpose of this analysis it is assumed that the wastewater trunk lines and pumping facilities are designed to provide capacity at least equal to the permitted plant flow amount of 3.00 MGD.

## DEVELOPMENT OF SDFs

The methodology utilized herein for developing the water and wastewater SDFs relies upon the cost of major system facilities as well as the existing and expanded system capacities to calculate an estimated cost per unit (gallon) of capacity. Based on this methodology, it is estimated that the water facility costs are \$6.53 per gallon of water capacity (combined treatment and transmission). Additionally, it is estimated that the wastewater facility costs are \$8.30 per gallon of wastewater capacity.

In developing the SDFs, the unit costs per gallon of capacity are applied to a common Level of Service (LOS) standard to establish the applicable fee per Equivalent Residential Unit (ERU). For purposes of applying the LOS, an ERU is representative of a single-family residential dwelling unit receiving water service from a 5/8x3/4-inch metered connection and discharging normal domestic-strength wastewater through a comparably sized sewer connection. Based on common industry standards for the development and application of capacity-related charges, a typical residential water connection is generally assumed to require average service availability in the range of 350 to 450 gallons per day (gpd) of system capacity. To establish an applicable LOS for system capacity, this analysis relies upon flow standards established by the State of North Carolina (the "State") for purposes of planning and engineering design. In accordance with daily water flow capacity design standards defined in the North Carolina Administrative Codes (15A NCAC 18C .0409), the level of service requirement for a residential connection is 400 gallons per day (gpd). Applying the NCAC flow standard, it is assumed that 1 ERU requires a standard level of service of 400 gpd of water system capacity.

Similar to the water system, the SDFs for wastewater are to be applied on an equivalent residential unit (ERU) basis such that 1 ERU is equal to the estimated capacity requirements for a typical single family residential connection with a 5/8-inch X 3/4-inch water meter. In accordance with wastewater flow design standards adopted by the State and defined in the North Carolina Administrative Codes (15A NCAC 02T .0114), the level of service requirement is based on 120 gallons of capacity per day per bedroom for a residential home. This analysis assumes an average of 3 bedrooms per new home constructed. Applying the State's flow standard to the average number of bedrooms, it is assumed that 1 ERU requires a standard level of service of 360 gpd of wastewater system capacity.

Applying the average day LOS amounts to the estimated unit costs per gallon of capacity and adjusting for the applicable credits results in the proposed water and wastewater SDFs of \$2,600 and \$2,980, respectively, as rounded down, for a typical single-family residential connection (i.e., per ERU). The development of the proposed water and wastewater SDFs is detailed in **Exhibits**



4 and 5, respectively. A summary of the existing and proposed SDFs for a typical new residential connection is provided in **Table 6**.

Description	Fee Per ERU		
	Existing	Proposed	Difference
<b>Combined Fees:</b>			
Water	\$ 2,470	\$ 2,600	130
Wastewater	2,710	2,980	270
Total	\$ 5,180	\$ 5,580	\$ 400

APPLICATION OF SDFs

For the purpose of developing SDFs, the average daily flow number is established as one equivalent residential unit (ERU). An ERU provides a standard unit of measure such that fees for connections with larger than average demand requirements can be calculated on an equivalency basis. One ERU is equal to the average anticipated flow for a single-family dwelling unit with a standard 5/8 x 3/4-inch water meter. New connections with larger water meters have the potential of placing more demand on the system (i.e. require more capacity) and are assessed ERU factors accordingly. The proposed methodology for incrementing the fees for larger connection sizes is based on standardized demand criteria established by the American Water Works Association (AWWA) pursuant to the size of the water meter. Utilizing the AWWA demand criteria, the applicable ERU factors for larger water meters are based on the incremental increase in potential demand as compared to the standard meter size. As such, the proposed fees developed herein utilize the AWWA meter equivalency methodology. Since wastewater flow is generally a direct function of water flow, applying the water and wastewater SDFs based upon the size of the water meter is equitable, administratively efficient and consistent with industry standards. The proposed water and wastewater SDFs for the various meter sizes are developed in **Exhibit 6** and summarized in **Table 7**.



**TABLE 7  
PROPOSED SYSTEM DEVELOPMENT FEES**

Description	Meter Factor <sup>(1)</sup>	Proposed Fees By Meter Size		
		Water	Wastewater	Total
<b>Meter Size:</b>				
5/8 x 3/4 Inch	1.00	\$ 2,600	\$ 2,980	\$ 5,580
1.0 Inch	2.50	\$ 6,500	\$ 7,450	\$ 13,950
1.5 Inch	5.00	\$ 13,000	\$ 14,900	\$ 27,900
2.0 Inch	8.00	\$ 20,800	\$ 23,840	\$ 44,640
3.0 Inch	16.00	\$ 41,600	\$ 47,680	\$ 89,280
4.0 Inch	25.00	\$ 65,000	\$ 74,500	\$ 139,500
6.0 Inch	50.00	\$ 130,000	\$ 149,000	\$ 279,000
8.0 Inch	80.00	\$ 208,000	\$ 238,400	\$ 446,400

(1) Meter-size equivalency factors established by the AWWA and identified in AWWA Standards C700, M1 and M22. Such factors are commonly applied consistently for both water and wastewater fee calculations.

In situations where the application of the meter-based fees will result in the collection of fees significantly different than the potential demand requirement of a new customer requesting service, a special calculation methodology may be applied at the discretion of the Town’s Utilities Director. For such situations, it is important for the utility to have the flexibility to utilize an ERU methodology for individual accounts based on specific capacity requirements. This alternative methodology is to apply the calculated unit costs per gallon of capacity as provided in **Exhibit 6** times the capacity requirement for the particular customer. This type of situation will be uncommon and will typically only involve larger commercial and industrial connections. It is anticipated that, in such situations, the Town will require certified engineering documentation defining the capacity utilization needs for the new customer.

As another example of utilizing a flexible methodology, the Town sometimes has new master-metered multi-family connections whereby multiple residential dwelling units receive service through a single, common connection. Such connections generally consist of apartment complexes, patio homes, condominiums, duplexes, triplexes, townhouses, etc. Since the usage characteristics for individual dwelling units within multi-family structures are generally consistent with those of individually metered single-family households, it is common industry practice for such connections to be represented on a per-unit basis regardless of the size of the master-metered connection. As such, the SDFs for new multi-family connections can be applied based on the number of permitted dwelling units (or a lesser equivalency factor thereof). For example, if it is determined that a new master-metered multi-family development requires less capacity per dwelling unit than a typical residential house, the utility can apply a factor of less than 1 ERU per unit (e.g. 0.80 ERUs per dwelling unit). The resulting number of equivalent units is then multiplied times the SDF per ERU to calculate the total fees to be collected.



**COMPARISON WITH  
NEIGHBORING UTILITIES**

To provide the Town with additional insight regarding the development and application of the SDFs, a comparison is often included to show the level of such fees as imposed by several other utility systems in North Carolina. The comparison would typically show the capacity-related fees for a new residential water and wastewater connection that receives service (from the subject utility or other local provider) through a standard residential-sized water meter (representative of 1 ERU) calculated under the existing and proposed fees of the Town, and those of the other utility systems. However, given the current timing requirements of Chapter 162A, and the fact that numerous utility systems in the State are in the process of performing fee studies comparable to the one addressed in this Report, including a neighboring utility comparison at this time will provide somewhat meaningless information. If the Town would like to get a better idea of how its SDFs compare to other systems, it is suggested that such a comparison be performed after July 1, 2023.

**GENERAL ASSUMPTIONS  
AND CONSIDERATIONS**

In the preparation of this Report, certain information has been used and relied upon that was provided to Willdan by other entities. Such information includes, but is not limited to, audited financial statements, annual operating budgets, capital information, asset listings, cost data, system capacities, fee schedules for other utilities, and other information provided during the study. While the sources and applicable information are believed to be reliable, no independent verification of the information has been made and no assurances are offered with respect to the accuracy of the applicable information. To the extent that information used to develop the assumptions applied in the Report differs from actual results, the analyses developed herein could be impacted accordingly.

**CONCLUSIONS**

This study has found a need for the Town to maintain a mechanism for recovering the capital costs associated with system growth and expansion. Based on the reviews, analyses and assumptions provided herein, it is concluded that:

1. The application of capital recovery fees for new system connections has become common practice for public utility systems in North Carolina. As growth continues to impact the region, and as state and federal funding programs are reduced or eliminated, it is prudent management practice to adopt mechanisms to recover capital costs incurred by the utility for making service available to future customers.





2. Through Chapter 162A, the North Carolina legislature has found that it is prudent to require new customers to bear a portion of the costs of current capacity and future expansions their presence will demand. It should be noted that Willdan is not attempting to issue a legal opinion regarding Chapter 162A or any court proceedings leading to the enactment of Chapter 162A. The summary discussion of the bill and any prior court rulings is intended for informational purposes only. Any questions regarding the legal consideration provided herein should be directed to the Town's legal counsel.
3. The SDFs developed herein are equitable and provide for reasonable recovery of the capital costs associated with providing service to new customers.
4. The SDFs proposed herein are calculated in accordance with the requirements of Chapter 162A and utilize methodologies that are consistent with industry standards.
5. The proposed SDFs are based on a listing of existing system assets as provided by the Town, as well as the 10-year capital improvement plan prepared by the Town. The projected capital costs are provided in 2023 dollars. As such, the analysis developed herein applies an annual inflationary adjustment of 3.00% to capture the impact of assumed future cost increases.
6. The water and wastewater LOS standards proposed herein for establishing an ERU basis are based on flow standards utilized by the State as defined in the North Carolina Administrative Code and are consistent with common industry standards.
7. The Town currently imposes tap fees and other related operational charges for new customer connections. Since these other charges are intended to recover operating costs for providing incident-specific services, the SDFs developed herein will have no effect on the level or application methodology for these other connection-related fees.





**RECOMMENDATIONS**

Based on the reviews, analyses and assumptions discussed herein, as well as the resulting conclusions provided above, it is respectfully recommended that the Town:

1. Adopt the proposed SDFs and application methodology as developed in this Report;
2. Enact the proposed SDFs to become effective on July 1, 2023, or other such date as determined appropriate by the Town Council; and
3. Readdress the SDF study within the next 5 years, or at such times as future capital budgets are developed and additional capital costs are incurred that may result in material adjustments to the SDF as adopted.

Willdan appreciates the opportunity to be of service to the Town in this matter. In addition, we would like to thank you and the other members of the Town staff for the valuable assistance and cooperation provided during the preparation of the Report. We look forward to working with you on future projects and continuing a successful professional relationship.

Respectfully Yours,

WILLDAN FINANCIAL SERVICES.

A handwritten signature in blue ink that reads "Daryll B. Parker".

Daryll B. Parker  
Principal

# EXHIBITS 1 - 6

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## SUPPORTING OUTPUT FOR THE WATER & WASTEWATER SDF STUDY



**WATER & WASTEWATER SDF STUDY FOR THE  
TOWN OF CAROLINA BEACH, NORTH CAROLINA**

Prepared by Willdan Financial Services



**EXHIBIT 1**  
**SYSTEM DEVELOPMENT FEE ANALYSIS**  
**EXISTING CAPITAL COSTS RECOVERABLE FROM SDFs**  
**WATER & WASTEWATER SYSTEMS**

Line	Description	Original Cost	Replacement Cost New	Accumulated Depreciation	RCNLD
<b>WATER ASSETS</b>					
<b>Total Assets by Category:</b>					
1	Equipment	\$ 1,436,339	\$ 2,382,271	\$ (1,282,275)	\$ 1,099,996
2	Vehicles	323,585	323,585	(296,173)	27,412
3	Land	293,771	293,771	(293,771)	0
4	Water Fire Hydrants	108,375	304,029	(304,029)	0
5	Buildings/Improvements	10,762,392	31,890,878	(19,964,918)	11,925,960
6	Infrastructure	9,771,617	20,015,586	(5,847,199)	14,168,387
7	Total	<u>\$ 22,696,079</u>	<u>\$ 55,210,120</u>	<u>\$ (27,988,365)</u>	<u>\$ 27,221,755</u>
<b>Adjusted For Assumed Cost Limit (\$):</b>					
8	Equipment	\$ 150,239	\$ 414,660	\$ (153,462)	\$ 261,198
9	Vehicles	106,185	106,185	(81,573)	24,612
10	Land	120,000	120,000	(120,000)	0
11	Water Fire Hydrants	0	0	0	0
12	Buildings/Improvements	8,525,165	22,883,628	(12,579,953)	10,303,675
13	Infrastructure	2,601,464	9,021,041	(3,437,646)	5,583,395
14	Total	<u>\$ 11,503,053</u>	<u>\$ 32,545,514</u>	<u>\$ (16,372,634)</u>	<u>\$ 16,172,880</u>
<b>WASTEWATER ASSETS</b>					
<b>Total Assets by Category:</b>					
15	Equipment	\$ 1,414,181	\$ 1,832,896	\$ (1,331,140)	\$ 501,756
16	Vehicles	964,093	964,093	(788,174)	175,919
17	Land	182,186	182,186	(182,186)	0
18	Water Fire Hydrants	0	0	0	0
19	Buildings/Improvements	18,172,810	57,198,607	(37,392,913)	19,805,694
20	Infrastructure	13,176,120	23,642,767	(8,176,900)	15,465,867
21	Total	<u>\$ 33,909,390</u>	<u>\$ 83,820,549</u>	<u>\$ (47,871,313)</u>	<u>\$ 35,949,236</u>
<b>Adjusted For Assumed Cost Limit (\$):</b>					
22	Equipment	\$ 241,660	\$ 307,730	\$ (256,089)	\$ 51,641
23	Vehicles	315,527	315,527	(315,527)	0
24	Land	134,163	134,163	(134,163)	0
25	Water Fire Hydrants	0	0	0	0
26	Buildings/Improvements	14,291,348	44,928,139	(28,277,887)	16,650,252
27	Infrastructure	4,954,279	12,744,919	(7,106,547)	5,638,372
28	Total	<u>\$ 19,936,977</u>	<u>\$ 58,430,478</u>	<u>\$ (36,090,213)</u>	<u>\$ 22,340,265</u>

EXHIBIT 1  
SYSTEM DEVELOPMENT FEE ANALYSIS  
EXISTING CAPITAL COSTS RECOVERABLE FROM SDFs  
WATER & WASTEWATER SYSTEMS

Line	Description	Original Cost	Replacement Cost New	Accumulated Depreciation	RCNLD
<b>COMBINED ASSETS</b>					
<b>Total Assets by Category:</b>					
27	Equipment	\$ 2,850,520	\$ 4,215,167	\$ (2,613,415)	\$ 1,601,752
28	Vehicles	1,287,678	1,287,678	(1,084,347)	203,331
29	Land	475,957	475,957	(475,957)	0
30	Water Fire Hydrants	108,375	304,029	(304,029)	0
31	Buildings/Improvements	28,935,202	89,089,485	(57,357,831)	31,731,654
32	Infrastructure	22,947,737	43,658,353	(14,024,099)	29,634,254
33	Total	\$ 56,605,469	\$ 139,030,669	\$ (75,859,678)	\$ 63,170,991
<b>Adjusted For Assumed Cost Limit (\$):</b>					
34	Equipment	\$ 391,899	\$ 722,390	\$ (409,551)	\$ 312,839
35	Vehicles	421,712	421,712	(397,100)	24,612
36	Land	254,163	254,163	(254,163)	0
37	Water Fire Hydrants	0	0	0	0
38	Buildings/Improvements	22,816,513	67,811,767	(40,857,840)	26,953,927
39	Infrastructure	7,555,743	21,765,960	(10,544,193)	11,221,767
40	Total	\$ 31,440,030	\$ 90,975,992	\$ (52,462,847)	\$ 38,513,145
<b>Recoverable Allocation - Water (%):</b>					
41	Equipment				0%
42	Vehicles				0%
43	Land				100%
44	Water Fire Hydrants				0%
45	Buildings/Improvements				100%
46	Infrastructure				100%
<b>Recoverable Allocation - Wastewater (%):</b>					
47	Equipment				0%
48	Vehicles				0%
49	Land				100%
50	Water Fire Hydrants				0%
51	Buildings/Improvements				100%
52	Infrastructure				100%

EXHIBIT 1  
SYSTEM DEVELOPMENT FEE ANALYSIS  
EXISTING CAPITAL COSTS RECOVERABLE FROM SDFs  
WATER & WASTEWATER SYSTEMS

Line	Description	Original Cost	Replacement Cost New	Accumulated Depreciation	RCNLD
<b>System Allocation - Water (\$):</b>					
53	Equipment			\$	0
54	Vehicles				0
55	Land				0
56	Water Fire Hydrants				0
57	Buildings/Improvements				10,303,675
58	Infrastructure				5,583,395
59	Total				<u>\$ 15,887,070</u>
<b>System Allocation - Wastewater (\$):</b>					
60	Equipment			\$	0
61	Vehicles				0
62	Land				0
63	Water Fire Hydrants				0
64	Buildings/Improvements				16,650,252
65	Infrastructure				5,638,372
66	Total				<u>\$ 22,288,624</u>
67	<b>Grand Total Recoverable Assets</b>				<u><b>\$ 38,175,694</b></u>

**COMPONENT ALLOCATION**

**Total Recoverable Water Facilities:**

68	Treatment Facilities		33.25%	\$	5,281,785
69	Transmission Facilities		66.75%		10,605,285
70	<b>Total</b>		100.00%	\$	<u>15,887,070</u>

**Total Recoverable Wastewater Facilities:**

71	Treatment Facilities		20.77%	\$	4,629,144
72	Transmission Facilities		79.23%		17,659,480
73	<b>Total</b>		100.00%	\$	<u>22,288,624</u>

**Combined Recoverable Facilities:**

74	Treatment Facilities		25.96%	\$	9,910,929
75	Transmission Facilities		74.04%		28,264,765
	<b>Total</b>		100.00%	\$	<u>38,175,694</u>

EXHIBIT 1  
SYSTEM DEVELOPMENT FEE ANALYSIS  
EXISTING CAPITAL COSTS RECOVERABLE FROM SDFs  
WATER & WASTEWATER SYSTEMS

Line	Description	Original Cost	Replacement Cost New	Accumulated Depreciation	RCNLD
<b>COMPARISON TO TOTAL</b>					
76	<b>Total Utility Assets</b>				\$ 63,170,991
77	<b>Combined Recoverable Assets</b>				\$ 38,175,694
	<b>Difference (Assets Excluded From Recovery):</b>				
78	Excluded From Recovery (\$)				\$ 24,995,297
79	Excluded From Recovery (%)				39.57%
<b>DEBT SERVICE CREDIT</b>					
80	<b>Outstanding Debt Principal</b>				\$ 13,186,677
	<b>Allocation Percentage:</b>				
81	Water				57.39%
82	Wastewater				42.61%
	<b>Allocated Debt Service Credit:</b>				
83	Water				\$ 7,567,487
84	Wastewater				5,619,190
85	Total				\$ 13,186,677
	<b>Component Allocation - Water:</b>				
86	Treatment Facilities		33.25%		\$ 2,515,872
87	Transmission Facilities		66.75%		5,051,615
88	Total		100.00%		\$ 7,567,487
	<b>Component Allocation - Wastewater:</b>				
89	Treatment Facilities		20.77%		\$ 1,167,055
90	Transmission Facilities		79.23%		4,452,135
91	Total		100.00%		\$ 5,619,190

**EXHIBIT 2**  
**SYSTEM DEVELOPMENT FEE ANALYSIS**  
**CURRENT CAPITAL IMPROVEMENT PROGRAM FOR FY 2024 - FY 2033**  
**WATER & WASTEWATER SYSTEMS**

Line	Description	Total	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Water</b>												
1	Water Line Replacement Phase C	\$ 3,685,694	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,685,694	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	Water Line Replacement Phase C	2,102,268	0	0	0	0	2,102,268	0	0	0	0	0
3	Water Line Replacement Phase D	3,353,342	0	0	0	0	0	0	0	3,353,342	0	0
4	Water Line Replacement Phase E	3,636,062	0	0	0	0	0	0	0	0	0	3,636,062
5	Replace Automated Meter Integration System (AMI)	1,092,830	0	1,092,830	0	0	0	0	0	0	0	0
6	Water Treatment Plant # 1 Upgrades	248,472	0	0	0	0	248,472	0	0	0	0	0
7	Water Treatment Plant # 2 Upgrades	248,472	0	0	0	0	248,472	0	0	0	0	0
8	New Water Treatment Plant # 3	6,089,139	0	0	0	0	0	0	0	6,089,139	0	0
9	Decomission Tank # 1	646,680	0	0	0	0	0	0	0	646,680	0	0
10	Add Filtration vessel at Alabama and Raw Water Lines	3,278,490	0	3,278,490	0	0	0	0	0	0	0	0
11	New 1 million GPM Tank	5,027,237	0	5,027,237	0	0	0	0	0	0	0	0
12	New 1 million GPM Tank	7,243,075	0	0	0	0	0	0	0	7,243,075	0	0
13	New Well 15H and Raw Water Lines	504,887	0	504,887	0	0	0	0	0	0	0	0
14	New Well 15A and Raw Water Lines	1,522,285	0	0	0	0	0	0	0	1,522,285	0	0
15	New Well 15B and Raw Water Lines	1,095,476	0	0	0	0	0	0	0	1,095,476	0	0
16	North End Water Repairs	1,746,725	0	0	0	0	0	0	0	0	0	1,746,725
17	<b>Total Water</b>	<b>\$41,521,134</b>	<b>\$ 0</b>	<b>\$ 9,903,444</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,284,906</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 19,949,997</b>	<b>\$ 0</b>	<b>\$ 5,382,787</b>
<b>Wastewater</b>												
18	North End Sewer Repairs	\$ 2,274,136	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,274,136
19	Sewer Line Replacement Phase C	3,759,407	0	0	0	0	3,759,407	0	0	0	0	0
20	Sewer Line Replacement Phase C	1,667,247	0	0	0	0	1,667,247	0	0	0	0	0
21	WWTP Digester Repair and Rebuild	3,278,490	0	3,278,490	0	0	0	0	0	0	0	0
22	Replace Lift Station 5 and 6 (package Stations)	363,228	0	363,228	0	0	0	0	0	0	0	0
23	Sewer Line Replacement Phase D	3,353,342	0	0	0	0	0	0	0	3,353,342	0	0
24	Sewer Line Replacement Phase E	3,636,062	0	0	0	0	0	0	0	0	0	3,636,062
25	WWTP Headworks	4,917,735	0	4,917,735	0	0	0	0	0	0	0	0
26	<b>Total Wastewater</b>	<b>\$23,249,647</b>	<b>\$ 0</b>	<b>\$ 8,559,453</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,426,654</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,353,342</b>	<b>\$ 0</b>	<b>\$ 5,910,198</b>
27	<b>Total Water &amp; Wastewater CIP</b>	<b>\$ 64,770,781</b>	<b>\$ 0</b>	<b>\$ 18,462,897</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 11,711,560</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 23,303,339</b>	<b>\$ 0</b>	<b>\$ 11,292,985</b>

**EXHIBIT 3**  
**SYSTEM DEVELOPMENT FEE ANALYSIS**  
**ALLOCATION OF CAPITAL IMPROVEMENTS PROGRAM**  
**WATER AND WASTEWATER SYSTEMS**

Line	Description	Total	Percentage Allocation <sup>(1)</sup>			Allocation Amount		
			Expand/Upgrade	R&R	Other	Expand/Upgrade	R&R	Other
<b>WATER PROJECTS</b>								
1	Water Line Replacement Phase C	\$ 3,685,694	30.00%	70.00%	0.00%	\$ 1,105,708	\$ 2,579,986	\$ 0
2	Water Line Replacement Phase C	2,102,268	30.00%	70.00%	0.00%	630,680	1,471,588	0
3	Water Line Replacement Phase D	3,353,342	30.00%	70.00%	0.00%	1,006,003	2,347,339	0
4	Water Line Replacement Phase E	3,636,062	30.00%	70.00%	0.00%	1,090,819	2,545,243	0
5	Replace Automated Meter Integration System (AMI)	1,092,830	100.00%	0.00%	0.00%	1,092,830	0	0
6	Water Treatment Plant # 1 Upgrades	248,472	100.00%	0.00%	0.00%	248,472	0	0
7	Water Treatment Plant # 2 Upgrades	248,472	100.00%	0.00%	0.00%	248,472	0	0
8	New Water Treatment Plant # 3	6,089,139	100.00%	0.00%	0.00%	6,089,139	0	0
9	Decomission Tank # 1	646,680	0.00%	100.00%	0.00%	0	646,680	0
10	Add Filtration vessel at Alabama and Raw Water Lines.	3,278,490	100.00%	0.00%	0.00%	3,278,490	0	0
11	New 1 million GPM Tank	5,027,237	100.00%	0.00%	0.00%	5,027,237	0	0
12	New 1 million GPM Tank	7,243,075	100.00%	0.00%	0.00%	7,243,075	0	0
13	New Well 15H and Raw Water Lines	504,887	100.00%	0.00%	0.00%	504,887	0	0
14	New Well 15A and Raw Water Lines	1,522,285	100.00%	0.00%	0.00%	1,522,285	0	0
15	New Well 15B and Raw Water Lines	1,095,476	100.00%	0.00%	0.00%	1,095,476	0	0
16	North End Water Repairs	1,746,725	0.00%	100.00%	0.00%	0	1,746,725	0
17	Subtotal	<u>\$ 41,521,134</u>				<u>\$ 30,183,573</u>	<u>\$ 11,337,561</u>	<u>\$ 0</u>
<b>WASTEWATER PROJECTS</b>								
18	North End Sewer Repairs	\$ 2,274,136	20.00%	80.00%	0.00%	\$ 454,827	\$ 1,819,309	\$ 0
19	Sewer Line Replacement Phase C	3,759,407	20.00%	80.00%	0.00%	751,881	3,007,526	0
20	Sewer Line Replacement Phase C	1,667,247	20.00%	80.00%	0.00%	333,449	1,333,798	0
21	WWTP Digester Repair and Rebuild	3,278,490	20.00%	80.00%	0.00%	655,698	2,622,792	0
22	Replace Lift Station 5 and 6 (package Stations)	363,228	20.00%	80.00%	0.00%	72,646	290,582	0
23	Sewer Line Replacement Phase D	3,353,342	20.00%	80.00%	0.00%	670,668	2,682,674	0
24	Sewer Line Replacement Phase E	3,636,062	20.00%	80.00%	0.00%	727,212	2,908,850	0
25	WWTP Headworks	4,917,735	100.00%	0.00%	0.00%	4,917,735	0	0
26	Subtotal	<u>\$ 23,249,647</u>				<u>\$ 8,584,116</u>	<u>\$ 14,665,531</u>	<u>\$ 0</u>
27	<b>Total - All Capital Projects</b>	<u><b>\$ 64,770,781</b></u>				<u><b>\$ 38,767,689</b></u>	<u><b>\$ 26,003,092</b></u>	<u><b>\$ 0</b></u>



**EXHIBIT 3**  
**SYSTEM DEVELOPMENT FEE ANALYSIS**  
**ALLOCATION OF CAPITAL IMPROVEMENTS PROGRAM**  
**WATER AND WASTEWATER SYSTEMS**

Line	Description	Total	Percentage Allocation <sup>(1)</sup>			Allocation Amount		
			Expand/Upgrade	R&R	Other	Expand/Upgrade	R&R	Other
<b>ALLOCATION OF CAPITAL PROJECTS</b>								
<b>Water:</b>								
28	Treatment Projects	\$ 14,080,051				\$ 14,080,051	\$ 0	\$ 0
29	Transmission Projects	27,441,083				16,103,522	11,337,561	0
30	Other Projects	0				0	0	0
31	Subtotal	\$ 41,521,134				\$ 30,183,573	\$ 11,337,561	\$ 0
<b>Wastewater:</b>								
32	Treatment Projects	\$ 4,917,735				\$ 4,917,735	\$ 0	\$ 0
33	Transmission Projects	18,331,912				3,666,381	14,665,531	0
34	Other Projects	0				0	0	0
35	Subtotal	\$ 23,249,647				\$ 8,584,116	\$ 14,665,531	\$ 0
<b>Combined:</b>								
36	Treatment Projects	\$ 18,997,786				\$ 18,997,786	\$ 0	\$ 0
37	Transmission Projects	45,772,995				19,769,903	26,003,092	0
38	Other Projects	0				0	0	0
39	<b>Grand Total</b>	<b>\$ 64,770,781</b>				<b>\$ 38,767,689</b>	<b>\$ 26,003,092</b>	<b>\$ 0</b>

**Notes:**

(1) The capital costs are allocated in order to determine the costs that are recoverable from a capacity-related fee. The costs allocated as expansion and/or upgrade projects are assumed to be recoverable from such fees. All other capital costs are assumed to either be maintenance-related (R&R) projects or localized projects that do not provide system-wide capacity benefits.

**EXHIBIT 4**  
**SYSTEM DEVELOPMENT FEE ANALYSIS**  
**CALCULATION OF SYSTEM DEVELOPMENT FEE PER ERU**  
**WATER SYSTEM**

Line	Description	Total
<b>Recoverable Capital Facilities</b>		
<b>Existing Facilities:</b>		
1	Treatment Facilities	\$ 5,281,785
2	Transmission Facilities	10,605,285
3	<b>Subtotal</b>	\$ 15,887,070 <sup>(1)</sup>
<b>Less Debt Service Principal:</b>		
4	Treatment Facilities	\$ (2,515,872)
5	Transmission Facilities	(5,051,615)
6	<b>Total</b>	\$ (7,567,487) <sup>(2)</sup>
<b>Net Recoverable Existing Facilities:</b>		
7	Treatment Facilities	\$ 2,765,913
8	Transmission Facilities	5,553,670
9	<b>Total</b>	\$ 8,319,583
<b>Capital Improvement Program:</b>		
10	Treatment Facilities	\$ 14,080,051
11	Transmission Facilities	16,103,522
12	<b>Subtotal</b>	\$ 30,183,573
<b>Less 25% CIP Adjustment:</b>		
13	Treatment Facilities	25% \$ (3,520,013)
14	Transmission Facilities	25% (4,025,881)
15	<b>Subtotal</b>	\$ (7,545,894) <sup>(3)</sup>
<b>Net Recoverable CIP:</b>		
16	Treatment Facilities	\$ 10,560,038
17	Transmission Facilities	12,077,641
18	<b>Total</b>	\$ 22,637,679
<b>Net Capital Costs:</b>		
19	Treatment Facilities	\$ 13,325,951
20	Transmission Facilities	17,631,311
21	<b>Net Recoverable Costs</b>	<b>\$ 30,957,262</b>

**EXHIBIT 4**  
**SYSTEM DEVELOPMENT FEE ANALYSIS**  
**CALCULATION OF SYSTEM DEVELOPMENT FEE PER ERU**  
**WATER SYSTEM**

Line	Description	Total
<b>Available System Capacity (MGD)</b>		
<b><u>Maximum Daily Treatment Capacity:</u></b> <span style="float: right;">(4)</span>		
22	Cape Fear Water Plant 1	2.40
23	Alabama Water Plant 2	2.40
24	Existing Treatment Capacity	4.80
25	Added CIP Capacity - New WTP # 3	2.40
26	Combined Capacity of Water Treatment Facilities (MGD)	<b>7.20</b>
<b><u>Average Day Capacity Adjustment:</u></b>		
27	Treatment Capacity Based on Max/Avg Day Factor	4.80
28	Unaccounted-For Water Capacity Adjustment	1.50
29	Estimated Treatment Capacity	20.0%
		<b>3.84</b> <span style="float: right;">(5)</span>
<b><u>Estimated Transmission System Capacity:</u></b>		
30	Maximum Daily Treatment Capacity	7.20
31	Unaccounted-For Water Capacity Adjustment	20.0%
32	Estimated Transmission Capacity	<b>5.76</b> <span style="float: right;">(6)</span>
<b>Estimated Cost Per Gallon of Capacity</b>		
<b><u>Estimated Cost Per Gallon of Capacity:</u></b>		
33	Treatment (\$/Gallon)	\$ 3.47
34	Transmission (\$/Gallon)	3.06
35	<b>Total Cost Per Gallon of Capacity</b>	<b>\$ 6.53</b>
36	Assumed Standard Level of Service Per ERU (GPD of Capacity)	400 <span style="float: right;">(7)</span>

**EXHIBIT 4**  
**SYSTEM DEVELOPMENT FEE ANALYSIS**  
**CALCULATION OF SYSTEM DEVELOPMENT FEE PER ERU**  
**WATER SYSTEM**

Line	Description	Total
<b>Calculation of Proposed Fee Per ERU</b>		
<b><u>Calculation of SDF Per ERU:</u></b>		
37	Treatment Facilities	\$ 1,388
38	Transmission Facilities	1,224
39	Combined Cost	<b>\$ 2,612</b>
<b><u>Adjusted Fee - Treatment:</u></b>		
40	Calculated Fee Per ERU	\$ 1,388
41	Less Rounding Adjustment	(8)
42	Adjusted Fee	<b>\$ 1,380</b>
<b><u>Credit Adjusted Fee - Transmission:</u></b>		
43	Calculated Fee Per ERU	\$ 1,224
44	Less Rounding Adjustment	(4)
45	Adjusted Fee	<b>\$ 1,220</b>
<b><u>Proposed SDF Per ERU (Rounded):</u></b>		
46	Treatment Facilities	\$ 1,380
47	Transmission Facilities	1,220
48	<b>Combined Cost</b>	<b>\$ 2,600</b>

**EXHIBIT 4**  
**SYSTEM DEVELOPMENT FEE ANALYSIS**  
**CALCULATION OF SYSTEM DEVELOPMENT FEE PER ERU**  
**WATER SYSTEM**

Line	Description	Total
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**Notes:**

- (1) See **Exhibit 1** for the development of existing asset costs identified for capital recovery.
- (2) Based upon discussions with Utility staff, most of the facilities included for cost recovery in this analysis were funded with debt. In an effort to account for the facility costs that may be recovered from user rates as part of the normal budgetary process, a debt service credit is applied to the applicable fee calculation. The credit is equal to outstanding principal amount on existing utility-related debt as reported in the most recent audited financial report. The principal balance is allocated between water and wastewater as provided in **Exhibit 1**.
- (3) This adjustment is made in accordance with House Bill 436, § 162A-207. Minimum
- (4) Based on rated maximum daily plant capacity information as provided by staff.
- (5) The estimated average daily flow capacity assumes an MDF-to-ADF ratio of 1.50 times. An additional adjustment is made for assumed unaccounted-for water flows (e.g. line losses) in the system. For the purpose of this analysis, the line-loss factor is assumed to be 20%.
- (6) It is assumed that the transmission facilities are capable of providing average water flow at least equal to the maximum flow amount of 7.20 MGD permitted for the combined water treatment plants. In addition, similar to the methodology utilized for water treatment, an adjustment is made for unaccounted-for water assuming losses of 20.0%.
- (7) The system development charges are to be applied on an equivalent residential unit (ERU) basis such that 1 ERU is equal to the estimated capacity requirements for a typical single family residential connection with a 5/8-inch X 3/4-inch water meter. In accordance with daily water flow capacity design standards adopted by the State of North Carolina and defined in the North Carolina Administrative Codes (15A NCAC 18C .0409), the level of service requirement for a residential connection is 400 gallons per day (gpd). Applying the NCAC flow standard, it is assumed that 1 ERU requires a standard level of service of 400 gpd of water system capacity.

**EXHIBIT 5**  
**SYSTEM DEVELOPMENT FEE ANALYSIS**  
**CALCULATION OF SYSTEM DEVELOPMENT FEE PER ERU**  
**WASTEWATER SYSTEM**

Line	Description	Total
<b>Recoverable Capital Facilities</b>		
<b>Existing Facilities:</b>		
1	Treatment Facilities	\$ 4,629,144
2	Transmission Facilities	17,659,480
3	<b>Subtotal</b>	\$ 22,288,624 <sup>(1)</sup>
<b>Less Debt Service Principal:</b>		
4	Treatment Facilities	\$ (1,167,055)
5	Transmission Facilities	(4,452,135)
6	<b>Total</b>	\$ (5,619,190) <sup>(2)</sup>
<b>Net Recoverable Existing Facilities:</b>		
7	Treatment Facilities	\$ 3,462,089
8	Transmission Facilities	13,207,345
9	<b>Total</b>	\$ 16,669,434
<b>Capital Improvement Program:</b>		
10	Treatment Facilities	\$ 4,917,735
11	Transmission Facilities	3,666,381
12	<b>Subtotal</b>	\$ 8,584,116
<b>Less 25% CIP Adjustment:</b>		
13	Treatment Facilities	25% \$ (1,229,434)
14	Transmission Facilities	25% (916,595)
15	<b>Subtotal</b>	\$ (2,146,029) <sup>(3)</sup>
<b>Net Recoverable CIP:</b>		
16	Treatment Facilities	\$ 3,688,301
17	Transmission Facilities	2,749,786
18	<b>Total</b>	\$ 6,438,087
<b>Net Capital Costs:</b>		
19	Treatment Facilities	\$ 7,150,390
20	Transmission Facilities	15,957,131
21	<b>Net Recoverable Costs</b>	\$ 23,107,521

**EXHIBIT 5**  
**SYSTEM DEVELOPMENT FEE ANALYSIS**  
**CALCULATION OF SYSTEM DEVELOPMENT FEE PER ERU**  
**WASTEWATER SYSTEM**

Line	Description	Total
<b>Available System Capacity (MGD)</b>		
<b><u>Daily Treatment Capacity (MGD):</u></b>		
22	Town of Carolina Beach Wastewater Treatment Plant	3.00
<b><u>Treatment Capacity:</u></b>		
23	Average Day Treatment Capacity (MGD)	3.00
24	I&I Capacity Adjustment	20.0%
25	Adjusted Average Day Treatment Capacity	2.40 <sup>(4)</sup>
<b><u>Estimated Transmission System Capacity:</u></b>		
26	Transmission-to-Treatment Capacity Factor	1.00
27	Estimated Transmission Capacity	3.00 <sup>(5)</sup>
<b>Estimated Cost Per Gallon of Capacity</b>		
<b><u>Estimated Cost Per Gallon of Capacity:</u></b>		
28	Treatment (\$/Gallon)	\$ 2.98
29	Transmission (\$/Gallon)	5.32
30	<b>Total Cost Per Gallon of Capacity</b>	<b>\$ 8.30</b>
31	Assumed Standard Level of Service Per ERU (GPD of Capacity)	360 <sup>(6)</sup>

**EXHIBIT 5**  
**SYSTEM DEVELOPMENT FEE ANALYSIS**  
**CALCULATION OF SYSTEM DEVELOPMENT FEE PER ERU**  
**WASTEWATER SYSTEM**

Line	Description	Total
<b>Calculation of Proposed Fee Per ERU</b>		
<b><u>Calculation of SDF Per ERU:</u></b>		
32	Treatment Facilities	\$ 1,073
33	Transmission Facilities	1,915
34	Combined Cost	\$ 2,988
<b><u>Adjusted Fee - Treatment:</u></b>		
35	Calculated Fee Per ERU	\$ 1,073
36	Less Rounding Adjustment	(3)
37	Adjusted Fee	\$ 1,070
<b><u>Credit Adjusted Fee - Transmission:</u></b>		
38	Calculated Fee Per ERU	\$ 1,915
39	Less Rounding Adjustment	(5)
40	Adjusted Fee	\$ 1,910
<b><u>Proposed SDF Per ERU (Rounded):</u></b>		
41	Treatment Facilities	\$ 1,070
42	Transmission Facilities	1,910
43	Combined Cost	\$ 2,980



**EXHIBIT 5**  
**SYSTEM DEVELOPMENT FEE ANALYSIS**  
**CALCULATION OF SYSTEM DEVELOPMENT FEE PER ERU**  
**WASTEWATER SYSTEM**

Line	Description	Total
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**Notes:**

- (1) See Exhibit 1 for the development of existing asset costs identified for capital recovery.
- (2) Based upon discussions with Utility staff, most of the facilities included for cost recovery in this analysis were funded with debt. In an effort to account for the facility costs that may be recovered from user rates as part of the normal budgetary process, a debt service credit is applied to the applicable fee calculation. The credit is equal to outstanding principal amount on existing utility-related debt as reported in the most recent audited financial report. The principal balance is allocated between water and wastewater as provided in Exhibit 1.
- (3) This adjustment is made in accordance with House Bill 436, § 162A-207. Minimum
- (4) Similar to the line loss adjustment for water, the wastewater system capacity is reduced by the impacts of system inflow and infiltration (I&I). The assumed I&I adjustment is based on discussions with staff.
- (5) It is assumed that the wastewater trunk lines and pumping facilities are designed to provide capacity at least equal to the permitted plant flow amount of 3.00 MGD.
- (6) Similar to the water system, the system development charges for wastewater are to be applied on an equivalent residential unit (ERU) basis such that 1 ERU is equal to the estimated capacity requirements for a typical single family residential connection with a 5/8-inch X 3/4-inch water meter. In accordance with wastewater flow design standards adopted by the State of North Carolina and defined in the North Carolina Administrative Codes (15A NCAC 02T .0114), the level of service requirement is based on 120 gallons of capacity per day per bedroom for a residential home. This analysis assumes an average of 3.0 bedrooms per new home constructed. Applying the State's flow standard to the average number of bedrooms, it is assumed that 1 ERU requires a standard level of service of 360 gpd of wastewater system capacity. Therefore, it is assumed that 1 ERU requires a standard level of service of 360 gpd of wastewater system capacity.

**EXHIBIT 6**  
**SYSTEM DEVELOPMENT FEE ANALYSIS**  
**SUMMARY OF PROPOSED SYSTEM DEVELOPMENT FEES**  
**WATER & WASTEWATER SYSTEMS**

Line	Description	Meter-Based ERU Factor	Fees by System		Combined Fee
			Water	Sewer	
<b>EXISTING FEES</b>					
<b>Meter Size:</b>					
1	5/8 x 3/4 Inch	1.00	\$ 2,470	\$ 2,710	\$ 5,180
2	1.0 Inch	2.50	\$ 6,175	\$ 6,775	\$ 12,950
3	1.5 Inch	5.00	\$ 12,350	\$ 13,550	\$ 25,900
4	2.0 Inch	8.00	\$ 19,760	\$ 21,680	\$ 41,440
5	3.0 Inch	16.00	\$ 39,520	\$ 43,360	\$ 82,880
6	4.0 Inch	25.00	\$ 61,750	\$ 67,750	\$ 129,500
7	6.0 Inch	50.00	\$ 123,500	\$ 135,500	\$ 259,000
8	8.0 Inch	80.00	\$ 197,600	\$ 216,800	\$ 414,400
<b>PROPOSED FEES</b> <sup>(1)</sup>					
<b>Meter Size:</b>					
9	5/8 x 3/4 Inch	1.00	\$ 2,600	\$ 2,980	\$ 5,580
10	1.0 Inch	2.50	\$ 6,500	\$ 7,450	\$ 13,950
11	1.5 Inch	5.00	\$ 13,000	\$ 14,900	\$ 27,900
12	2.0 Inch	8.00	\$ 20,800	\$ 23,840	\$ 44,640
13	3.0 Inch	16.00	\$ 41,600	\$ 47,680	\$ 89,280
14	4.0 Inch	25.00	\$ 65,000	\$ 74,500	\$ 139,500
15	6.0 Inch	50.00	\$ 130,000	\$ 149,000	\$ 279,000
16	8.0 Inch	80.00	\$ 208,000	\$ 238,400	\$ 446,400
<b>OPTIONAL ACTUAL FLOW BASIS</b> <sup>(2)</sup>					
<b>Charge Per Gallon of Capacity (GPD):</b>					
17	Treatment Facilities		\$ 3.47	\$ 2.98	\$ 3.47
18	Transmission Facilities		3.06	5.32	8.38
19	Cost Per GPD		\$ 6.53	\$ 8.30	\$ 11.85

**Notes:**

- (1) The proposed capacity fees are based on the calculated fee per ERU as applied to the respective ERU factor. The proposed ERU factors for the capacity fees are based on meter equivalency factors established by the AWWA.
- (2) In situations where the application of the meter-based fees will result in the collection of fees significantly different than the potential demand requirement, a special fee calculation methodology may be applied based on the unit cost of capacity and the estimated daily capacity needs of the new service connection. The estimated capacity needs will be based on the amount determined by the utility's engineering staff to be appropriate.



## AGENDA ITEM COVERSHEET

**PREPARED BY:** Gloria Abbotts, Sr Planner

**DEPARTMENT:** Planning &  
Development

**MEETING:** Town Council – April 11<sup>th</sup>, 2023

**SUBJECT:** **Text Amendment** to amend Chapter 40, Art. III. – Zoning District Regulations, Art. IX. – Development Standards for Particular Uses, and Art. XVII. – Definitions to create standards for Wine Shops and Beer Shops in Neighborhood Business.  
Applicant: Maxwell Sussman

### **BACKGROUND:**

The applicant, Maxwell Sussman, is proposing a text amendment to allow for Wine Shops and Beer Shops with on-premise alcohol sales as a use in the Neighborhood Business (NB) District by right. Currently the Zoning Ordinance allows for Wine and beer shops with retail and off-premise sales of alcohol only.

### **Proposal:**

The applicant owns the Veggie Wagon located in the NB district (See map). The business currently has an off-premise wine and malt beverage permit. The applicant would like to apply for on-premise wine and malt beverage permit at that location. Veggie Wagon is currently permitted as a retail establishment. For allowances of on-premise wine and malt beverage the current ordinance categorizes the use as either a standard restaurant, bar, or a brewery. The Veggie Wagon does not meet the definition of a standard restaurant or brewery. Breweries and bars are not permitted in the NB district.

### **Wine Shop:**

The applicant proposes to add wine shop (on-premise) to the table of allowed uses. The Current Ordinance allows for wine shops (off-premise) as retail. The ABC commission created an allowance in recent years for a wine shop to have limited sales of on-premise consumption. Wine shops must comply with all ABC standards and obtain proper permits. Per NCGS 18B, wine shop permits authorize the retail sale of malt beverages, unfortified wine, and fortified wine in the manufacturer's original container and/or dispensed from a tap for consumption off the premises. The holder of the permit is allowed to sell unfortified wine for consumption on the premises, provided that the sale of wine for consumption on the premises does not exceed forty percent (40%) of the establishment's total sale for any 30 day period. The limited consumption of on-

premise wine would be subject to an audit by the ABC commission. Wine Shops (on-premise) will be permitted by right in the CBD, NB, and HB Districts.

**Beer Shop:**

The applicant would also like the ability to provide malt beverage on premise in the NB district. Beer shops would need to obtain an On-Premises Malt Beverage Permit to allow for the retail sale of malt beverages for consumption on and off premise. The ABC regulations do not have the same limitations for a Beer Shop as they do for a Wine Shop and would be allowed to offer malt beverage on-premise without any limitation or percentages to off-premise sales. The proposal is for Beer Shops to only be permitted by right in the NB District. To reduce the impacts from the use on to adjoining properties, staff proposes for any outdoor or indoor areas to be located three times the minimum setback yard for the district from any interior lot line from an adjacent property.

The text amendment consists of defining both uses. Beer Shops will be defined as an establishment substantially engaged in retail sale of malt beverages on and off premises subject to the ABC Commission regulations. Wine Shops will be defined as an establishment substantially engaged in retail sale of unfortified wine and fortified wine for consumption on and off premises subject to the NC ABC Commission regulations.

**Recommendation:**

Staff proposes to define each use and supports the proposed amendment that would limit beer shops to have larger setback yard to protect the neighboring properties and mitigate any concerns of the use because they would not be limited to a percentage of on-premise consumption.

Planning and Zoning recommended unanimous approval of the text amendment.

**Land Use Plan:**

The text amendment is in general conformity with the 2020 Land Use Plan by promoting a healthy year-round economy, providing a family-friendly community, and promoting redevelopment. The Neighborhood Business Zoning District aligns with both the High Density Residential/Light Commercial and the Low Intensity Commercial Character Areas in the Land Use Plan.

**ACTION REQUESTED:**

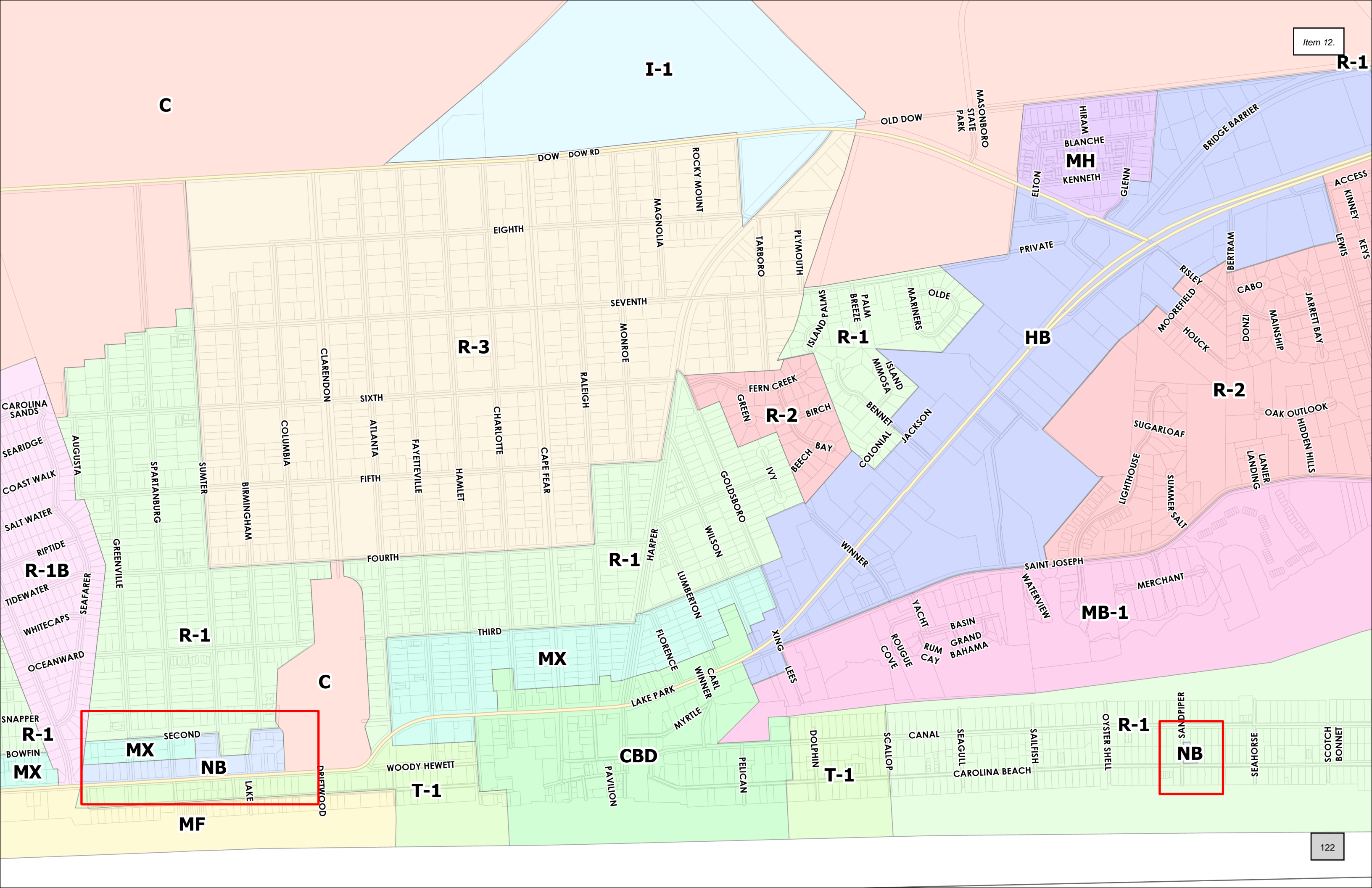
Consider recommending approval or denial of the text amendment.

**MOTION:**

Approval – to amend Chapter 40, Art. III. – Zoning District Regulations, Art. IX. – Development Standards for Particular Uses, and Art. XVIII. Definitions. to create standards for Wine Shops and Beer Shops in Neighborhood Business.

Denial – to amend Chapter 40, Art. III. – Zoning District Regulations, Art. IX. – Development Standards for Particular Uses, and Art. XVIII. Definitions. to create standards for Wine Shops and Beer Shops in Neighborhood Business.





Amendment Number: 23T-01



### PETITION FOR A TEXT AMENDMENT

Petitions shall be submitted for review to the Department of Planning and Development located at 1121 N. Lake Park Blvd., Carolina Beach, NC 28428. Only complete petitions will be processed.

#### PETITIONER

Petitioner's Full Name: Maxwell Lewis Sussman Phone #: (757) 717-9393  
Street Address: 608 S. Lake Park Blvd.  
City: Carolina Beach State: NC Zip: 28428  
Email: max@theveggiewagon.com

#### REQUESTED TEXT AMENDMENT

Town Code Section(s) Requested to be Amended:  
\_\_\_\_\_

Please provide a general proposal for the amendment to the Town Code Section(s) stated above which you believe will result in improved regulations for all the residents of the Town of Carolina Beach  
to have ability to allow a business in the neighborhood business district that will enhance the district for a place to relax without being a bar or restaurant.

This petition will be scheduled for the next possible meetings with the following boards: (1) Technical Review Committee, (2) Planning and Zoning Commission and (3) Town Council. The petitioner or a representative should be present at all meetings to answer any questions. Contact the Department of Planning and Development for a schedule of meeting times and submittal deadlines. All meetings are held at the Municipal Administration Building, 1121 N. Lake Park Boulevard, Carolina Beach, NC 28428. Petitioners will be informed of any changes in date, time, or location of meetings.

I understand that the \$350 fee for review is nonrefundable.

Signature of Petitioner: Max Sussman Date: 1/25/23





April Sussman <april@theveggiewagon.com>

### Text Amendment Objectives

1 message

April Sussman <april@theveggiewagon.com>  
To: April Sussman <april@theveggiewagon.com>

Mon, Jan 30, 2023 at 9:59 AM

What we would like to our Text Amendment objectives to be:

- To Say Use by Right
- Specifically for neighborhood business districts
- For businesses whose primary mission is retail sales
- Wine Shop License will also allow the user to obtain a Beer On premise permit

Sincerely,



**APRIL SUSSMAN**

*Proprietor*

**OFFICE: 910-805-3014**

**WEB: [WWW.THEVEGGIEWAGON.COM](http://WWW.THEVEGGIEWAGON.COM)**

608 SOUTH LAKE PARK BLVD. CAROLINA BEACH, NC 28428



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# Ordinance 23-1201

Town of Carolina Beach  
Town Council



AN ORDINANCE TO amend Chapter 40, Art. III. – Zoning District Regulations, Art. IX. – Development Standards for Particular Uses, and Art. XVIII. Definitions to create standards for Wine Shops and Beer Shops in Neighborhood Business

## Sec. 40-72. Table of permissible uses.

P = Permitted.

CZ = May be permitted with conditional zoning

S = May be permitted by special use permit

USES OF LAND	R-1	R-1B	R-2	R-3	C	MH	MF	MX	CBD	NB	HB	MB-1	T-1	I-1
Wine and beer shops (Retail/Off-premise)									P		P			
<a href="#">Wine Shop (On-premise)</a>									<u>P</u>	<u>P</u>	<u>P</u>			
<a href="#">Beer Shop (On-premise)</a>										<u>P</u>				

## Sec. 40-261. Development standards for particular uses.

(o) *Eating and/or drinking establishments.* Eating and/or drinking establishments are businesses that cater to the public and are strongly encouraged by the Town due to their support of a resort market niche and yearround residency. Despite this, some eating and/or drinking establishments may have adverse secondary impacts. To address possible adverse impacts and in order to ensure the health, safety, and well-being of the citizens of the Town, as well as that of the tourists and visitors to the Town, all persons requesting to open an eating and/or drinking establishment shall sign a statement of agreement to abide by the following regulations. Failure to comply with these regulations shall constitute a violation of this chapter subject to the enforcement procedures as outlined in article XV of this chapter.

(1) Standards for all eating and/or drinking establishments:

- a. Shall not provide any material misrepresentation, misstatement or omission, concerning information required to be provided for approval;
- b. Shall comply with all provisions of the ABC Commission and/or ALE requirements, if applicable. Any eating and/or drinking establishment that receives a permit from the ABC Commission as a private club shall be considered a bar/tavern and shall meet all requirements for that use.

# Ordinance 23-1201

Town of Carolina Beach  
Town Council

- c. Shall adhere to standards and regulations of the Town's noise ordinance. Offenses shall be subject to the regulations as listed in section 18-140, violations. If applicable, all violations shall be submitted to the North Carolina Alcohol Beverage Control (ABC) Commission by the Town to ensure all operators stay in compliance with all provisions of the ABC Commission.
  - d. Shall meet fire codes and limit occupancy to the maximum number allowed for the establishment.
  - e. At the time of application and excluding bar/taverns, all eating and/or drinking establishments shall provide the Town with a menu having a food and/or non-alcoholic beverage as the primary business.
  - f. Outdoor areas.
    - 1. Proposed temporary outdoor entertainment areas that are not identified on the approved site plan shall be reviewed in accordance with chapter 14, article IX, outdoor performances and events [special events].
    - 2. Outdoor artificial lighting fixtures shall not be designed and positioned so that the point source of light (light bulb) is directly visible from adjacent properties, rights-of-way or ocean and sound front areas.
- (2) A conditional zoning shall be required if an eating and/or drinking establishment meets any of the following:
- a. Meets the criteria for a bar/tavern; or
  - b. Any establishment other than a standard restaurant, [wine shop, beer shop, or brewery](#) that proposes to serve alcohol for on-premises consumption.
- (3) Standards for bars/taverns:
- a. Bars/taverns which because of their nature may have serious adverse secondary impacts, and are therefore required to meet the minimum separation requirements of subsection (l)(3)b of this section.
  - b. No new bars/taverns shall be permitted within:
    - 1. 200 feet of an established church or school;
    - 2. 200 feet of any residential district.
- (4) Standards for Wine Shops (On-premise):
- a. All Wine Shops shall meet all requirements of the ABC Permit.
- (5) Standards for Beer Shops (On-premise):
- a. All Beer Shops shall meet all requirements of the ABC Permit.
  - b. Any indoor or outdoor areas shall be located three times the minimum setback yard for the district from any lot line and/or any residential use. The additional setbacks shall not apply to property lines adjacent to the right-of-way.
- ~~(4)~~ (6) Provisions construed as consistent with state law. The provisions of this section are:
- a. Not to be construed as regulating any activity which the Town is forbidden by state law to regulate;

# Ordinance 23-1201

Town of Carolina Beach  
Town Council

- b. Not to be construed as applying to any activity the Town is prohibited from regulating because the North Carolina General Assembly has so clearly expressed its intent in the course of providing a complete and integrated regulatory scheme that municipalities are prohibited from enacting provisions concerning matters covered by the regulatory scheme;
- c. Not to be interpreted or construed as imposing requirements different from those that are imposed by the state;
- d. To be interpreted so that they are consistent with any requirements and regulations imposed by the state.

State law reference(s)—Authority, G.S.160A-174, 160A-181, 18B-100.

## Sec. 40-548. Definitions.

[Beer Shop means an establishment substantially engaged in retail sale of malt beverages on and off premises subject to the ABC Commission regulations.](#)

[Wine Shop means an establishment substantially engaged in retail sale of unfortified wine and fortified wine for consumption on and off premises subject to the NC ABC Commission regulations.](#)

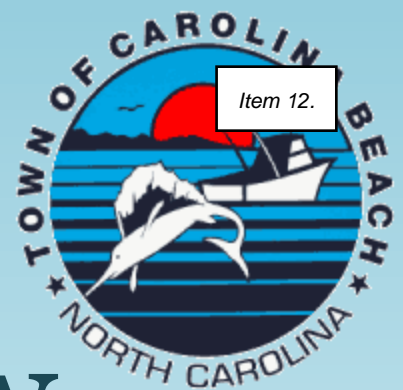
Adopted this 11<sup>th</sup> day of April, 2023.

TOWN OF CAROLINA BEACH

\_\_\_\_\_  
Albert L. Barbee, Mayor

ATTEST:

\_\_\_\_\_  
Kimberlee Ward, Town Clerk



# Text Amendment to allow for Wine Shops & Beer Shops

1. Amend Chapter 40 Sec 40-72 – to allow the uses.
2. Amend Chapter 40 Sec 40-261 – to create development standards for the uses.
3. Amend Chapter 40 Sec 40-548 – to create definitions for the uses.

Applicant: Maxwell Sussman

# Background

- Applicant owns Veggie Wagon – currently permitted as retail establishment in NB district
- The business currently holds off-premise wine and malt beverage permit
- Applicant proposes on-premise wine and malt beverage consumption



# Current ordinance allowances for malt beverage and wine on premise

- Bars and taverns
- Breweries
- Standard restaurants and eateries
  
- Veggie Wagon does not meet definition of standard restaurant or brewery
- Bars & breweries prohibited in NB

# 1. Amend Chapter 40 Sec 40-72 – to allow for Wine and Beer shops (on-premise)

USES OF LAND	R-1	R-1B	R-2	R-3	C	MH	MF	MX	CBD	NB	HB	MB-1	T-1	I-1
Wine and beer shops (Retail/Off-premise)									P		P			
<u>Wine Shop (On-premise)</u>									<u>P</u>	<u>P</u>	<u>P</u>			
<u>Beer Shop (On-premise)</u>										<u>P</u>				

The current ordinance only allows for wine shops (off-premise) as retail.

# ABC permit requirements

## Wine shop

- Wine Shop Permit
- Retail sales on and off-premise
- Sale of wine for consumption on premise cannot exceed 40% of the establishment's total sale for 30 days

## Beer shop

- On-premise Malt Beverage Permit
- Retail sales on and off-premise
- No limitation or percentage to off-premise sales



## 2. Amend Chapter 40 Sec 40-261 – to create development standards for the uses.

- Standards for Wine Shops (On-premise):
  - All Wine Shops shall meet all requirements of the ABC Permit.
- Standards for Beer Shops (On-premise):
  - All Beer Shops shall meet all requirements of the ABC Permit.
  - Any indoor or outdoor areas shall be located three times the minimum setback yard for the district from any lot line and/or any residential use. The additional setbacks shall not apply to property lines adjacent to the right-of-way.



Minimum Setback

Proposed setback



### 3. Amend Chapter 40 Sec 40-548 – to create a definition of Event Venues and Meeting Facilities

Beer Shop means an establishment substantially engaged in retail sale of malt beverages on and off premises subject to the ABC Commission regulations.

Wine Shop means an establishment substantially engaged in retail sale of unfortified wine and fortified wine for consumption on and off premises subject to the NC ABC Commission regulations.





**Land Use Plan Consistency**

General Conformity with the Land Use Plan by promoting a healthy year-round economy.

The Neighborhood Business Zoning District aligns with both the High Density Residential/Light Commercial and the Low Intensity Commercial Character Areas in the Land Use Plan.

**Recommendation:**

Staff proposes to define each use and supports the proposed amendment that would limit beer shops to have larger setbacks to protect the neighboring properties and to mitigate concerns of the use.

P&Z Recommended unanimous approval.

**High Density Residential / Light Commercial**  
 Primarily attached, multi-story residential units (up to four stories) located within walking distance of activity centers and/or the waterfront. Structures are condominiums and apartments, and are often used as vacation and rental units. Streets move automobiles and pedestrians efficiently. Limited commercial may also be acceptable at select locations if the surrounding context is appropriate. Some single family structures may also persist.

**Low Intensity Commercial**  
 Smaller-scale, lower intensity commercial uses that complement the neighborhood or a distinct node of activity. Structures (3 stories max.) have active ground floor uses. Streets serve pedestrians and automobiles; includes on-street parking wherever possible.



# Motion

## Approval

- The Council, Whereas in accordance with the provisions of the NCGS, does hereby find and determine that the adoption of the following ordinance amendment to Amend Chapter 40, Art. III. – Zoning District Regulations, Art. IX. – Development Standards for Particular Uses, and Art. XVIII. Definitions to create standards for Wine Shops and Beer Shops is consistent with the goals and objectives of the adopted Land Use Plan and other long-range plans or
- Denial - based on inconsistencies with the goals and objectives of the adopted Land Use Plan and/or other long-range planning documents.
- Further Direction/Discussion



## AGENDA ITEM COVERSHEET

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**PREPARED BY:** Kim Ward, Town Clerk

**DEPARTMENT:** Clerk

**MEETING:** Town Council Meeting 4/11/2023

**SUBJECT:** Public Hearing to Receive Public Input on the 2023/2024 Budget

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**BACKGROUND:**

Council will receive input from the public on the FY23/24 budget.

**ACTION REQUESTED:**

Open the public hearing to receive input on the FY23/24 budget.

**RECOMMENDED MOTION:**

Motion to open the public hearing.

Motion to close the public hearing.



## AGENDA ITEM COVERSHEET

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**PREPARED BY:** Gloria Abbotts, Sr Planner                      **DEPARTMENT:** Planning

**MEETING:** Town Council 4/11/2023

**SUBJECT:** Text Amendment to amend Chapter 28, Article I. – In General, to allow for more non-motorized vending carts on the municipal beach strand.  
Applicant: Town of Carolina Beach

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### BACKGROUND:

At the March 28<sup>th</sup> Council Workshop, staff presented the current ordinance requirements and history of beach vending, specifically, non-motorized vending carts on the municipal beach strand. The current ordinance allows a maximum of six permits that authorize vendors to sell food, beverages, and sundries. Each permit allows one non-motorized cart to access the beach strand. Additionally, six permits authorize vendors to sell fishing equipment, food, beverages, camping equipment, firewood, sundries, and beach apparel on Freeman Park. For the past couple of years only two of those permits have been used because of the pinch point limiting full access to Freeman Park.

All vendors must only operate from sunrise to sunset, pack it in pack it out, no outdoor storage is permitted, all proper permits from other agencies must be secured, permit must be displayed, operation in one location cannot last longer than 30 minutes, operation must be twenty feet from the dunes, and liability insurance must be secured naming the town as additionally insured. Vending permits are an annual permit and the fee is \$200. Existing vendors shall submit a request in writing each year on or before March 1. Vendors may not obtain more than one of each type of vending permit (i.e. one motorized and one non-motorized). The wait list restarts every first business day of the calendar year. At the time of the March 28<sup>th</sup> Council Workshop, there were two applicants on the waiting list.

Historically, the enforcement process for beach vendors has largely been complaint driven. It can be difficult for staff to track and enforce the activity logs for each vendor. Vendors provide products and services that enhance the tourism experience for beach goers. However, too many vendors can also negatively impact the beach experience and create over commercialization of the beach strand. A specific number of vendor permits has been limited in the past to provide adequate services to the beach without providing an overabundance of vendors and not causing too much competition with the brick-and-mortar businesses who have made a substantial investment in the Town.

At the workshop, recommendations were made to increase the number of permits available for non-motorized carts on the municipal beach strand. The recommended numbers ranged from 7 to 10, total. At the time of the Council Workshop, there were two vendors on the wait list. After that meeting, an additional vendor joined the waitlist. Staff is recommending a total of 8 non-motorized cart because of the two applicants on the waiting list at the time of the workshop. Additionally, the Fire Department does not believe that the addition of two more vending spots will create any safety hazards of concern.

**ACTION REQUESTED:**

Consider recommending approval or denial of the text amendment.

**RECOMMENDED MOTION:**

Approval – to amend Chapter 28, Art. I. to allow for more non-motorized vending carts on the municipal beach strand.

Denial – to amend Chapter 28, Art. I. to allow for more non-motorized vending carts on the municipal beach strand.



# Ordinance 23-1202

Town of Carolina Beach  
Town Council



AN ORDINANCE TO AMEND Chapter 28, Article I. – In General, to allow for more non-motorized vending carts on the municipal beach strand.

**Sec. 28-1. Allowable vending and beach services on public property within the town or managed by the town; restrictions.**

(a) *Non-motorized carts.*

- (1) A maximum of ~~six~~ eight permits shall be authorized by the town to sell food, beverages and sundries.

Adopted this 11<sup>th</sup> day of April, 2023.

TOWN OF CAROLINA BEACH

\_\_\_\_\_  
Albert L. Barbee, Mayor

ATTEST:

\_\_\_\_\_  
Kimberlee Ward, Town Clerk

**2023 Vending Permits and Wait List**

<b>Type of Permit</b>		
<b>Cart</b>	<b>Applicant</b>	<b>Company</b>
1	Bruce & Brandon McCallon	Planet Smoothie
2	David Cole	Hurricane Alley's
3	Duke Hagestrom	Rentabeachchair.com
4	Tracee Hagestrom	Fudgeboat
5	Phillip McInnes	Island Ice Factory
6	Rebekah Cholawa	Nauti Dog
<b>Truck</b>	<b>Applicant</b>	<b>Company</b>
1	Bruce & Brandon McCallon	Planet Smoothie
2	Wesley Barbour	Island Tackle
3		
4		
5		
6		

<b>Wait List</b>		
<b>Order</b>	<b>Applicant</b>	<b>Type</b>
1	Todd Piper	Cart
2	Natalie Gamble	Cart
3	Wayne Rouse	Cart

# Beach Vending: Non-motorized carts



TOWN COUNCIL  
4.11.23

# Background

- March 28<sup>th</sup> Workshop – staff presented current ordinance & history
- Current allowance of 6 non-motorized vending carts
- Two vendors on waitlist at the time of the Workshop – one additional vendor joined waitlist after
- Recommended number of vendors ranged from 7 - 10

# Non-motorized Cart Text Amendment

**Sec. 28-1. Allowable vending and beach services on public property within the town or managed by the town; restrictions.**

(a) *Non-motorized carts.*

(1) A maximum of ~~six~~ eight permits shall be authorized by the town to sell food, beverages and sundries.

# Motion

- Approval – to amend Chapter 28, Art. I. to allow for more non-motorized vending carts on the municipal beach strand.
- Denial – to amend Chapter 28, Art. I. to allow for more non-motorized vending carts on the municipal beach strand.
- Further Direction/Discussion



## AGENDA ITEM COVERSHEET

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**PREPARED BY:** Kim Ward, Town Clerk

**DEPARTMENT:** Clerk

**MEETING:** Council Meeting 4/11/2023

**SUBJECT:** Closed Session – Real Estate and Personnel

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**RECOMMENDED MOTION:**

Closed session to discuss a real estate and a personnel matter in accordance with NCGS 143-318.11(a)(5) and (6). The property being discussed is R08807-013-005-000 and R08807-013-004-000.