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**City of New Bern
Board of Aldermen Budget Work Session
May 2, 2018 – 1:00 p.m.
City Hall Courtroom
300 Pollock Street**

RECESSED MEETING FROM MAY 1, 2018

Mayor Outlaw opened the recessed meeting with prayer. The Pledge of allegiance was recited, followed by a roll call.

Board Members in Attendance: Mayor Dana Outlaw; Alderman Sabrina Bengel, Alderwoman Jameesha Harris (arrived at 1:04 p.m.), Alderman Robert Aster, Alderman Johnnie Ray Kinsey (arrived at 1:05 p.m.), Alderman Barbara Best, and Alderman Jeffrey Odham. Absent: None. A quorum was present.

Also in Attendance: Mark Stephens, City Manager; Kristen Culler, Assistant City Manager; Brenda Blanco, City Clerk; and J. R. Sabatelli, Director of Finance.

Alderman Bengel pointed out this is a recessed meeting, and the Board is going back into session and picking up with the portion of yesterday's agenda that was not covered.

1. Discussion of Recommended FY2018-19 Budget (continued):

i) Stormwater Fund *(page 301)*

Matt reviewed revenues and noted the budget includes the request for the purchase of two vehicles.

(Alderwoman Harris left the room momentarily at 1:05 p.m.)

Alderman Bengel asked for an explanation of the \$70,000 shown as a revenue in account number 81210 on page 303. Mr. Sabatelli explained when the loan funds are received, they are reflected as a revenue. It is then expensed out on the debt side as reflected in account number 75210 on page 309. This accounting principle was reviewed in some detail.

As indicated on page 304, debt service has been reduced from \$89,051 to \$50,921. The debt for the land portion of the Jack Smith Creek project was removed from Stormwater and placed in Parks and Recreation according to Mr. Montanye. Mr. Sabatelli pointed out this debt is reflected on page 317 as enterprise funds have a separate fund for debt service.

Mayor Outlaw reflected upon the \$1.5 million stormwater improvements and the question of whether it should be run through the stormwater fund or become a

capital improvement debt that is reflected in the general fund. The \$1.5 million was just the beginning of improvements, and the Mayor recounted the need for approximately \$4 million in improvements and the need to strategically plan for that. Mr. Stephens explained the \$1.5 million project not only impacted stormwater, but it had a bearing on the streets, etc. Mayor Outlaw pointed out options for large stormwater projects are to raise the stormwater rate, which he opposed, or run the project through the general fund. Alderman Bengel said the City needs a strategic plan specific to infrastructure.

At Alderman Kinsey's request, Mr. Montanye provided an update on the Derby Park stormwater project and a project near Hatteras Yachts on South Glenburnie Road. These projects were paid for from the stormwater budget this past year. Mayor Outlaw said elected officials should look at putting a limit on the amount of quasi capital improvement projects the staff can pursue.

(Alderwoman Harris returned to the room at 1:19 p.m.)

He pondered whether the Board wanted to set a limit that if staff decided to spend over \$5,000 or \$10,000 out of the stormwater fund that the Board would have to approve it. The Mayor said while he did not want to micromanage, he did want to provide some checks and balances. Alderman Bengel was concerned with making sure there is enough money to cover the day-to-day maintenance of cleaning ditches and addressing issues. Alderman Kinsey suggested the City raise the money through grants to match what the City is striving to accomplish.

Alderman Bengel asked whether the division is short on maintenance staff. Mr. Montanye responded it is not possible to hit every single pipe throughout the city with the current staff, but they are hitting the higher problem areas and the areas that need the most attention. Alderman Bengel questioned whether raising the stormwater fees was the only way to make stormwater improvements or fixes above and beyond regular maintenance. Mr. Stephens said not necessarily and explained how general fund monies can be utilized, as they were last year. Infrastructure improvements that are financed require approval from the Local Government Commission ("LGC"); cash infrastructure improvements do not. Mr. Montanye stated the stormwater crew are routinely pulled from regular duties to address stormwater emergencies. Of note, the city has 80 miles of ditches and pipes.

Hypothetically, Alderman Odham asked if it was possible to take the \$300,000 in the general fund contingency drop the ad valorem tax rate from \$0.46 to \$0.45 and raise the stormwater fee to create a revenue neutral. Mr. Sabatelli said that could be done, but to keep in mind if the ad valorem tax is lowered then the percentage of sales tax will also be lower. So in essence, the only way is to raise the stormwater fee. Alderman Bengel asked if the fee would build as there is more development, and the response was indicated the commercial fee is capped at \$250.00 per month. Alderwoman Harris asked whether the fee can be used to pay

salaries, and if so, how many employees are needed so the Board could consider how much the fee would need to be raised. Mr. Montanye said the fee can be used for salaries, but it is hard to say how many employees are needed; the question is more of how much work you want performed. The City is capped off as far as how many inmates it can get because only 12 can be transported in the van. Stormwater uses two to three inmates and the others are utilized by Parks and Recreation, Streets, and Water and Sewer. Alderman Bengel asked how much additional revenue would be generated by various increases in the rate. Mr. Stephens noted that was presented previously to the Board, and approximately every dollar in additional revenue will generate \$330,000. Alderwoman Harris reported on some information she learned from her conference in Washington D.C. and stated she was gathering information for the Board to consider the adoption of a resolution to seek financial support for infrastructure needs. After locating the prior presentation, Mr. Stephens reported on additional revenue that could be generated from various incremental increases in the fee. Raising the rate to \$3.00 would provide approximately 6¾ additional employees.

Alderman Odham asked if the enterprise fund were disbanded and put back in the general fund if that would increase the sales tax. Mr. Sabatelli replied in the affirmative, but in order to cover the full impact of the fund ad valorem tax would need to be increased by approximately 2¢ which would yield \$614,000 in tax revenue plus the impact on sales tax. Odham pointed out this provides flexibility to do projects during years of strong sales tax revenue. Mayor Outlaw asked if the stormwater fee is abolished and taxes are raised 2¢ how much of a positive impact that would have on sales tax, and Mr. Sabatelli responded approximately \$230-\$240,000 based on FY2018.

Alderman Bengel noted she is leery since raising taxes affects property owners, while the stormwater fee is spread out amongst all users. Spreading out the cost is more equitable and does not put the burden on the property owner. Alderman Aster asked about FEMA's 404 mitigation funds, and Mr. Montanye said that has been reviewed, but it just has not worked out in the past. Alderman Aster said FEMA is very active with realigning ditches. The program opens anytime there is a disaster anywhere in North Carolina, and you can apply at that time. Alderman Aster said it might be nice to have a FEMA representative talk with the City about the use of the funds.

Alderwoman Harris asked if the City had a grant writer or if each department handled their own. If there isn't such a position, she felt the City should consider someone to specifically fill that position. Alderman Bengel noted it is possible to utilize grant writers without paying them a salary, but instead they work for a percentage of the grant received. Alderwoman Harris then suggested putting in adding to the "parking lot" list 3-4 stormwater employees. Alderman Bengel suggested the "parking lot" list include the possibility of increasing the stormwater fee and then what to do with the revenue generated from the increase and see how many employees the increase can provide. Mr. Montanye pointed out with

the addition of more employees, more equipment will be needed. An increase in two to four employees will not require additional equipment.

j) Parks and Recreation

Foster Hughes, Director of Parks and Recreation, discussed the goals he has set for the department and explained the budget represents basically a 3.6% increase to facilitate these goals:

- increase the number of special events offered to the public;
- increase attendance and participation at the recreation centers by providing quality programs and additional programs over those that are currently offered;
- offer more nontraditional youth athletic programming opportunities that the youth associations are currently not offering to the residents;
- offer more athletic program opportunities for adults; and
- address deferred maintenance in parks and playgrounds and focus on preventative maintenance moving forward.

Some items have been moved to more appropriate line items or divisions, which will be pointed out.

Administration (page 87)

Administration's budget is pretty much as it was last year. The special recreation activities account will allow for the City to offer more than the four current events (i.e. flotilla, 4th of July, egg hunt, and Festival of Fun). Some of the additional events that are being pursued include a summer concert series, movies in the park, a New Year's Eve event, additional festivals, arts in the park, father/daughter and mother/son events, etc. Alderman Bengel pointed out the detail sheet reveals \$58,000 was requested, but the recommended amount is \$43,000. She asked what events had been removed, and Mr. Hughes responded there was not a specific event cut; instead, various events and trips will be reviewed to determine which ones will not be held.

Youth football and cheerleading will be offered, although four different programs or leagues are being considered. Staff is also looking at track and field activities. Currently, there are youth athletic associations offering baseball in the spring and fall, so it is hard for the City to justify duplicating that. There are not a lot of people to pull from to form a league since they are already involved in other leagues.

The detail reveals funds were requested for account 75190, although Alderman Bengel noted that is not in the recommended budget. Mr. Hughes explained money was found in the current budget to purchase the portable audio video system for the movies in the park series.

Alderman Best asked why the budget does not reflect \$75,000 to provide a community center for Pleasant Hill. Mr. Hughes stated he made the request for funding, but it was pulled out by Budget Committee. Alderman Best then asked Mr. Stephens why the funding was pulled and at what point the citizens of that area would be accommodated. Mr. Stephens said the community building is not part of the master plan for Pleasant Hill; there is only one line in the master plan that mentions it. He then explained the Budget Committee had requests that exceeded revenue by \$4.5 million. Without direction from the Board to raise any fees or taxes, it was his job to cut requests in order to submit a balanced budget. That meant tough decisions had to be made. Alderman Best said she was told the project would be included in the PARTF grant, and Mr. Hughes said a community center is not part of the PARTF grant and explained separate projects could not be included in the PARTF grant. Alderwoman Harris noted at the retreat a community center for Pleasant Hill was discussed, and the meeting concluded with the assumption the Board would be provided with options. Alderwoman Harris said if a center was promised to the community, it needs to be fulfilled. Mr. Stephens replied if the Board directs him to include that in the budget, he will. Alderwoman Harris suggested \$75,000 be placed in the "parking lot" for a center. Mr. Stephens reiterated his job is to produce a balanced budget. At the end of the retreat, there was no clear direction and he has yet to receive any direction from a majority of the Board. Alderwoman Harris said the budget is balanced, but it has no creativity, to which Mr. Stephens replied the budget has creativity with options for funding for some other projects. Alderman Bengel noted if three more meetings are needed to dive into this, she was willing to have more workshops. Mr. Stephens explained the budget is based on revenues the City can generate; the creativity is providing the Board with information on revenue streams to generate additional revenue to do whatever the Board desires. In defense of the City Manager, Alderman Aster pointed out the Manager provided 4-6 pages of options for generating revenue. Alderman Aster felt the Board was on track by making a list of the things it wanted to see done with a plan for the Board to review those items at the end of the workshops and then make critical decisions on what they want to fund and how. Alderman Best said she asked about the community center because she did not see it in the budget, although she realizes there are more pressing problems than a community center. However, she would like for the current Board to try to appease the people of Ward 5 by considering their request for a center.

Facilities (page 93)

Two capital requests sought are a chlorine generator for more efficient operation of the pool and security cameras at the recreation centers. Alderman Kinsey pointed out there was an article in the newspaper indicating the artists were not planning to use the City's arts facility at 408 Hancock, and he asked if the City planned to proceed with altering the building for an art study. Mr. Hughes said the initial applications are due this Friday, and staff will reevaluate the plan once the applications are received and it is known how much interest exists. As of yet, no money has been spent on the building. The increase in utilities is reflective of the

additional use of facilities because of more programs offered, as well as the upgrade to LED lights. Mayor Outlaw said his sense is if there are only four to five applicants and not much interest in the arts center, he could not justify spending \$25,000 on the building. The Board may decide to sell the building, at which point all of the alterations were a waste of funding as the purchaser would likely remove the modifications. Alderman Bengel posed the question of whether the City would still want to still fix the HVAC, which she felt would be reasonable.

Alderman Odham commented his thought was the purchase of a chlorine generator would bring the chemical cost down, but it is actually going up. Mr. Hughes said that is actually a consolidation of line items. There is not a line item for aquatic supplies other than the chemicals line, so chemicals appears increased due to the inclusion of aquatic supplies. Alderman Odham asked whether the aquatic center is operating in the red and if so, how much. Mr. Hughes said he has not had a chance to evaluate it, but he does know it is in the red, and he can evaluate that after the first month of operation. Mr. Hughes pointed out most season aquatic operations are not self-sustaining. Mr. Stephens noted part of the problem is the debt service for the pool. Alderwoman Harris asked about covering the pool for year-round use, and it was noted a quote from 10 years ago revealed the cost of a canopy to be \$300-400,000. The pool stays busy and is used quite a bit, but the spray park is not used much. Mr. Hughes will evaluate the program this summer. Concessions at the pool are not being contracted out this year, but will be handled in house, which will generate revenue.

Alderman Aster asked Mr. Hughes what some of his plans are for new ideas. Mr. Hughes said his top priority is to take care of what the City currently has as there are deficiencies in many parks and grounds. Currently, there are about 25 parks in the system. The parks and grounds division maintains the parks and rights of way. However when someone comes into New Bern, they see grass growing over the curbing. Mr. Hughes stated he wanted to see a nice clean area, and right now that is not the case. That maintenance falls within Parks and Recreation, and it is one of his goals to take care of issues such as this, although there is a ways to go before that will be achieved. He is addressing how things will be restructured. There are maintenance issues in all the parks and some of the centers. The centers are dull, with the exception of West New Bern, which recently was given a little facelift. The parks need to pop again, but that will take work. The city does not have a fertilization schedule and is not staying on top of preventative maintenance such as weeding, which will make a big difference. However, there is a cost to that. Once the department starts doing these things, the difference will be visible to the public. Notably, Parks and Grounds has the largest increase in its budget

The department has started promoting its programs and issuing a monthly newsletter, which was not done before. Mr. Hughes noted there are a lot of programs he wants to do, and he felt like he was starting at ground zero and noted the department could only "go up". Every department he has worked with in the

past did athletics in house, but the tradition here has been to let other groups handle programs such as baseball and softball. Mr. Hughes stated that would continue, but there is a need to address cost recovery as the City is spending a lot of money for other groups to use its athletic fields. This is revenue that can be used in the parks, so this issue will be addressed moving forward. Parks and Recreation needs to reach out to everyone and not just a certain population. He said there is a lot of competition here with the YMCA, Boys & Girls Club, etc., and he felt over the years the department has lost its focus. Alderman Bengel commented Mr. Hughes has recognized the issues, and it is important to give him the tools he needs. Mr. Hughes said he is accustomed to Parks and Recreation being the go-to department and that is not the case in New Bern.

Alderman Aster asked if the boardwalk and gazebo at Lawson Creek Park will be rehabbed. Mr. Hughes stated he would love to, but the cost is about \$56,000, as only the pilings are good; all else needs to be replaced. He can investigate the potential of a CAMA grant. Alderman Bengel suggested it could be a project for the Rotary Club, Lions Club, Boy Scouts or another group. Mr. Hughes stated he would also like to have a gift catalog that addresses shelters, the stage at Union Point, and other items that someone can sponsor and have the opportunity to put their name on.

Alderman Odham asked if Mr. Hughes had any experience with park consolidation, noting the City's parks are pretty spread out with pocket parks on many corners that take a lot of time to maintain. The master plan does not address this according to Mr. Hughes. Most directors want to get as much land as they can, and it is obvious New Bern has accepted every piece of land someone has wanted to give away, and it is time to get rid of some and evaluate whether more is accepted. A lot of the pocket parks are not used at all and some of the larger ones are not used on a consistent basis. The good news is there are very few parks tied to PARTF grants which have limitations. With respect to the underutilized pocket parks, Mr. Stephens noted by not funding those and maintaining them as they should be that things become negligent to some extent. Alderman Aster expressed agreement and stated he looked forward to seeing an evaluation on all of the pocket parks and noted the City pays more for mowing the grass at these parks than it is probably worth. Mr. Hughes explained some of the parks that were full of youth 20 years ago are now in areas of older generations, but the need to maintain the standards still exists.

Alderman Aster asked whether the restrooms at Pierce Park had been worked on, and Mr. Stephens stated the exterior had been improved as well as the dugouts at the baseball field. Alderman Aster reported on a call he received about the restrooms being locked, and Mr. Hughes said the restrooms are to be unlocked every morning and secured each evening.

(Alderman Kinsey briefly left the room at 2:29 p.m.)

Alderman Best asked approximately how many of the pocket parks are not being used, and Mr. Hughes felt there were at least five or six. She then asked if it would be feasible to track the use and close those that are not being utilized. The property could be sold or given to the neighbors (subdivisions) unless there were conditions established when the property was acquired. Alderwoman Harris expressed concern that there are local kids who are underserved and underprivileged, for example those with special needs and disabilities, who would benefit from city teams.

Alderman Bengel pointed out there are issues with maintaining the City's cemeteries and expressed concern about the low amount of funds budgeted for preservation. Revenues are reflected at \$85,000, yet only \$20,000 is allotted for preservation. Mr. Stephens explained revenue is revenue and is not earmarked for use by the department or source that generates it. Mrs. Culler pointed out there are two employees who manage the cemetery plots, and it could be argued some of the revenue is used for their salaries.

(Alderman Kinsey returned at 3:35 p.m.)

Parks and Recreation is working with Public Works to take down quite a few trees in the cemeteries, some of which are in Greenwood Cemetery. Work is being planned on the wrought iron gates at Cedar Grove. Contractors will be utilized to remove some trees in Cedar Grove. Mr. Hughes noted it is not staff's responsibility to clean headstones; that work is better left to the Questors. There has been some neglect in the cemeteries, and that is being addressed. Alderman Bengel said there is damage in the historic cemeteries from mowing, and Mr. Hughes announced he had met with a state representative who will come down to provide staff some training. Alderman Best asked about the 13 bodies to be moved and if funding had been budgeted for that. Mr. Stephens replied he would update her outside of the budget meeting and noted some investigatory work needs to be performed prior to any action. Alderman Aster inquired as to when the City last raised its cemetery rates, and Alderman Odham replied there was an increase a couple of years ago. Alderman Aster then asked if the rates need to be increased, to which Mr. Stephens noted the City's rates are significantly less than market rates. He also noted in the past there was hesitation about raising the fees as it may then exclude people of certain income levels. However, he pointed out maintenance is perpetual and the City has to pay for mowing. If the City is going to stay in the cemetery business, Mr. Stephens recommended tombstones be at ground level which makes it easier to mow. Planning of a cemetery is critical; otherwise perpetual maintenance is enormous. Alderman Bengel asked for at least another \$5,000 for cemetery preservation to be placed in the "parking lot" for consideration. With respect to mowing, Mr. Hughes reported there is a contract for mowing rights of way and all cemeteries except Cedar Grove, which staff mows. It takes 13 staff members 1½ days to mow Cedar Grove. Staff also mows all of the City's parks.

Parks & Grounds (page 101).

There are several increases, most of which are agricultural supplies and equipment: new blowers, edgers, weed eaters, fertilizer, etc. Alderman Bengel asked about the Collison Memorial, and Mr. Foster explained the donations and said it was his understanding there is less than \$1,000 available. Those funds will be used this fiscal year. Mayor Outlaw asked how the Stanley White Center could be more effectively utilized. Mr. Hughes said there is a stigma associated with the Stanley White Center, and he plans to promote programs at that center and reach out to the enter population.

Mr. Stephens reminded everyone there had been a motion yesterday to hold off on reviewing Governing Board's budget until today. That budget was then reviewed.

b) *Governing Board (page 11)*

Mr. Stephens reviewed this budget, noting it to be status quo. When the budget includes a proposed salary increase, the spreadsheet automatically populates a 2.5% increase for the Board. In the past, however, the Board has chosen to remove that. Alderman Bengel observed health and life costs increased by more than \$10,000 and wondered if that was a result of more Board members taking the coverage. Mr. Sabatelli stated he would have to defer to Sonya Hayes, Director of Human Resources, who was not in attendance.

Alderman Bengel questioned printing costs, and Mr. Stephens and Mrs. Blanco explained the largest portion of that expense is related to MuniCode, which publishes ordinances and minutes online as well as codifies the City's ordinance. Alderman Bengel also asked whether advertising could be lowered to \$3,000. Mr. Stephens stated it could be lowered, but may require budget amendments to be brought to the Board throughout the year. These funds are used for advertising legal notices as required by law, and Mrs. Blanco noted the City is sometimes reimbursed for the advertisements associated with the sale of city-owned property. Mayor Outlaw felt there may be additional advertising costs associated with the Redevelopment Commission, and Mr. Stephens confirmed there would be several legal notices. Alderman Bengel made a motion to reduce advertising to \$4,000, seconded by Alderwoman Harris. The motion carried unanimously.

Telephone expenses were questioned by Alderman Best. In response, Mrs. Blanco stated this covers five city-issued phones for the Board as well as aircards for the Board's city-issued iPads.

With respect to travel and training, Alderwoman Harris suggested there be a pot of money versus each member having an allotment. The Mayor said when he first was elected to the Board, he went to training events as he was new. Some of those events would be attended by three to four Board members, and he felt it would have been better for one or two members to attend and report back to the Board. This method splits up the different events attended and allows for more education, which ultimately makes New Bern a better place. Historically, travel

funds may not have been well spent by a disproportionate number of members attending the same meetings. Mayor Outlaw suggested leaving the funding as is and borrowing funds from other members or have the Board vote to appropriate more money for a member to attend a special training that is deemed beneficial. Alderman Bengel asked about placing the full amount of travel funds in one line item and whomever draws from those funds would be required to return and make a full report to the Board on what they gained or learned from the training. Then if the Board needed to put more money in the line item, it could appropriate as things move along.

Alderman Odham made an alternate suggestion to allot \$1,000 to each board member and place the remaining \$7,000 in a travel pool. Alderwoman Harris reflected upon the benefits of courses offered through the National League of Cities and stated she did not want to ask each Board member to borrow money. Alderman Aster commented the money is the same either way and suggested the budgeted amount be approved, develop a policy later as to how travel is to be handled, and move on. Alderman Bengel reiterated a need to establish a policy on reporting. Mr. Stephens said he would need to know whether he was to draft the policy or if the Board would.

Alderman Best asked about dues and subscriptions, specifically noting the dues reflected for the NC Black Elected Municipal Officials at \$50 each for three members. She questioned where the funding was for the other four members to have membership in an association. Alderman Aster noted the other organizations reflected membership for the entire Board and explained there is no association specific to white elected officials.

Alderman Bengel voiced opposition to a 2.5% increase for the Board, noting other needs in the City that should be addressed. Alderman Aster said he agrees, noting he was not interested in a raise until the City employees received a 2.5% increase. Alderman Aster made motion to remove the proposed increase for the Board, seconded by Alderman Odham. On discussion, Alderwoman Harris stated she did not agree and felt since the employees were getting a raise the Board should too. Alderman Aster pointed out the Board had not yet discussed the employee's raise. Harris suggested the Board's raise be placed in the "parking lot". Mayor Outlaw said the raise could not be placed in the parking lot since there is a motion on the floor, unless the motion were withdrawn. Alderwoman Harris made a motion to withdraw the motion, but it was noted only Alderman Aster could withdraw the motion, and he stated he did not want to withdraw his motion, but said if the topic needed to resurface it could. She stated even the outgoing Board voiced the Governing Board should be paid more. Alderwoman Harris said elected officials knew what they had signed up for, but they needed to be appropriately compensated and said they are not even paid minimum wage. Alderwoman Harris noted New Bern is not even the average of its benchmark cities, which is \$8,777. Alderman Bengel agreed benchmark cities were polled, but noted the tax rates of those cities are above New Bern's and they have more money with which to work.

A 2.5% increase for the Board would equate to \$1,421 annually per Mr. Sabatelli, which reflects an increase of \$278 for the Mayor, \$208 for the Mayor Pro Tem, and \$187 for each. Alderman. By a raise of right hands, Alderman Bengel, Alderman Aster, Mayor Outlaw, and Alderman Odham were in favor of the motion, and Alderwoman Harris, Alderman Kinsey and Alderman Best were in opposition. Alderwoman Harris stated the motion should have been to bench the matter, and Alderman Aster pointed out it could always come up at a later time.

2. Public Comment on Above Sections.

No one came forward to speak.

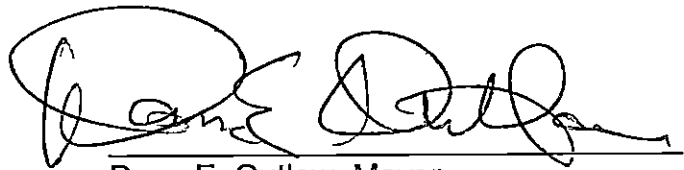
3. Adjourn.

Alderman Best made a motion to adjourn, seconded by Alderman Odham. The motion carried unanimously, time being 3:13 p.m.

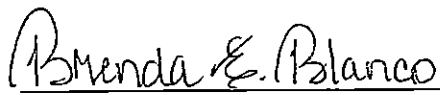
The attached documents are incorporated herewith and are hereby made a part of these minutes.

NOTE: For additional details and information on the Board of Aldermen meetings, please visit the City of New Bern's website at www.newbern-nc.org. Video and audio recordings of the meeting have been archived.

Minutes approved: May 22, 2018



Dana E. Outlaw, Mayor



Brenda E. Blanco, City Clerk

**City of New Bern
Board of Aldermen Budget Work Session
May 2, 2018 – 1:00 p.m.
City Hall Courtroom
300 Pollock Street**

Mayor Outlaw opened the meeting at 3:27 p.m. following the conclusion of the May 1, 2018 recessed meeting.

Board Members in Attendance: Mayor Dana Outlaw; Alderman Sabrina Bengel, Alderwoman Jameesha Harris, Alderman Robert Aster, Alderman Johnnie Ray Kinsey, Barbara Best, and Alderman Jeffrey Odham. Absent: None. A quorum was present.

Also in Attendance: Mark Stephens, City Manager; Kristen Culler, Assistant City Manager; Michael Scott Davis, City Attorney; Brenda Blanco, City Clerk; and J. R. Sabatelli, Director of Finance.

1. Discuss Letters of Support for Veterans Employment Base Camp and Organic Garden's Grant Applications for the 2018 Farmers Market Promotion Program and 2018 Local Food Promotion Program.

Mr. Stephens stated the agenda was amended to add this item. Last year, Mrs. Wallace-Singleton applied for a farmer's market grant and she is doing so again this year. The City provided a letter of support last year indicating the City would permit use of some of the VOLT Center property, and Mrs. Wallace-Singleton is again seeking letters of support. This would be for a three-year period should she receive the grant, and a lease agreement would be executed at that time. The letter provides for usage of the property to expand the Eastern North Carolina farmer's market footprint with the opening of a farmer's market and agricultural training center that is consistent with the kitchen area that will be on the VOLT Center property. The application deadline is May 8, 2018, and it is important for her to get her application in as early as possible.

Alderman Aster asked if the program would be teaching how to grow an organic garden and whether they would have others there selling. Mr. Stephens said the organization currently grows vegetables on city-owned property adjacent to Stanley White Recreation Center. This would allow them an opportunity to prepare and possibly sell the food. Jeff Ruggieri, Director of Development Services, said the City has been partnering with her group for last three to four years. The partnership started with a request to utilize some of the City's lower, flood-prone property to start this program. This is a logical evolution of the project to show the veterans how to prepare and cook the food once it is grown, learn how to operate in a commercial kitchen-type setting, and finally an entrepreneur aspect of owning and operating a business to sell the food. Mr. Ruggieri said the veterans will be selling packaged and prepared food as well as

vegetables. Alderman Aster expressed concern about creating another farmer's market, but would be okay if goods are only sold by the veterans group. Alderman Odham said the current farmers market is full, and Alderman Bengel replied it is not full. She explained she is on that board, and the market is full for crafters, but a farmer has first option over other vendors who do not grow their products.

Alderwoman Harris asked if the City applied for a grant for the city market, and Mr. Ruggieri confirmed it did. Alderwoman Harris then asked about the City turning down Dawn Gibson for a farmers market. Mr. Stephens explained that individual requested certain city-owned property. One piece of land requested was near the frog pond by the Police Department, and the City was not interested in selling that land in case the Police ever needed it. The City offered the property at the VOLT Center, but Mrs. Gibson's group was not interested in it. They wanted the Third Avenue property, but the City had not subdivided it out at that time and sections of that property were being considered for low-income housing units. If this is approved, Alderwoman Harris questioned whether the veteran's project would be an extension of the downtown farmers market. Mr. Ruggieri said this is completely separate. Alderwoman Harris then asked if the requested usage was specifically for food. It was explained once the food is grown, the veterans are then taken through an education process of how to go from the cultivation process to the next step. Mr. Ruggieri noted this is a job skills program, and Mr. Stephens said it would be our hope that this program takes an unemployed veteran off the street, teaches them how to grow food, trains them on how to move it and sell the food, and then they possibly start their own business.

Alderman Aster asked if other people would be able to go to the city market and rent a space to sell their goods, and Mr. Ruggieri said that has been the goal of the project since day one. Alderman Best voiced it was a great location for serving the residents of Duffyfield. Alderman Bengel asked Mr. Ruggieri whether he was aware of the Catalyst Kitchen, which takes unemployed people down on their luck and trains them. She then questioned why be in competition instead of working together? Mr. Ruggieri said there is no competition as this focuses on veterans and noted he met with the Catalyst Kitchen and Craven Community College today. Alderman Bengel asked why the Veterans Employment Base Camp and Organic Garden ("VEBCOG") could not apply for a grant to work with the Catalyst Kitchen instead of competing. Mr. Ruggieri again stated there was no competition and there is plenty of time and space for both groups to provide services to different citizens. Alderman Bengel noted the Catalyst Kitchen will be located in the Five Points area and said this is a duplication in many ways. She would have liked to have seen Mrs. Wallace-Singleton work with the current farmer's market or the grant funds be used to bolster the Catalyst Kitchen instead of creating one more new thing. Mr. Ruggieri said the City is working with both and there is plenty of opportunity for both to be very successful. He also felt the more services provided to different segments of society and those at risk in the

community that it was not possible to go wrong and said the City has excellent partners in the community, such as Corey Purdie and Lovay Wallace-Singleton. There is no competition, and everyone is working together according to Mr. Ruggieri. Alderman Best asked for clarification as to whether the VOLT Center was primarily through Craven Community College, and Mr. Ruggieri confirmed that. Alderman Best then pointed out participants in that program would have to pay a registration fee, while the other programs are free.

Alderman Aster asked Mr. Ruggieri if he recommended the letter of support for the VEBCOG, and Mr. Ruggieri responded yes. Alderman Kinsey asked if the farmers market on George Street is still open, and it was noted that is probably a couple of individuals who are just setting up beside the road on their own accord.

(Alderwoman Harris briefly stepped out the room at 3:43 p.m.)

Mr. Ruggieri stated the city market would provide a centralized place for people to sell things, instead of randomly setting up on the side of the road.

Alderman Odham made a motion to endorse a letter of support for the Veterans Employment Base Camp and Organic Garden's grant applications for the 2018 Farmers Market Promotion Program and 2018 Local Food Promotion Program, seconded by Alderman Kinsey. By a raise of hands, all were in favor of the motion, except Alderman Bengel who raised her hand in opposition. Of note, Alderwoman Harris had momentarily stepped out of the room thus technically yielding a vote in the affirmative.

2. Discussion of Recommended FY2018-19 Budget:

a) Opening Comments from City Manager

Mr. Stephens noted the rest of the budget to be covered pertains to the enterprise funds.

Alderman Kinsey asked about those who receive a water bill when they have been away from their home and have not consumed water. Jordan Hughes, Interim Director of Public Utilities, explained the water and sewer rates include a readiness-to-serve charge, which is a flat fee associated with having access to the utility. He further explained customers may have service turned off if they will be away for extended periods of time. If service is turned off, there is a one-time fee to have service reconnected. Many customers with irrigation systems or those who are deployed elect to do this as it is cheaper to pay a one-time reconnect fee of \$30 versus the recurring monthly charge

Before covering the details of any of the utilities, Mr. Hughes noted as a whole there are no increases proposed for any of the water, sewer or electric rates for Fiscal year 2018-19. A chart was distributed to the Board reflecting

the water and sewer customer base and revenue for the past seven to eight years. This shows a 2.5-3% increase in customers since 2014. While the customer base continues to grow, revenues are flat or declining due to conservation. While this is a good practice, it creates a unique business situation and the challenge of trying to avoid rate increases. As the customer base continues to grow, one would expect revenue to increase, but actually the opposite is happening. However, if the number of customers continues to grow, Mr. Hughes anticipated the water and sewer rates could remain stable. Over the last few years, the reduction in revenue has been covered by finding efficiencies in operations, but the divisions are now at the bottom of the barrel for finding efficiencies. With that being said, the stability of water and sewer rates will be tied largely to growth for the next few years. If there is a reduction in growth, that will impact the City tremendously. The sharp dip in the graph is just an anomaly as a result of when the report was run.

Alderman Bengel noted Trent Woods has paid off their debt and asked if that impacted any of the numbers on the graph, and Mr. Hughes replied no. She also asked if the 2-3% growth will require an increase in capacity. Mr. Hughes said per capita use continues to tick down slightly every year, which is beneficial for capacity. Because each customer uses less, it is possible to add more customers. The sewer plant currently has about 2.-2.5 million gallons of excess capacity daily. There is no foreseen need for expansion within the next five years. With current growth trends, the need for expansion is projected at 25-30 years. Mr. Hughes cautioned about the possibility that anything can change.

b) Water Fund

Water Operating Fund (page 171)

Mr. Hughes again reiterated this is basically a flat budget, although a lot of infrastructure is being replaced year in and year out.

(Alderwoman Harris returned to the room at 3:55 p.m.)

Mayor Outlaw asked if there are any strategic means by which to offer rate reductions through cost sharing. Moving forward, Mr. Hughes said something would have to change holistically for water and sewer to absorb rate reductions as it has in the past. He noted the efficiencies that have been found thus far are largely a result of working smarter and harder. Staff has been reduced since Mr. Hughes started with the City in 2009, and he said staff is very knowledgeable and good at what they do.

Alderman Bengel questioned utilities (72310) and why there are no funds budgeted. Mr. Hughes noted with staff moving to the new facility at Hwy. 55, one division will pay for the bill instead of the utilities being split between the two. Either way, the payment comes from the water fund.

A total revenue reduction of approximately 1.4% is projected. Miscellaneous other revenue represents cellphone tower leases on the water tanks. Previously, this revenue was accounted for in the general fund. There are cellphone leases on every water tank the City owns. Mr. Sabatelli pointed out this revenue should have always been placed in the water fund, not the general fund.

Administration (page 176)

One vehicle is requested. The most significant change in this division is the one Alderman Bengel recognized earlier, the removal of utilities. This small group of staff is currently housed at Kale Road, but will transfer to the new facility along with the operations staff. It is anticipated the new facility will be ready for occupants in June.

Water Treatment (page 185)

There are no major changes operationally or with personnel. One pick-up truck is to be replaced and \$60,000 is budgeted to convert the anhydrous ammonia Cove City well sites from gas to liquid. Conversion of the plant was budgeted this year so the total project could be split over two years.

Alderman Odham noted most of the general fund estimated expenses for Fiscal Year 2017-18 were adjusted, but that did not appear to happen in the enterprise funds. Mr. Sabatelli stated he scrutinized all of the general fund lines to have a better idea of the fund balance percentage. The days' of cash on hand for water, sewer and electric are more secure and less concerning.

Water Distribution Maintenance (page 195)

The highlights page will show a reduction in staff from 25 to 19 full-time positions. That is not a reduction in staff, but a shift of staff from Water Distribution System Maintenance to Sewer Maintenance. Those individuals work interchangeably on a regularly basis, and their positions are often shifted year to year based on upcoming projects, etc. Water system improvements are budgeted at \$200,000, and two pick-up trucks will be replaced.

Alderman Best inquired about land rentals, and Mr. Hughes explained that is mostly lease rentals with the railroad company to pay for pipe infrastructure under the tracks.

The reduction in debt service is reflective of a decrease in principal due to aging debt. Mayor Outlaw asked about the reduction in transfer to the water capital reserve (82165), and Mr. Hughes explained a small reduction is anticipated in the system development fees. These fees replace the old capital recovery fees. The net effect of this change is about a 12-15% reduction in the water and sewer system development fees moving forward.

At Alderman Bengel's request, Mr. Hughes explained payments made on agreement (account 76410 on page 198) noting there are several development agreements that date back to approximately the late 1980's or early 1990's. Each agreement is somewhat different with different conditions, although they all repay developers for development of water and sewer infrastructure. These agreements are almost a done deal, with only a handful left. There have been no new agreements in the last 10 year.

Alderman Bengel also asked about appropriating costs for cutting up sidewalks, etc. when installing service at new locations. Mr. Hughes stated these funds are often not recovered, as it is very labor intensive to try to capture the cost of every connection. Therefore, there are set connection fees based on a tiered system. With some of the connections, the City wins and on some it loses money.

At Alderman Best's request, Mr. Hughes explained water fund shared services on page 208. There is a shared fund for water, sewer and electric, which reflects each enterprise funds' proportionate share of the general fund services that they utilize. The only departments in the general fund to which money is not paid are Police, Fire, Development Services, and Parks and Recreation, because the enterprise funds do not utilize services from those departments.

(Alderman Best momentarily stepped out the room at 4:20 p.m.)

c) Sewer Fund

Sewer Operating Fund (page 211)

Sewer has a larger customer base than water, and the biggest sewer customers are industrial users. As a result, you do not see the same conservation impact that is seen in water. Late penalties are estimated.

Alderman Bengel asked about the transfer from other funds (81190). Mr. Hughes explained the Trent Woods debt was refinanced a few years ago, which saved some money, but extended the life of the loan. A portion of the Trent Woods payments have been placed in a debt service fund and this account represents the funds that will be transferred from debt service to make the loan payment.

(Alderman Best returned to the room at 4:23 p.m.)

Sewer Debt Service Reserve Fund [Other Funds] (page 395)

The current balance in this fund is \$1.16 million, which is reserved for the future debt service payments, which will pay out in 2022 or 2023 according to Mr. Sabatelli. Alderman Bengel asked if there is enough money to pay it off now. Mr. Sabatelli did not think so, but stated he would check on it.

(Alderwoman Harris stepped out of the room at 4:26 p.m.)

Sewer Treatment (page 215)

There is one personnel change which reflects the transfer of an Office Assistant III position to the Sewer Treatment Plant. The cost of chemicals required for treatment process is lower than in the last few years, as employees have redeveloped some of our chemical processes and controls. Their efforts saved City \$130,000 last year. Operationally, no other real changes. Capital purchase expenses were reviewed. The last plant upgrade was in 2002, and it is of the age where some minor repairs and maintenance can be expected.

(Alderwoman Harris returned to the room at 4:30 p.m.)

Alderman Odham asked Mr. Sabatelli for a summary of the copier and printer lease programs showing a combined citywide cost. Alderman Odham asked about the changes that were made a couple of years ago; and Mr. Sabatelli explained previously there was only a copier lease. The lease was updated to include not only copiers, but also desktop printers. The lease includes a per-click charge and covers the cost of ink and toner for the printers. The lease also provided plotters for Public Works, Utilities, and the Police Department. Alderman Odham asked for historical references, and Mr. Sabatelli said charges were made to various accounts throughout the City and it would be a substantial task to look at each account. This is the third year of a 5-year lease. Mr. Stephens stated he hoped the City would see a reduction in copy costs once Munis is in place as this will eliminate internal paperwork for purchase orders. Alderman Odham also asked for a copy of the current contract. Alderman Bengel asked if the contract was bid out, and Mr. Sabatelli stated it was not, but was an extension of the contract with CopyPro. Alderwoman Harris questioned whether it was cheaper for the City to purchase its own paper and ink, and Mr. Sabatelli stated the City does buy its own paper, but not the ink.

Sewer Collection System Maintenance (page 227)

The increase reflected in staff is not a real increase, but a net wash since personnel is being transferred from water.

(Alderman Kinsey briefly left the room at 4:41 p.m.)

Alderman Best noted the difference in chemical costs for water treatment versus sewer, noting water is much lower. Mr. Hughes responded it does not take as much chemical to treat water as it does waste. He also explained the change in process that was identified by staff and resulted in a savings of \$130,000 last year.

Sewer Fund Shared Services (page 242)

Alderwoman Harris asked why the cost of shared services for Information Technology increased by \$100,000. Mr. Stephens explained the allocation was adjusted because an analysis of shared services indicated sewer needed to increase their proportionate share based on the services being provided to that division.

(Alderman Kinsey returned to the room at 4:49 p.m.)

Alderwoman Harris asked why proportionate share for the Utility Business Office ("UBO") went up from \$249,039 in Fiscal Year 2016-17 to \$548,285 in Fiscal Year 2018-19. Mr. Sabatelli said it is sewer's fair share for the staff (meter readers, etc.) and expenses of the UBO

Mayor Outlaw asked how about the total the City pays for engineering services, noting it seems much lower now at \$20,000 from what it has been in the past. Mr. Hughes responded a lot of work is done in house, actually as much as possible. Most of what is paid for outside engineering is specialty services that the City cannot handle in house.

(Alderman Aster briefly left the room 4:55 p.m.)

Mayor Outlaw and Mr. Hughes talked about the intrinsic value of the system the city has in place with respect to banking nitrogen and a possible plant expansion.

d) Electric Fund

Department of Public Utilities - Electric (page 247)

Basic customer service fees are slightly up based on estimated growth. The large number shown for fund balance appropriated represents a cash purchase to replace transformers at the Trent Road substation. Mayor Outlaw asked whether staff was looking at expanding its substations, and Mr. Hughes responded a long-range and extra long-range expansion is being viewed. A near-term, long-range expansion would include a substation on the southeast part of town by County Line Road. At some point, another substation will be needed near Havelock as well as one on the western side of town as growth and development increase.

With respect to peak demand, the Mayor asked whether the buyout eliminated the preclusion of how much generation a City could have. Mr. Stephens responded there are still contractual limitations as to what the City can do with respect to load management. ElectriCities as a whole could install a certain amount of generation, but Mr. Stephens did not know whether the City benefited contractually in this regard from the asset sale. Mr. Hughes stated the City has a little bit of capacity and is just waiting for the right

customer to come along and fill out that capacity. The City is toward the upper end of what it can do with load management from the generation side.

(Alderman Aster returned at 5:02 p.m.)

Electric Administration (page 253)

Personnel is pretty status quo according to Mr. Hughes. Operations shows a higher number in professional services. As staff continues to transition, the department is leaning on a consultant for some assistance. Mayor Outlaw asked about funds to cover costs associated with a storm, and Mr. Hughes stated days' cash on hand would be utilized in such an event.

The current year estimated expense for salaries is lower because of the vacancy for the director's position. Mr. Stephens said he is working on filling that position, and Alderman Bengel noted the top three positions in the department are empty and questioned the use of a consultant to fill those duties. Mr. Stephens clarified a consultant is being paid for a cost-of-service study, not to perform work that is not being done due to the vacancies in the top three positions. He also expressed confidence in the performance and abilities of Mr. Hughes, but noted it is not a long-term solution. Alderman Bengel questioned whether Mr. Hughes' salary has been partly allocated to Electric, and Mr. Stephens responded his salary is all reflected in Water and Sewer.

Distribution O&M (page 260)

Again, a pretty status quo operation budget. Mayor Outlaw asked if Mr. Hughes felt comfortable with the inventory on hand, to which Mr. Hughes responded, noting the City will initially recoup initial investments.

Alderman Bengel questioned the sharp changes in accounts 75606 and 74489. Mr. Hughes noted the City is no longer using incandescent lighting and is replacing those with LED. Additionally, the major corridors are being lit up. He pointed out account 74489 is funding for replacing lights that are out; 75606 is funding to add additional lights at major corridors. The metal from the old lights that are being replaced is scrapped. Mayor Outlaw asked if staff is being careful to stay away from the high blue content LED lights, and Mr. Hughes said a warm light is being utilized and there is not much difference between the glow in those and traditional lighting.

(Alderman Odham briefly left the room at 5:16 p.m.)

Alderman Bengel asked if the cost of light fixtures has gone down. Mr. Stephens responded the pole cost has not decreased, but Mr. Hughes noted the fixture cost has. She was asking because the DeGraffenreid neighborhood will still like fixtures like the ones Ghent and Downtown have. A significant benefit of switching to LED lighting will be shown in Public

Works' street budget for the cost of the utility service. Mr. Hughes stated the schedule of fees will be reviewed this summer as it may need to be adjusted to reflect the updates for street and aerial lighting.

Alderman Best questioned the \$85,000 (71160) for professional services and whether that is for maintenance of some of the mechanical equipment. Mr. Hughes explained the benefit of a consultant versus bringing in a staff engineer, noting the consultant is used solely during the time period they are needed, whereas adding an engineer position would be a long-term cost. Currently, the City has an electrical engineer technician.

Alderman Aster asked where things stand with respect to contracted help during hurricane season. Mr. Hughes responded staff is starting to pull those contracts out and dust them off as it is time to start preparing.

Power Supply (Page 272)

This is the largest budget in the electric department.

(Alderman Odham returned at 5:22 p.m. Alderwoman Harris briefly stepped out of the room at 5:22 p.m.)

A substation technician position is being added. That position will serve a dual purpose of working on substations and load management. The replacement of the transformer at the Trent Road substation is budgeted at \$1 million.

Communications Control (page 280)

This is a 24-hour call center for afterhours.

(Alderwoman Harris returned at 5:25 p.m.)

The budget includes a couple of operational increases for the replacement of IT infrastructure and some service and maintenance contracts. As pointed out by Alderman Bengel, this communications center is different from the communications center discussed yesterday. This center only answers calls for and monitors the utility systems. Staff in this division works 12-hour shifts, and scheduled overtime is budgeted at \$22,000. The functionality of this division has improved tremendously with the roll-out of the Advanced Metering Infrastructure ("AMI").

UBO (page 288)

Mr. Sabatelli reviewed the UBO budget, noting there are no personnel changes. The big highlight of this budget is funding to the finish the AMI project this fiscal year. Temporary help services will be reduced dramatically once the installation of the AMI project is complete. One of the big changes to service maintenance contracts is the need for approximately eight months'

of coverage for the pre-pay service. The cost of this is approximately \$82,000. Merchants' services credit card fees is budgeted at \$43,000, which assumes the City will absorb these fees. Alderman Bengel questioned why the City does not work through a bank to have its own credit card processing. Mr. Sabatelli said several years ago the previous director thought the cost associated with that service was too high. The City's bill pay vendor offers this service now and it is part of the contract with that group. Alderman Kinsey asked if this service could be sourced out to another vendor that may be cheaper. Mr. Sabatelli said that could be researched, but it will be best to wait until after a new CIS software is in place, because the City may decide to absorb all the fees and allow the customers to pay their fee online since it would be an easier, secure method that yields less cash handling for staff. Enticing customers to pay by ACH or credit card makes life easier for staff.

Alderman Kinsey asked how much in bad debt is written off now, and Mr. Sabatelli stated he did not have it on the top of his head, but the number has decreased significantly over last few years. The net write off for 2016 was approximately \$167,000.

Mr. Stephens noted that concluded the review of all departmental budgets and asked if the Board had any other questions. Alderman Best asked about community development (76135) in General Administration's budget and what that funding is used for. Mr. Stephens said traditionally that has been an account for things that come up throughout the year. One year, some of funds were used for Paint Your Heart Out, and one year it was used to have a parade and lunch for the New Bern High School football team to celebrate their state championship. Alderman Best asked if that meant she could approach the Manager to request some of that money during the year, and he responded yes but noted she probably wanted to approach the other board members about considering a budget amendment.

Alderman Best also inquired as to why the City Manager's salary is not reflected in the pay classification. Mr. Stephens said that salary is based on a contract and for that reason it is not listed in the classification plan. Alderman Best questioned whether it should be for the sake of transparency. Mr. Stephens noted his salary is public record, and Mayor Outlaw noted it is published in the Sun Journal yearly.

Alderman Bengel mentioned a public hearing is scheduled for Tuesday, but she did not think the Board was ready for it. She asked if another workshop could be scheduled and the public hearing removed from Tuesday's agenda. The options were discussed. So staff can be adequately prepared, the Mayor asked if the Board could give staff direction on what type of additional information is needed. Alderwoman Harris felt there were still issues that needed to be fine tuned, such as employee raises and looking at options to fund projects and areas where the City has been lacking so moving forward it is on track. Alderman Bengel stated she would be willing to look at a 2¢ tax increase to fund major infrastructure improvements that are needed. By borrowing

funds to address these issues, money will be freed up in the regular budget provide for some of the other projects such as adding additional firemen and staff.

Mayor Outlaw suggested each Board member share where they stand. The Mayor started by voicing his list:

Mayor Outlaw

- Get the garbage rates to where they are (i.e. increase customer rate to meet the cost)
- Use the \$200,000 contingency
- Improvements for Oaks Road, Trent Road and Old Airport Road
- Additional firemen; possibly 3-6

Alderman Bengel

- Bundle the projects into a loan, such as infrastructure; massage some areas in the budget
- Add a line item for the Redevelopment Commission, possibly utilizing at least the \$40,000 in Development Services' account for other professional services
- Supportive of making sanitation an enterprise fund
- Willing to discuss an increase in the stormwater fee by 90¢
- Willing to support a 2¢ tax increase to fund many projects

Alderwoman Harris

- Agree with Alderman Bengel to lump a lot of things together and pay for them through debt service, which will allow staff to maintain in the future. There are a lot of desired projects.
- Supportive of a 2¢ tax increase
- A raise for city employees
- If projects are lumped together and Martin Marietta Park would generate revenue, that could be another source of revenue to benefit the general fund

Alderman Aster

- Wants to see what items would be bundled; until then, does not know what amount of tax increase is needed
- Fund 6 firefighters for Thurman Road
- Eliminate the façade program or move the funding to the Redevelopment Commission
- Possibly reduce some line items for things that can wait until next year
- Address solid waste; increase the fee so customers pay for it instead supplementing it from the general fund
- Immediately try to find a sponsorship for the amphitheater at Martin Marietta Park
- Staff raises

Alderman Kinsey

- Infrastructure is needed

- If the Board is going to look at projects, don't look at just one but several
- Look at staff weaknesses and bring them up to where they need to be to make them stronger and meet the needs of the community
- Staff raises

Alderman Best

- Suggested finalizing the list of projects to know how much money is needed in order to consider a 2¢ tax raise; consider a bond for the projects (Mayor Outlaw noted a bond does not offer flexibility, and Mr. Stephens stated staff would need to know by June 1st in order to get the bond on the ballot. There are costs associated with the bond: election, bond attorney, etc.)

Alderman Bengel stated personnel would not be a part of the project list, but Mr. Stephens stated it was important to know which additional positions the Board would want to fund. The costs associated with funding those positions is ongoing and would impact next year's budget as well as future budgets, just as the debt service payments would.

Alderman Odham

- There are projects and recurring annual expenses. A 2.5% merit increase is \$408,000. Personnel compounds every year. Only general fund projects can be funded through a loan, as projects for water, sewer and stormwater (enterprise funds) would have to be funded through rate increases.
- Not in favor of tax increase since the Board has accomplished a lot in last four years without implementing a tax increase.
- Does not see a big upfront investment in Martin Marietta Park; if received, the PARTF grant would help the City lay infrastructure that would make it easy to recruit sponsorship
- Not in favor of an increase in stormwater fee; if anything, disband it and put back in general fund
- Amenable to making solid waste whole; concerned with putting it in an enterprise fund because of the restrictions that come with that

Alderman Bengel asked if the refuse rates could be increased if solid waste is not made an enterprise fund, and Mr. Stephens confirmed they could. The reason to consider putting it in an enterprise fund is to see its true cost. It would also become a stand-alone fund that has to support itself.

Alderman Aster asked for the total cost to perform the three road projects. Mrs. Culler stated the Old Airport Road is a \$2 million project, but after applying payments from the NC Department of Transportation ("DOT"), the cost is \$1.2-1.3 million. That project probably will not start until 2020 because the engineering services need to be done first. The Oaks Road project is approximately \$800,000, and Trent Road is a \$2 million project. None of that money is encumbered or budgeted. Mr. Stephens said staff can investigate Tiger grant funds for the Trent Road project since it can be tied to economic development.

Aldерwoman Harris stated she would not want to approve the budget without giving employees an increase. She said she felt strongly about it and said there is a need to discuss how it is handled. Mr. Stephens explained raises are built into the budget, but they are currently based on a quartile system. Aldерwoman Harris noted some board members have an issue with that and wanted to discuss it

The Mayor asked if staff had any questions or needed any other direction. Mr. Stephens stated he would work on the "parking lot" list, but needed to have an idea about the Board's consensus of projects and revenue changes. Alderman Bengel said she needed a better understanding of what Alderman Odham was describing with respect to debt. Mr. Stephens explained general fund debt service could not be used to cover enterprise expenses. He explained how a wholesale loan can be obtained, but the applicable share of the debt and interest would be pulled from the enterprise fund to pay for that. Alderman Bengel stated she would like to see some infrastructure improvements made.

Aldерwoman Harris asked if there were any time stipulations on the Trent Road project, and Mr. Stephens responded no. Mrs. Culler pointed out the only project with a time limitation is the Old Airport Road. The agreement with DOT provides the improvement must be in two years; otherwise, the \$687,000 has to be returned to DOT.

Alderman Aster felt the City is committed and has to do the three road projects. He felt they should be on the list to bundle. Alderman Odham felt Old Airport Road is the number one priority. There is immediate infrastructure necessary to continue the economic development that is taking place out there. It is growing enough to take care of the cost of the firemen that is needed. As much as he would like to have the Trent Road improvements, Alderman Odham said he is struggling with the amount of money it will take to complete the portion from Glenburnie Road to Simmons Street. He stated he would be willing to put that project on backburner and look for grant opportunities. Oaks Road is in bad shape, but there is no economic development through that area, and he also struggles with that one. Alderman Best thought the improvements on Oaks Road were necessary because of the water issue near Jack Smith Creek and the national cemetery. It was pointed out that has already been addressed, which Alderman Best acknowledged. Alderman Bengel suggested, if possible, to bundle these projects and get them done. Alderman Odham noted he would like to see the updated survey that just came back. The survey will provide objective criteria based on the roads they prioritized.

Mayor Outlaw suggested in the next two to three weeks that each alderman work closely with staff on what they want to see, what it will cost, and to identify the cost benefit of that improvement. He further suggested everyone reach out to fellow aldermen to see what support they have. Mayor Outlaw stated he personally did not want to see a tax increase, but he felt many of the items are long overdue.

Alderman Aster asked how the Board how it felt about making solid waste whole by raising the rate, regardless of whether it is put into an enterprise. To make solid waste whole, Mr. Sabatelli said the rate would need to be increased to around \$14.75 to cover projected increases. An increase could be slightly lower if the projected increases were not included, but if the service is pulled out and made an enterprise fund, it would need to be made whole. A show of hands revealed everyone was in favor of the increase except for Aldermen Kinsey and Odham. Alderman Odham said he would like to know what the additional revenue would go toward before he considered raising the sanitation rate.

With respect to employee raises, Mr. Stephens thought the funds built into the budget would provide an across-the-board raise of about 2%. Alderman Aster asked about pulling out the six firemen from the "parking lot" and to see what the impact would be after taking into consideration the upcoming retirements. Alderwoman Harris also said she would like the same information for the telecommunicators.

Alderman Kinsey asked if employees who are close to retirement can use their sick leave to retire early. Mr. Stephens explained how that works and how the retirement system can provide them with an analysis of where they stand. Some employees take vacation as a payout while others use it toward leaving early. The Mayor asked about employees who have military time and other systems that are built into the retirement. Mr. Stephens stated the only way that can probably change is to eliminate employee benefits from being built into accrual time and there are probably some federal laws about allowing leave time.

Alderman Aster said several board members, including himself, would like to see how best to utilize funds set aside for employee raises. He stated he was strictly against the way it is being done today. He would love to see 2.5% for all employees, but would be amenable to 2%. If the increase is merit based, he suggested giving the department head an opportunity to give 2.5% down to 0% or, in the alternative, make a salary adjustment for this year to give the City Manager and Assistant City Manager time to revamp the evaluation system and come back with a new system in a different form for next year. Alderwoman Harris suggested an across-the-board COLA this time and then reevaluate how the raises are handled. She stated raises need to be given to those doing their best. Alderman Bengel said the problem she had with an across-the-board raise is those at the upper end are getting a big boost while those at a lower salary are getting less. Alderman Aster stated an employee should not be penalized just because of their longevity.

(Alderman Kinsey momentarily stepped out 6:41 p.m.)

If an employee's evaluation indicates they are not performing and should get a 0% raise, that employee needs to be put on probation or fired per Aldermen Best and Aster. An in-depth discussion ensued. Alderman Bengel said no one is looking at the value of the benefits such as life and health insurance, etc.

(Alderman Kinsey returned at 6:44 p.m.)

Alderman Harris said an increase needs to be a decent amount. Alderman Odham summarized the concerns he thought he was hearing from Aldermen Harris and Aster. Alderman Odham said he thinks there is a misconception that employees have not had raises in last four years. During that time, there may have been some employees who have received a small increase, while others received a healthy increase. Mr. Stephens said he has been City Manager for five years and of those years, there has only been one when there was no increase provided in the budget. Two years were merit based, one was a COLA and this budget has a proposed merit increase. Alderman Aster said he does not hear the employees saying it is about the amount of money, but about the employees with experience are called upon the most and called out for emergencies while newer employees sit at home and get a higher raise.

Alderman Odham asked if the Board could give staff direction today that the amount of money in the proposed budget is adequate and let the City Manager figure out the percentage, and the funds be offered this year under a merit-based system without the quarterlies involved. Alderman Aster said he spoke with Mr. Stephens who suggested after all the evaluations are in and have been graded, if everybody can get a 2.5% increase then that is what they will get, but some of the employees who are graded low would not. Mr. Stephens stated a department head recommends all of their employees receive 2.5% increase then that is an issue. Mrs. Culler said as part of the current process, a department head can ask the City Manager to approve a higher raise regardless of where an employee falls in the quartile. Mr. Stephens stated he has never been a fan of the quartile system, and a merit base should be used to reward those who deserve it. Ultimately, the plan is to come back with a recommendation on a change as to how employees are evaluated. Alderman Aster said that was a great idea, but he needed for the Manager to be able to give employees who are doing an outstanding job a decent raise of 2.5% this year. Alderman Best said if someone is a supervisor and they have employees who are not performing, those employees should not be here.

Alderman Aster asked if all employees got a 2.5% increase what the cost would be. Mr. Sabatelli stated the cost would be \$504,111. Alderman Bengel asked how much is built into the budget now. Mr. Stephens noted the difference is approximately \$120,000. Alderman Aster noted he obtained from Human Resources a list of raises for the last few years, and he is not aware of anyone who did not receive at least a 1% raise in the last year. Alderman Harris suggested an incentive or bonus program be established for those who work hard. She said the cost of living continues to go up, and employees should be given a COLA to keep up with that. Alderman Harris pointed out all of the projects the Board wants to complete cannot be done if the City has no employees. Mr. Stephens said he is not a fan of the current evaluation form that rates employees based on whether they are below, meets, or exceeds standards. Mrs. Stephens stated he believes a scoring system should be utilized. He also did not agree with the former scoring system that provided for anyone with a score of 5 or greater that they received "x" amount the merit scale. Alderman Harris asked how often a salary study is performed, and Mr. Stephens responded every five years.

(Alderman Kinsey left the meeting at 6:59 p.m.)

Alderman Aster asked if there were any other items in the general fund that could be bundled. Mr. Stephens then reviewed the “parking lot” list:

- Additional firemen
- 1 additional Animal Control Officer
- Addition of 3 telecommunicators
- Adjust stormwater fee
- Pleasant Hill Community Center
- Improvements to Old Airport Road, Trent Road, and Oaks Road
- Cemetery preservation
- Employee raise

Alderman Aster said instead of three telecommunicators, he would like to hire three telephone operators, but he needed to talk with Chief Summers about it. He felt with the addition of three telephone operators, the telecommunicators could do their job. A telephone operator should be a lower grade. Alderwoman Harris said in light of the conversations with the Boys & Girls Club, another bundle could be expanding West New Bern Recreation Center and selling the Stanley White Recreation Center.

It was the consensus of the Board to hold another budget work session on May 14, 2018 at 1 p.m. Alderman Bengel asked that the public hearing for May 8, 2018 be cancelled and not advertised as the Board did not want people to show up that evening. Mrs. Blanco noted the public hearing had already been advertised. By law, the public hearing on the budget must be advertised no less than 10 days prior to the public hearing taking place. Since the public hearing was called for at the last Board meeting, it had to be advertised this past Friday according to Mr. Sabatelli. Alderman Aster asked if this work session should be recessed. Mrs. Blanco noted the public hearing could be opened Tuesday night and recessed, and the public could even be made aware of that plan. That will eliminate the need to re-advertise a new public hearing date. Mr. Stephens expanded to say if the hearing is opened on May 8th, the Board can listen to comments of those who desire to speak, recess the hearing until May 22nd, and announce additional comments will be allowed at that time.

The pros and cons of recessing today’s meeting were briefly discussed. Alderman Aster made a motion to have another budget work session on May 14, 2018 at 1 p.m., seconded by Alderwoman Harris. The motion carried unanimously.

2. Public Comment on Above Sections.

No one came forward to speak.


3. Adjourn.


Alderman Aster made a motion to adjourn, seconded by Alderwoman Harris. The motion carried unanimously, time being 7:07 p.m.

The attached documents are incorporated herewith and are hereby made a part of these minutes.

NOTE: For additional details and information on the Board of Aldermen meetings, please visit the City of New Bern's website at www.newbern-nc.org. Video and audio recordings of the meeting have been archived.

Minutes approved: May 22, 2018



Dana E. Outlaw, Mayor

Brenda E. Blanco, City Clerk