

**City of New Bern
Board of Aldermen Meeting
June 12, 2018 – 6:00 P.M.
City Hall Courtroom
300 Pollock Street**

- 1. Meeting opened by Mayor Dana E. Outlaw. Prayer by Alderman Odham. Pledge of Allegiance.**
- 2. Roll Call.**

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

Also Present: Mark Stephens, City Manager; Kristen Culler, Assistant City Manager; Michael Scott Davis, City Attorney; and Brenda Blanco, City Clerk.

Mr. Stephens introduced Charles Brauschard, the Director of Public Utilities. Mr. Brauschard stated he is from Michigan and looks forward to being here in New Bern.

- 3. Request and Petition of Citizens.**

Margo Fesperman of 518 Metcalf Street spoke about Item 9 on the agenda, a resolution in support of changing the bridge schedule. She noted she has a boat that is docked at Bridgepointe Marina. Ms. Fesperman questioned why boaters and marina residents were not listed among those also affected by the proposed bridge schedule. She asked about the Board's intended next steps and urged the Board to revisit the resolution and consider adding a clause to open on the hour as well. In response, Alderman Bengel invited Ms. Fesperman to stay for the rest of the meeting and participate in the discussion of that item.

Consent Agenda

- 4. Approve Minutes.**

Minutes from the May 14, 2018 budget work session and May 22, 2018 regular meeting were provided for review and approval.

Alderman Odham made a motion to approve the consent agenda, seconded by Alderwoman Harris. Alderman Best stated she would like the May 22nd minutes to reflect under Item 14 her question about flashing yellow lights, the comment from Matt Montanye about the Board possibly adopting a resolution or sending a memo to NCDOT, and the Mayor's comments advising the City Manager to get with Alderman Best and another alderman regarding the matter. The motion carried unanimously, and the Board was in agreement with adding the notations desired by Alderman Best.

Alderman Odham said sound direction needs to be given regarding minutes as the previous Board had provided direction for the minutes to be a brief synopsis and only show the direction given since there is a visual and audio recording. If direction has changed, staff needs to be aware. Alderman Bengel said she wants comments included in the written record, as she is not certain what technology will be available 20 years from now. Since minutes are provided to the Board prior to a meeting, Alderwoman Harris suggested any changes be given to the Clerk before the meeting so those changes can be incorporated and the minutes approved at the meeting.

Mr. Davis said the May 22nd minutes will need to be revised and presented again at the Board's next meeting.

5. Recognition of Graduates of Police Academy.

Graduates of the recent Citizens Police Academy were in attendance. Chelsey Jones, Class President, gave an overview of the academy and what she learned. The latest academy marked the 22nd session to be held. The participants were presented with a certificate and extended a handshake from Chief Summers and the Governing Board.

6. Discussion of Utility Deposits.

At its May 8, 2018 meeting, the Governing Board established a working group consisting of Aldermen Bengel, Harris and Best to meet with the Director of Finance to discuss the utility deposit. As a result of the group's discussions, the following changes are recommended for residential customers effective July 1st:

- Per fiscal year, deposits will not be assessed on the first payment arrangement. Payment arrangements may be billed as installments. No late penalties or fees will be assessed if the payment plan is adhered to as agreed upon.
- Per fiscal year, deposits will not be assessed for the first check returned for insufficient funds.
- New customers may pay deposits in installments with 50% due at the time service is established and the balance payable over four billing cycles. Payment arrangements are not permitted until the deposit is paid.
- New residential deposits shall not exceed \$500. The current policy is twice the highest of two bills for the past year.
- These changes are not retroactive.

Alderman Kinsey asked how the pre-pay system will impact the deposit. Mr. Stephens stated utility deposits would not be required for pre-pay customers. However, AMI customers would still be subject to a deposit.

Alderman Best said during the working group's meeting, they did not discuss the refund of deposits. If during the 18 months after being assessed a deposit a customer makes a payment arrangement, their deposit is held longer. J.R. Sabatelli, Director of Finance, confirmed it is held for an additional 18 months. Alderman Best stated she was not in agreement with that practice and expressed concern the deposit would be held longer because of one payment arrangement. Because of the financial liability to the City, Alderwoman Harris expressed agreement with extending the hold on a deposit unless the customer is terminating service. She felt this was a give-and-take situation considering the City is taking a higher risk by lowering the deposit. Alderman Bengel pointed out renters are required to pay deposits, and those deposits are held until move out. She equated the utility deposit to this same practice. Alderman Best said someone should not be penalized because they come into a hardship and ask for one payment arrangement. This Board is taking a risk by changing what the previous Board set according to Alderwoman Harris, and customers should not get their money back until they are finished using the City's utilities. Staff has previously indicated there is often no deposit on file or an insufficient deposit to cover many customers' final bills.

Mr. Stephens pointing out that a deposit will not be assessed for the first payment arrangement. Mayor Outlaw asked the City Attorney if the Board could approve the proposed changes with a voice vote or it needs to be in the form of a resolution that is presented at the next meeting. According to Mr. Davis, the Board could choose to handle it either way.

Alderman Bengel asked if those on AMI would still have a deposit, and Mr. Stephens confirmed they would. It was also noted the pay-as-you go is an available option at the customer's choice. Since customers pay up front under pay-as-you-go, there is no risk to the City; thus, a deposit is not required.

Alderman Odham asked Mr. Sabatelli if the City had performed any modeling of data analysis based on the deposit policy changes and prepay coming into play, noting it may be more advantageous for some customers to stick with the deposit than choose prepay. Mr. Sabatelli said no modeling has been done. He noted a \$500 deposit for some customers would be tough and pointed out one of the advantages of prepay is a customer can see their daily consumption. While the impact on prepay has not been modeled out, write offs were reviewed and estimated to increase annually by \$72,000 if the deposit is capped at \$500. Write offs are paid from operating revenue per Mr. Sabatelli. Approximately \$140,000 in bad debt is collected annually, a large portion of which is through debt set off. However, recovery of funds from debt set off has reduced substantially over the last couple of years because of changes in the state's tax code.

Alderwoman Harris made a motion to adopt a resolution in support of the policy changes, but it was pointed out a resolution was not proposed. Discussion ensued about the appropriate form of action to take. Alderwoman Harris withdrew her motion.

Alderman Bengel made a motion to amend the current utility deposit schedule to include the following:

- a) Per fiscal year, deposits will not be assessed on the first payment arrangement. Payment arrangements may be billed as installments. No late penalties or fees will be assessed if the payment plan is adhered to as agreed upon.
- b) Per fiscal year, deposits will not be assessed for the first check returned for insufficient funds.
- c) New customers may pay deposits in installments with 50% due at the time service is established and the balance payable over four billing cycles. Payment arrangements will not be permitted until the deposit is paid.
- d) New residential deposits shall not exceed \$500.
- e) Deposits will be returned after 18 months.
- f) These changes are not retroactive and become effective July 1, 2018.

Discussion ensued about the deposit return and clarification was sought on whether the motion was to include the return of deposits after 18 months regardless of what happens. Alderman Bengel stated she included in her motion the return of the deposit since it was desired by Alderman Best. After some discussion, Alderman Bengel stated she could amend her motion to remove subsection "e" regarding the deposit return. Attorney Davis explained what he thought was Alderman Best's intent: if during the first 18 months after a customer has paid a deposit, they request and receive a payment arrangement then they are still eligible for the deposit to be refunded despite the one payment arrangement. Alderman Bengel stated she was not sure how to articulate that in the motion, and Attorney Davis restated the new wording for subsection "e" as follows: "consistent with the current policy, deposits billed will be returned provided that an accommodation plan has been met and satisfied within the first 18 months".

Mr. Sabatelli noted the refund of the deposit is listed in the City's fee schedule. The schedule is before the Board tonight (Item 16) to consider potential changes, but currently the policy states the deposit will be refunded after 18 months with good payment history. Attorney Davis reiterated that a payment plan that is initiated and completed within 18 months shall be considered good payment history.

Alderdwoman Harris repeated her concern about the risk associated with changing the deposit to a \$500 cap, and the need to hold the deposit longer in certain circumstances. She stated she would not vote in favor of a policy change that provides for the deposit to be refunded to all customers after 18 months. Mayor Outlaw ruled Alderdwoman Harris' original motion died for lack of a second and also ruled Alderman Bengel's died for lack of a second. He suggested the Board continue to discuss the issue, and he started the discussion by stating the City began its AMI journey about three years ago. He felt the public will be more attuned to their bills with AMI and prepay. He anticipated in the future there would be one or two kiosks around town to assist customers. Further, when 100% implementation is in place, and assuming no action is taken this evening, there will probably be a more successful, comprehensive analysis of the deposit. The Mayor wondered if the new Director of Public Utilities may have input to offer on the topic,

and stated he felt the Board would be jumping the gun without hearing from him. Alderman Odham stated the Mayor said it well, and he added the Board did not know what impact AML would have; to make a change tonight when the policy has been in effect for three years would be premature. Alderman Odham suggested the policy be revisited in five months when AML is in place.

Alderman Best said she was okay with leaving the deposit information out of the motion and approving the rest at this point. Alderwoman Harris asked if the Board could just try the new policy changes. She said there are people struggling to pay their bills and expressed concern about waiting six months to see AML's impact. She suggested a decision be made at this meeting. Alderman Kinsey stated he agreed with the Mayor and Alderman Odham with respect to hearing from the new Director of Public Utilities.

Alderman Bengel made a motion to adopt changes to the utility deposit as follows:

- a) Per fiscal year, deposits will not be assessed on the first payment arrangement. Payment arrangements may be billed as installments. No late penalties or fees will be assessed if the payment plan is adhered to as agreed upon.
- b) Per fiscal year, deposits will not be assessed for the first check returned for insufficient funds.
- c) New customers may pay deposits in installments with 50% due at the time service is established and the balance payable over four billing cycles. Payment arrangements will not be permitted until the deposit is paid.
- d) New residential deposits shall not exceed \$500.
- e) These changes are not retroactive and become effective July 1, 2018.

The motion was seconded by Alderwoman Harris. Upon a roll-call vote, the motion carried 4-3 with Mayor Outlaw and Aldermen Kinsey and Odham voting against it.

7. Consider Adopting a Resolution Approving Financing Terms for the Enterprise Resource Planning ("ERP") Project.

The Board established the ERP Project Fund on November 21, 2017 and adopted a Declaration of Official Intent to Reimburse at that time. Requests for financing proposals were issued, and the Director of Finance recommended First Citizens Bank be utilized. While their interest rate of 3.22% is slightly higher than that offered by SunTrust (3.17%), First Citizens allows the loan to be prepaid with no penalty or other fees.

Alderman Kinsey asked how many banks were contacted, and Mr. Sabatelli responded 18 were sent the Request for Proposal, but only 3 responded. He then explained his recommendation to utilize First Citizens. Mr. Stephens stated for essentially \$100, the City is buying the option to pay the loan off early. Alderman Bengel said it looks like the City is borrowing a half million dollars and asked about the remainder of the project cost and whether it has been paid. Mr. Sabatelli responded the remainder has not been paid. To date, only a half million dollars' worth of services have been incurred; there will be an additional financing

arrangement in the future. Mr. Sabatelli felt it more prudent to finance this phase now in light of the possibility the City may be able to pay cash for some services going forward. Noting the City has a contract with the vendor, Alderman Bengel questioned why all of the money would not be borrowed now if the interest rate is good. Mr. Sabatelli said the project would be paid for over the next three years. Because it is a longer term project, to finance it in phases would be similar to what the City did with the AMI project. It was felt best and most financially prudent to pay for the immediate portion now instead of waiting until the middle or end of the project to finance it. Alderman Bengel asked what this would do to the budget and if payments will be in the next fiscal budget. Mr. Sabatelli confirmed figures are already included in next year's budget.

Alderwoman Harris made a motion to adopt a resolution approving the financing terms for the Enterprise Resource Planning ("ERP") Project, seconded by Alderman Aster. Alderman Bengel said she would vote no on this issue, stating the reason the City is going with the slightly higher interest rate is so it can pay off the loan early. She stated she does not understand why the City would not borrow the full amount and use cash to pay it off, if desired, since it is a good rate. Alderman Odham asked what the annual debt service would be for the first year, noting the second year would be approximately double that. Mr. Sabatelli responded the first year will be approximately \$105,000 or \$110,000 with payments to be made over a 5-year period. Alderman Odham pointed out as additional phases are financed, additional funding will need to be provided in future budgets. Mrs. Culler pointed out with implementation of the new system, maintenance costs for the old system will diminish and the costs should level out. Upon a roll-call vote, the motion carried 5-2 with Aldermen Best and Bengel voting against it.

8. Consider Adopting a Resolution in Support of the Highway 43 Connector Project.

At the May 22, 2018 Board meeting, Alderman Odham reported on a recent meeting held by the NC Department of Transportation with respect to plans for the Highway 43 Connector. The proposed resolution relays the City's support of the DOT plan identified as Alternate #2. Approximately five plans were presented. It also requests DOT give consideration to the sound impact on the existing residential neighborhoods of Trent Creek, Arcadia Village and Craeberne Forest.

Alderman Odham made a motion to adopt a resolution in support of the Highway 43 Connector Project, seconded by Alderman Kinsey. Alderman Aster asked if the resolution could be amended to provide provision for emergency vehicle turnarounds. Mr. Stephens said the advantageous component with the alternate 2 design is it provides some left-turn only designs and a signalized intersection as traffic progresses from Hwy. 17 toward Hwy. 70. The only concern would be if DOT makes modifications in the design to provide for sound proofing the corridor. Upon a roll-call vote, the motion carried unanimously 7-0.

9. Consider Adopting a Resolution in Support of Changing the Alfred Cunningham Memorial Bridge Schedule.

Citizens and merchants have expressed concerns about the Alfred Cunningham drawbridge schedule. The current schedule allows the bridge to open at will or on demand two to three times per hour. This not only creates traffic congestion, but it is also an inconvenience to motorists, local residents and businesses in and around downtown, especially weekends and at the morning and evening rush hours. The resolution proposes the schedule be altered to open only on the half hour of every hour.

Alderman Kinsey asked if the primary concern is to prevent traffic congestion at prime times such as 5 p.m., etc. Mr. Stephens responded yes, but also noted a problem is the bridge opens for one boat and will open again 5 or 10 minutes later for another boat. A strict schedule will allow both motorists and boaters to know when the openings are so motorists can avoid the bridge and boaters can plan accordingly. Alderman Bengel said she gets many complaints from people who are late to work, etc. because of the bridge being open. If motorists knew what time the bridge opened, they could plan their route accordingly. She obtained information on the Beaufort draw bridge and found it opens on the hour and half hour from 6 a.m. to 10 p.m., Monday through Friday the bridge does not open from 6:30 a.m. to 8 a.m. and from 4:30 p.m. to 6 p.m., and it opens on demand from 10 p.m. to 6 a.m. Alderman Bengel said the City needs to do something, but maybe the proposed resolution needs to be refined. With the bridge attended 24 hours a day, Alderwoman Harris asked whether the attendant would keep the bridge open or skip over the opening times if a boat is not waiting. Mr. Stephens stated the bridge would only open if boats are cued up. Alderman Odham agreed once an hour is not sufficient as stated by Ms. Fesperman earlier in the meeting. He was in favor of a schedule similar to Beaufort's where the bridge would open at the top of the hour and every half hour. Alderman Bengel asked if the 7:30-8:30 a.m. and 4-6 p.m. hours could be restricted. She also asked who the City would send the resolution to, and Mr. Stephens replied it would go to NCDOT as the owner and operator of the bridge with a copy forwarded to the Coast Guard. He noted DOT has to agree to the schedule and then they too will forward it to the Coast Guard for approval.

Alderman Bengel called Ms. Fesperman forward again. Ms. Fesperman explained the Coast Guard will post the proposed change for public comment once it reaches them. It then is sent to the US Code of Federal Regulations for publishing. Ms. Fesperman reported the marina residents are not in favor of the bridge opening at will and agree a fixed schedule is best. However, opening only once an hour during the summer or peak tourist times is a long gap between openings. By opening just once an hour, the bridge would be opened a long time in order to allow the boats that are lined up in wait to get through. Alderman Bengel said the goal is to find the win-win solution for everyone, and noted she is amenable to hour and half-hour openings with stipulations for the morning and evening prime travel times. Mr. Stephens read the bridge's current operating schedule (a copy is provided in the backup documentation).

(Mayor Outlaw briefly stepped out at 7:07 pm and asked Alderman Bengel to take over as Mayor Pro-Tem in his temporary absence from the room.)

Alderman Bengel asked if the bridge did not open from 7:30-8:30 a.m. if that would hinder boaters? Ms. Fesperman felt it would not.

(Alderwoman Harris briefly stepped out at 7:08 p.m., returning at 7:09 p.m.)

Alderman Aster felt the current schedule would be acceptable if it eliminated openings at 8 a.m. and 5 p.m. It was noted the schedule is applicable to pleasure vessels only. Alderman Odham recommended the current schedule be revised and brought back to the Board for consideration. Alderman Bengel was agreeable with revising the current schedule so it does not permit opening around 8 a.m. and 5 p.m. Alderman Aster pointed out commercial boats could go through at any time, and he felt many of the yachts at the hotel probably had commercial licenses. Ms. Fesperman said she could get information from the dockmaster on how many of the boats have a commercial license, if needed. However, she felt many of the boats were residential and not commercial.

Direction was given for the City Attorney to present a revised resolution at the next meeting.

10. Consider Adopting a Budget Ordinance Amendment for the FY2017-18 Grants Fund.

The Fire Department has received a \$2,000 grant from Petco Foundation for the care of the department's arson dog. The budget amendment acknowledges receipt of the grant funds, which requires no match.

Alderman Aster made a motion to adopt a budget ordinance amendment for the FY2017-18 grants fund, seconded by Alderwoman Harris. Upon a roll-call vote, the motion carried unanimously 7-0. The Mayor had momentarily left the room, thus technically rendering an affirmative vote.

Mr. Stephens announced a desire to move Items 11 and 12 after Item 17, since both items are contingent upon the adoption of the budget. Alderman Aster made a motion to move Items 11 and 12 after Item 17, seconded by Alderman Odham. The motion carried unanimously.

11. Consider Adopting an Ordinance Amendment to the 2017 Roadway Improvements Project Fund.

12. Consider Adopting an Amendment to the Declaration of Intent to Reimburse the 2017 Roadway Improvements Project Fund.

(Mayor Outlaw returned at 7:13 p.m.)

13. Consider Adopting an Ordinance to Amend Article III. City Water and Sewerage Systems of Chapter 74 “Utilities”.

House Bill 436 was passed by the NC General Assembly in July 2017 to amend Chapter 162A of the General Statutes to add Article 8, System Development Fees. This amendment provides for uniform authority to implement system development fees for public water and sewer systems in the State. The City's Code of Ordinances needs to be amended to establish the water and sewer system development fees and provide the City authority to charge such fees.

Mayor Outlaw asked if the City had any choice in the issue, and Attorney Davis replied if the City wants to charge a fee, this is the only option. Jordan Hughes, City Engineer, explained the different methodologies allowed by the statute for capturing the money and expending the funds. Because the City does not have any planned, large capital expenditures in the next five years, it is most advantageous for the City to use the buy-in method. This method indicates there is excess capacity that has already been bought and paid for by the City, so incoming development is buying into those already-expended costs. Mr. Hughes and Mr. Sabatelli identified the easiest way to use the funds would be to bring them in and expend them to pay off debt service for improvements that have already been made to create the capacity for incoming development. The buy-in method makes the most sense for New Bern, as well as most systems across the State.

If the fees collected are going into a fund and that fund will be used to pay debt service on a project already completed, Alderman Odham asked when will there be a point where the existing debt service is paid for and what the City will do with the money it is taking in at that point. Mr. Hughes stated in all likelihood as debt rolls off, the funds will be utilized to offset rate increases by covering the increasing operational costs. Alderman Best asked whether new developments would have to pay the fee. Attorney Davis confirmed they would pay the fee and stated nothing has changed in that respect, although the fee is going down a little. The key difference is what the City can do with the money once it has collected the fees.

Alderwoman Harris made a motion to adopt an ordinance to amend Article III. City Water and Sewerage Systems of Chapter 74 “Utilities”, seconded by Alderman Bengel. Upon a roll-call vote, the motion carried unanimously 7-0.

14. Consider Adopting an Ordinance to Establish the Schedule of System Development Fees and Connection Fees for Water and Sewer Customers.

This relates to the previous item. Upon its adoption, the proposed ordinance will establish the Schedule of System Development Fees and Connection Fees for water and sewer.

Alderman Bengel made a motion to adopt an ordinance to establish the schedule of system development fees and connection fees for water and sewer customers, seconded by Alderwoman Harris. Upon a roll-call vote, the motion carried unanimously 7-0.

15. Consider Adopting a Resolution Approving the Classification Pay Plan for Fiscal Year 2018-19.

Annually, the Board adopts a Classification Pay Plan. In the past, the pay plan was adopted as part of the annual budget ordinance. After conferring with Attorney Davis, it has been determined the pay plan should be adopted in the format of a resolution and separate from the budget ordinance.

Alderman Bengel asked if the difference between the one the Board was previously given and the one presented tonight is adjustments based on the most recent salary study. Mr. Stephens replied yes and noted the salary ranges either did not or barely changed, but the grade level may have been modified for some positions. Alderman Bengel further asked if the budget passes whether the Pay Plan categorizes the increase. Mr. Stephens confirmed the increase is not included in the Plan. The action before the Board is just approving the class of the position and the salary grade and range within which it operates. The salary study was approved in the current fiscal year according to Mr. Stephens, modifications were made accordingly, and the upcoming year's Pay Plan reflects those modifications.

Alderwoman Harris made a motion to adopt a resolution approving the classification pay plan for Fiscal Year 2018-19, seconded by Alderman Aster. Upon a roll-call vote, the motion carried unanimously 7-0.

16. Consider Adopting an Ordinance Amending the Schedule of Fees and Charges.

As part of the budget process, the Board annually adopts an Amended Schedule of Fees and Charges to, in part, identify in one place all of the fees charged by the City. The fees identified in the schedule are included in the revenue projections for Fiscal Year 2018-19 and will be effective July 1, 2018.

It was noted two schedules were presented for consideration. One schedule did not reference the utility deposit cap of \$500 identified during the discussion on the utility deposit. The other scheduled does include the cap on the deposit. Since the cap was approved earlier in the meeting, that is the schedule being considered as part of the ordinance.

Alderman Kinsey asked if the motor vehicle license tax was included in the fees and charges. Mr. Stephens replied no since the Board did not approve that. However, the schedule does reflect the increased sanitation fee approved by Board. Alderwoman Harris asked if the art fees had been removed. Foster Hughes, Director of Parks and Recreation, said if they are not listed, Finance removed them.

Alderman Bengel questioned the parking fine and why it was not included. Attorney Davis said the fine is in the ordinance. Mr. Sabatelli said since the fee is referenced in the ordinance, it is not referenced in the fee schedule. Alderman Bengel asked if it needed to be added, and Attorney Davis said it can be add at another time, as he likes "one-stop shopping" and seeing all of the fees in one place. Alderman Bengel also questioned the wording for the utility fees, specifically late payment

penalties at 5% of the monthly bill; it was her recollection there was discussion of removing those penalties. Mr. Sabatelli responded based on what was agreed to earlier, those fees will stay the same, but staff has the opportunity to waive them under a payment arrangement.

Alderman Bengel made a motion to adopt an ordinance amending the Schedule of Fees and Charges that includes the \$500 cap for utility deposits and to which the parking fine of \$25 (as stated in the ordinance) will be added, seconded by Alderman Aster. Upon a roll-call vote, the motion carried unanimously 4-3 in favor with Aldermen Harris, Kinsey and Odham voting against it.

17. Consider Adopting the Budget Ordinance for Fiscal Year 2018-19.

After extensive review of the Manager's recommended budget for Fiscal Year 2018-19, several budget workshops, and an extended public hearing, the changes expressed by the Board were incorporated into the final budget ordinance for Fiscal Year 2018-19. At the Mayor's request, Mr. Stephens noted the salient points, which were all outlined in Mr. Sabatelli's cover memo:

- *Governing Board* (page 12) – As directed by the Board, the salary increases for the Board and mayor were removed. Additionally, the advertising budget was reduced.
- *Police* (page 113) – As directed by the Board, 2 Police Service Technician/ Telecommunicator positions were added. Additionally, funds were added for animal control in the amount of \$25,000.
- *Parking* (page 116) – As directed by the Board, the personnel services were adjusted to reflect staffing needs of this organization. Additionally, fuel costs were removed.
- *Fire* (page 66) – As directed by the Board, 6 new Fire Specialist positions were added to personnel services. Additionally, other line items were adjusted due to the increase in staff (medical professional services, uniforms, and safety supplies).
- *Park & Recreation Admin* (page 88) – As directed by the Board, funds were added for rental of the Union Point Park stage.
- *Parks & Recreation Grounds* (page 102) – As directed by the Board, funds were added for cemetery preservation and playground equipment.
- *Public Works Streets* (page 152) – As directed by the Board, additional funds were added for street resurfacing.
- *Solid Waste* (page 161) – This organization was removed from the General Fund and made into an enterprise fund – Solid Waste Fund. All related expenses followed and appropriate debt service, shared services, and contingency organizations established.
- *Debt Service* – Additional debt service payments were added to cover financing of Oaks Road, Old Airport Road, and Trent Road resurfacing projects. Debt service was reduced in some organizations due to a change in financing arrangements.
- *Contingency* – Due to the above changes, contingency was decreased.

- *General Fund Revenues* – General fund revenues were adjusted to reflect the Board's direction to appropriate fund balance and interfund transfers and transfer supports were adjusted as well to reflect the changes above.
- *Shared Services* – As a result of the above changes, the Water, Sewer, and Electric funds have a slight reduction in shared service costs. This was offset by an increase in contingency.
- *Electric Fund Revenues* – Electric Fund revenues increased due to the added interfund reimbursement from the newly created Solid Waste Fund. This was offset by an increase in contingency.

An additional Fire Inspector position was in the recommended budget and remains in the budget since the Governing Board did not direct staff to remove it. Mayor Outlaw expressed concern with inspections being 18 months behind. Since six new firemen were added to the budget, he asked about the possibility of the additional staff having a background in inspections. Alderman Aster explained how inspections are conducted and stated the Fire Chief is currently changing the department's policy so reinspection does not have to be performed by the fire inspector, but can be performed by someone who is qualified from the fire specialist group. This is how other cities handle the issue based on a survey by the Chief. In addition to Danny Hill, Mayor Outlaw asked if there are several others performing fire inspections as well. Fire Chief Robert Boyd addressed the Board stating reinspection is the big problem. The career development plan has been altered to add a requirement for fire inspector qualifications, although certification is not required. Alderman Aster noted Danny Hill spends most of his time at large industrial sites, and the other two inspectors handle the smaller buildings. Chief Boyd clarified all high-life safety facilities are current on inspections; it is mom-and-pop type inspections that are 18 months behind. The delinquency in inspections can be attributed to growth and reinspections.

Alderman Bengel asked how many inspections are performed in a year, and Chief Boyd responded more than 2,000 with approximately 70% reinspections. Mayor Outlaw said the public is concerned the City is asleep at the wheel since it is 18 months behind. He wants to assure the public the City is on top of things. Chief Boyd said staff is working now to get caught up. With shifting reinspections and adding a new inspector, Chief Boyd felt the backlog should be caught up within 6 months to a year. Alderman Odham asked who dictates and mandates the frequency of inspections, and Chief Boyd replied the national code, which the State has adopted.

Alderman Kinsey asked what would be needed to make the part-time inspector fulltime. Chief Boyd responded he actually works for another department. Alderwoman Harris asked if the implementation of the new process, the 6 additional firemen and the new inspector would get the city caught up. Chief Boyd responded yes and elaborated to say he thinks the situation was blown out of proportion and is not as bad as it sounds.

Mayor Outlaw asked for confirmation that the budget does not include a tax increase. Mr. Stephens confirmed there is no tax increase; the only major increase is in the sanitation rate.

Alderman Aster made a motion to adopt the budget ordinance for Fiscal Year 2018-19, seconded by Alderman Bengel. Upon a roll-call vote, the motion carried 4-3 with Aldermen Odham, Kinsey and Harris voting against it.

Of note, after the motion was made and before the vote, the Board commented on the budget process and the final budget. Alderman Odham stated he appreciated the time, energy and effort both staff and the Governing Board put into the budget. He noted he was not in favor of a sanitation increase, as it is technically a tax increase. He expressed support for additional firemen in the Thurman Road area, although he has some questions and noted there were some funding mechanisms that would have funded the additional firemen. He also noted he is not a fan of taking fund balance, which is now estimated to be around 30% after providing for the repaving project that is in the budget. Alderwoman Harris said she also appreciated the hard work. She stated she could not vote for the budget because it is not a true reflection of the budget since the City Manager and Director of Finance's reviews have not been performed, and the budget does not reflect any raise they may receive. Mayor Outlaw said this is his 13th or 14th budget. He does not like growing staff, as it is the most expensive part of a budget; however, there are some real issues in the James City area. His main concern with this year's budget is not the budget itself, but concerns for the next five years or so. He did not think any service should be supplemented by taxpayers, but that is what sanitation has been doing. He also made reference to the City's need in the past to implement furlough days. That being said, he felt next year's budget provides sufficient days of cash on hand, and the City is fiscally safe. The Mayor stressed for the next couple of years, the budget will pose a difficult situation without an increase in fees or taxes; it will not be possible to add additional employees without such an increase. Alderman Aster said he is satisfied with the budget, especially since the quartile was removed for employee increases and the Manager will work with the Board on how to distribute those funds. He fought hard for the additional firemen and expressed appreciation for support of that request.

Alderwoman Harris asked whether there was a solidified decision on how employee increases would be handled, as the Board had previously discussed the possibility of a 1% increase for everyone with leftover funds distributed in the form of a merit. Alderman Bengel stated she thought it was decided. Mr. Stephens said there was a lot of discussion, but no concrete decision was made. He had Mrs. Blanco listen to the tape to confirm there was no direction given; only an extended discussion was held. By approving the budget tonight, the Board is basically approving the amounts for the line items in each department. The proposed performance system will continue through the quartile system since there was no true direction. Alderwoman Harris recalled she and some others suggested a 1% cost-of-living adjustment ("COLA") across the board with the rest in the form of a merit with Department Heads deciding how to split the merit funds. Alderman Best noted it was her impression that employees would get a 1.8% increase. Mr. Stephens stated the 1.8% is the average across the board for all employees. Some employees may receive 1% and some may receive 2.50% depending on where they fall in the quartile system.

With a motion on the floor, the Mayor asked if the Board could vote on the budget and discuss the increases based on whether or not the budget passed. Alderwoman Harris questioned how the Board could vote on the budget when they were not sure how the money for employee increases would be allocated. The Mayor explained the figures in the budget are associated with the departments and is not specific to an employee.

Alderman Kinsey stated he echoed Alderman Odham's comments regarding fees for trash pickup. He also echoed off Alderwoman Harris, stating the budget is not ready to be approved. He suggested the new Director of Public Utilities should be provided an opportunity to give input. He expressed the six new firemen would give the public more security and a feeling of safety and voiced a desire to see the stormwater employees get more help to keep ditches clean. In conclusion, Alderman Kinsey stated he was not in favor of the budget.

Alderman Bengel said this is her 5th budget and stated the reason work sessions were held was to talk about all of the needs and options. She stated there will never be a perfect budget or one that the Board likes 100%. She expressed concern that pushing approval of the budget until the next meeting on June 26th would put the City in a bind. Alderman Bengel said she was glad money was being spent on infrastructure and the additional firemen needed for protection, even if it means a 30% fund balance. She noted there are parts of the budget she does not particularly care for, but she would vote in favor of the budget since it reflects the majority's vote on the items discussed during the budget review.

Alderwoman Harris said it is not her intent to hinder the City from moving forward with the budget, although she does not agree with it. A 1.8% increase for employees is a slap in face, and she felt more money should have been dedicated for increases.

Alderman Best stated overall she was in favor of the budget. However, she was not in favor of a sanitation increase and felt additional revenue could have been received from the motor vehicle tax instead. It was at this point a roll-call vote was taken, which carried 4-3 as noted earlier.

Once the budget was approved, Alderman Aster expressed a need for the Board to give the Manager direction on the raises. He reiterated he was totally against the quartile system.

(Alderman Best temporarily stepped out of the room at 8:06 p.m.)

Mr. Stephens explained the difficulty with giving everyone a 1.8% increase since the amount budgeted for each fund was based on the quartile system. Tenured employees may have been calculated at 1%. Alderman Bengel asked if there was enough money in the budget to give everyone a 1% raise, and Mr. Stephens replied yes. Alderwoman Harris suggested an across-the-board 1% increase for everyone with the extra funds given to those who went above and beyond. Under that scenario, Mr. Stephens said there may be the possibility he would need to bring back a budget amendment for certain departments to cover the increases based on

performance appraisals. Alderwoman Harris said that is why she felt the issue needed to be resolved prior to adoption of the budget, so any needed funds could be found within the budget. Alderman Aster and Mr. Stephens stated the amount of needed funds would not be known until the evaluations are completed.

(Alderman Best returned to the room at 8:09 p.m.)

Alderman Bengel stated she would like to direct the City Manager to give the employees a raise as of July 1st, because that is what she thought had been decided. Alderman Aster stated he did not recall a decision to give everyone an across-the-board living raise. His recollection was a discussion took place about eliminating the quartile system. Mr. Stephens said this is the same difficulty that was encountered the last time; there was a lot of discussion, but no final decision. When staff has no definite direction to move, the practice is to continue operating as you have been until further direction is given.

Alderman Odham said the two options are to move forward with the system in place now since the budget was created based on that system. This will allow the Manager to work on a new procedure for next year. Option two is to give every employee a flat percentage based on the amount budgeted and the number of employees. He described the difficulty of giving everyone a 1%, figuring out how to distribute the remainder based on evaluations, and determine if additional funding is needed. An across-the-board increase would equate to approximately 1.8% for each employee, per Mr. Sabatelli. Mr. Sabatelli explained the issue with tenure and pointed out a budget amendment would be needed to give everyone 1.8%, as some departments or divisions may not have enough funds allotted in their budget. An across-the-board increase would include all utility funds, which means the General Fund may need additional money to cover its employees. There are a lot of moving parts associated with any change.

Alderwoman Harris favored the idea of an across-the-board raise. Alderman Aster questioned whether Mr. Sabatelli would be more comfortable with a 1.5% across-the-board increase considering the funds provided in the budget. Mr. Sabatelli stated the percentage does not really concern him, but he wanted to make sure all of the numbers were where they needed to be. Alderman Bengel asked if staff could come back at the next meeting with information on how an increase would be allocated across the board so the increase could be in place by July 1st. Mr. Stephens said although the budget is technically approved, staff still needs direction from the Board. Staff can make anything happen that the Board wants and will present a budget amendment to facilitate that, if needed. Even if the Board wants 1.8% to be the average, increases would still be based on performance appraisal unless the Board directs staff to give every single employee a specified percentage. Alderwoman Harris stated she wanted and her direction is to give every employee a 1.8% increase, and Mr. Stephens responded he needed the Board to give that direction.

Alderman Odham asked what a 1.8% increase would equate to in a dollar amount, and Mr. Sabatelli responded a little over \$400,000. Alderman Odham then asked how many employees were approved in the budget, and Mr. Stephens replied

roughly 470. Alderman Odham said the third option is to give everyone the same dollar amount, which would be approximately \$800.

Alderman Harris made a motion to take the amount of available funds, divide it by the number of employees, and give each employee the same amount of money as a raise, seconded by Alderman Kinsey.

Alderman Best asked if longevity raises are pulled out of a different pot of money, and Mr. Sabatelli responded yes. Alderman Odham pointed out his suggestion was a one-time bonus, not a raise. Alderman Harris amended her motion to specify a one-time bonus instead of a raise.

A discussion ensued about the difference between a raise and a bonus. Alderman Bengel pointed out employees would get something in each paycheck if the increase is in the form of a raise. Alderman Harris relayed comments that were being made on Facebook about the possibility of giving everyone 1% and offering a choice of receiving the remainder in the form of time off or money. Alderman Bengel said there are some laws that may come into play with respect to money and time off. Mayor Outlaw suggested a special meeting be held two hours prior to the next meeting to discuss this. He stated he would not vote for a motion that is not well thought out. Alderman Bengel said she believes many employees are looking for a raise. Alderman Harris questioned why there was a wait until now to have a deep-rooted discussion. She stated employees are at the top of the list and need a raise, and a \$500 raise after taxes is a slap in the face. She felt employees should receive more than a 1.8% increase.

Alderman Odham called the question since there was a motion on the floor, and Alderman Harris seconded the call of the question. Upon a show of hands, Aldermen Kinsey, Best, Odham and Harris were in favor of calling for the question; Mayor Outlaw and Aldermen Bengel and Aster were not. As restated by the City Clerk, the motion on the floor was to take the amount of available funds, divide it by the number of employees, and give each employee the same amount of money as a one-time bonus. The motion failed 3-4 with Aldermen Harris, Kinsey and Best voting in favor of it, and Mayor Outlaw and Aldermen Bengel, Aster, and Odham opposing.

Alderman Odham made a substitute motion to move forward with the raises as implemented in the budget based off the system that was created at that time. The motion died for lack of a second.

Mayor Outlaw said the budget had to be approved by July 1st, which has been done. The Board can work over time to discuss how to handle the increase. Alderman Harris announced someone on Facebook suggested Survey Monkey be utilized to see whether employees desire a bonus or raise. The Board can move forward based on what the employees indicate they want.

Alderman Kinsey stated he agreed with the suggestion made by Alderman Odham, and the Mayor asked why he did not second the motion. As a result, Alderman Odham reiterated his substitute motion, which was then seconded by Alderman

Kinsey. For clarity, the City Clerk restated the motion, which was to move forward with the raises as implemented in the budget based off the system that was created at that time (the current quartile system). Alderman Kinsey stated this would give the City Manager and Finance Director time to review everything, and giving a bonus would be the way to go until the next time around. Aldermen Odham and Aster pointed out that was not the motion. The Mayor asked Alderman Odham to explain his motion, but Alderman Kinsey stated he understood. Alderman Aster explained why he is strongly against the quartile system, stating it penalizes employees who have worked for the City for 20 years. For that reason, he will vote against the motion in hopes the City Manager can come up with another game plan. Upon a roll-call vote, the motion failed 1-6 with Alderman Odham voting in favor of it, and Mayor Outlaw and Aldermen Best, Kinsey, Aster, Harris and Bengel voting against it. During the roll-call vote, Alderman Best asked for clarification and whether employees would get a 1.8% increase across the Board. Other Board members responded no and indicated the raise would be based on performance scoring and the number of years of service. Mayor Outlaw stated the quartile system was initially implemented to remedy an issue with inequity, which has now been solved. The City Clerk again restated the motion for everyone's understanding. Alderman Best asked for confirmation that raises would not be given until the Board has further discussion and not before the budget is implemented July 1st. Alderwoman Harris stated that is not the planned action based on the motion. Mr. Stephens noted Human Resources ("HR") has already forwarded information to each department with respect to the evaluations, but he was not aware of each department head's progress with the evaluation process. Since the plan was to implement increases at the first pay period in August, evaluations are due to HR on July 20th.

Alderman Bengel made a motion to schedule a work session to talk about this and bring the issue back before the Board at its June 26th meeting. Mr. Stephens suggested he and the Assistant City Manager be allowed an opportunity to discuss the matter and how quickly they can turn it around. He would then report to the Board via email when the Board can expect to have a recommendation back before them with respect to a system for handling the increases. If it takes until late August or September to determine a performance system that is positive and well received by employees and the Board, raises would be retroactive.

Mayor Outlaw asked if the Board wanted a work session, and Alderman Aster suggested giving the Manager time to work out the details and get back to the Board. The City Clerk pointed out a motion was on the floor by Alderman Bengel to have a workshop. Alderman Aster asked Alderman Bengel if she wanted to wait on having a work session until the Board received information from the Manager. Alderman Bengel withdrew her motion for a work session at this time, but noted the desire is to hold one after the Manager's recommendations are received.

The next two items (11 and 12) were heard out of sequence as indicated earlier.

11. Consider Adopting an Ordinance Amendment to the 2017 Roadway Improvements Project Fund.

The 2017 Roadway Improvements Project Fund was established on July 11, 2017. On March 13, 2018, the Board approved an agreement with NCDOT to accept ownership and maintenance of sections of Old Airport Road between Taberna Circle and County Line Road. This budget ordinance will appropriate \$1,700,000 for the Old Airport Road project and \$800,000 for resurfacing Oaks Road. Funds for the Old Airport Road project will derive of \$687,000 from DOT and \$1,013,000 from borrowing proceeds.

Alderman Odham asked if the project will be funded through loan proceeds or fund balance, and Mr. Sabatelli responded loan proceeds. Alderman Odham said he thought the approved street project that takes fund balance from 35%-30% included these projects. Mr. Sabatelli responded these were separate and in addition to the street projects that are being funded from fund balance. He noted the debt service for these projects is included in the FY2018-19 budget.

Alderman Aster made a motion to adopt an ordinance amendment to the 2017 Roadway Improvements Project Fund, seconded by Alderwoman Harris. Upon a roll-call vote, the motion carried unanimously 7-0.

12. Consider Adopting an Amendment to the Declaration of Intent to Reimburse the 2017 Roadway Improvements Project Fund.

The Board adopted resolutions and Declarations of Intent to Reimburse for the 2017 Roadway Improvements Project Fund on July 11, 2017 in the amount of \$250,000 and on September 26, 2017 in the amount of \$1,050,000. Since that time, the Board has further increased the project by an additional \$1,813,000. The total of the project is \$2,863,000, and the Declaration of Intent needs to be updated to reflect this amount.

Alderman Aster made a motion to adopt an amendment to the Declaration of Intent to Reimburse the 2017 Roadway Improvements Project Fund, seconded by Alderman Kinsey. Upon a roll-call vote, the motion carried unanimously 7-0.

18. Appointment(s).

Alderman Aster made a motion to reappoint Marshall Williams to the Community Development Advisory Committee ("CDAC"), seconded by Alderman Odham. Mr. Williams will serve another three-year term that will expire on June 30, 2021.

Alderman Kinsey made a motion to reappoint Vernon Guion to the Community Development Advisory Committee ("CDAC"), seconded by Alderman Odham. Mr. Guion will serve another three-year term that will expire on June 30, 2021.

19. Attorney's Report.

The City Attorney had nothing to report.

20. City Manager's Report.

Typically, the City's Director of Public Utilities has served on ElectriCities' NC Eastern Power Agency ("NCEMPA") Board as the City's Commissioner. He asked the Board consider appointing Charlie Bauschard to serve in this capacity and noted he and Alderwoman Harris serve as Alternate Commissioners. Alderman Aster made a motion to appoint Charles Bauschard to serve on the NCEMPA Board as the City's Commissioner, seconded by Alderwoman Harris. The motion carried unanimously 7-0.

Mr. Stephens reported on a letter he received from Martin Blaney, the Executive Director of the New Bern Housing Authority ("NBHA"), requesting to be on the June 26, 2018 agenda. The NBHA is interested in purchasing city-owned property at 703 Carolina Avenue for \$200,000 with a \$10,000 option. Alderwoman Harris said she has already discussed this issue at numerous meetings in the Pembroke Community, and that community does not want the City to sell the property to NBHA. As the alderman who represents that ward, she stated she would like for the property not to be sold and stated the City may be able to do something with it in the future. Alderman Odham respectfully disagreed, stating it is a vacant piece of land that scored very well on HUD financing. He stated the condition of Trent Court is deplorable and expressed concerns associated with flooding. Having the Housing Authority make a presentation does not commit the City to anything, and Alderman Odham stated he would like to hear their comments. Alderwoman Harris stated if that is the position of the Board, it was her request the presentation be made at a time when the agenda provides for request and petition of citizens so the citizens can express their feelings; she suggested the July 10th meeting. She also stated the offer was made to the previous Board, which did not vote on the issue, and she did not understand why that would change now. She stated the NBHA has other properties they can pursue. Attorney Davis said there needed to be a motion to put it on an agenda or not. Alderman Bengel said she is not in favor of hearing the presentation, nor was she in favor of the project at this point. She stated she would like to know more about the other property that is available to them. However, if the Board elects to hear from the NBHA, she agrees the presentation should be on a night when citizens can speak to the issue. Alderman Best questioned whether the NBHA had looked at properties in the Duffyfield area.

(Alderman Kinsey briefly left the room at 8:43 p.m.)

Mayor Outlaw referenced those who have been displaced in the past by a hurricane, and pointed out Trent Court would not be upfitted again. Alderwoman Harris referenced a presentation made by Mr. Blaney to the Pembroke Community and said neither she nor Pembroke are in favor of the proposal and that the proposal is not fair to either party. Alderman Best said she never got an answer to her question as to whether the NBHA had looked at property in Duffyfield. Mayor Outlaw explained there are criteria that must be met to make a property eligible.

Alderwoman Harris questioned what had changed between the current proposal and the one made to the previous Board. Alderman Odham said the previous deal was for a land swap that involved the current Trent Court property and the city taxpayers would be responsible for tearing the structures down. The current proposal is an out-right offer to purchase. Alderwoman Harris stated the people in Trent Court are living on a voucher system, and the right of first refusal is not going to be beneficial to them. Alderman Odham stated he was not an expert on the system and that is why he would like to have the NBHA make a presentation. Alderman Aster agreed he would not mind hearing the presentation since the proposal has changed, but he would also like to hear from the residents of Pembroke.

(Alderman Kinsey returned to the room at 8:47 p.m.)

Alderman Bengel made a motion to ask the New Bern Housing Authority to make a presentation at the Board's July 10th meeting, seconded by Alderman Odham. The motion carried 6-1 with Alderwoman Harris voting in opposition.

21. New Business.

Alderman Aster

The possibility of having exit numbers placed on the Hwy. 70 signs was questioned. Alderman Aster believed exit 4A and 4B exist, but the next sign does not have an exit number. Mr. Stephens stated he would check on this.

Alderman Bengel

Tamra Church and her son were in attendance and recognized.

Several calls have been received about the alligator in the water at Union Point. Mr. Stephens replied the NC Wildlife Resources Commission has allowed municipalities to adopt resolutions permitting alligator hunting with detailed limits. Mr. Stephens stated he will send an email that provides a link with that information. He did not think any municipalities have applied for the allowance, including Onslow, Carteret Counties, etc.

Religious Community Services ("RCS") held a construction kickoff today. RCS is doing great work and will increase the meals they are serving from 40 to 100. The original RCS building sits on City-owned property. Local builders built the original structure in approximately 1985. After RCS's lease was up, they moved into their new building. Alderman Bengel asked, if the Board agreed, to start the process to give the building to RCS, as this is another asset they can have for their use. They are currently leasing the building for \$1 a year. Alderman Bengel asked if the Board would give direction to the City Manager to come back with a potential resolution to start the process for conveying the building to RCS. No one expressed opposition. Attorney Davis stated it would be presented before the Board at either the June 26th or July 10th agenda, most likely the later.

Alderwoman Harris

An update on Kidsville was requested. Foster Hughes stated he is still waiting on the results of the audit. Once that report is received, he can make recommendations.

Foster Hughes was also asked to report on Footloose on the Neuse. Mr. Hughes announced approximately 400 people attended the first concert. The next concert is slated for Friday night. Food and beverage vendors will be on hand. Alderwoman Harris stated citizens were appreciative of the free event.

22. Closed Session.

Alderman Kinsey made a motion to go into closed session pursuant to NCGS §143-318.11(a)(6) to discuss a personnel issue, seconded by Alderwoman Harris. The motion carried unanimously, time being 8:59 p.m.

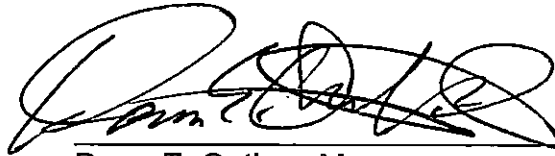
23. Adjourn.

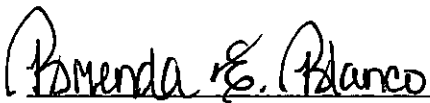
Alderman Best made a motion to adjourn, seconded by Alderman Aster. The motion carried unanimously, time being 10:15 p.m.

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: June 26, 2018



Dana E. Outlaw, Mayor

Brenda E. Blanco, City Clerk