

**CITY OF NEW BERN
BOARD OF ALDERMEN – ARP WORKSHOP
JANUARY 25, 2022 – 4:00 P.M.
CITY HALL COURTROOM
300 POLLOCK STREET**

Mayor Outlaw opened the 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 4:14 p.m.), Alderman Robert Aster, Alderman Johnnie Ray Kinsey, Alderman Barbara Best, and Alderman Jeffrey Odham. Absent: None. A quorum was present.

Also in Attendance: Foster Hughes, City Manager; Marvin Williams, Assistant City Manager; and Brenda Blanco, City Clerk.

1. Discuss Potential American Rescue Plan (“ARP”) Funding Projects.

Kim Ostrom, Director of Finance, shared a PowerPoint presentation reviewing the funding available through the ARP. The City of New Bern was awarded \$6,704,351 with half of that being received in May 2021 and the second half expected in May 2022. Funds must be obligated by December 31, 2024, and fully expended by December 31, 2026. She reviewed the requirements for appropriate projects and use of the funds, all of which was detailed in the presentation. The City will need to establish certain written policies and procedures that it does not currently have prior to spending any of the funds. Some of those policies will require Board approval. Mrs. Ostrom said the Board would need to decide before April which option it prefers with respect to replacing any lost revenue. Local governments can choose between the default minimum of (up to) \$10 million or using a lost revenue growth formula. It is not necessary to prove actual loss, and supplanting is allowed. Supplanting would allow funds to be shifted to offset the General Fund’s existing expenses to ARP Funds, meaning General Fund dollars could be used for projects that are not supported by the ARP.

(Mayor Outlaw momentarily stepped out of the room at 4:10 p.m., returning at 4:11 p.m.)

Alderman Best asked if the funding could be used to cover any loss of utility revenue. Charlie Bauschard, Director of Public Utilities, explained revenues decreased because of businesses not operating at full capacity. However, revenue collections from customers who benefited from the suspended disconnects has now been brought whole. From a General Fund perspective, Alderman Odham asked if the only loss of revenue would be from an ad valorem tax standpoint. Mrs. Ostrom said that was correct, although the City did not show any loss of revenue. However,

since the City does not have to prove loss of revenue, the \$10 million is still relevant if the City uses the funds on general government services.

Mayor Outlaw asked about the possibility of using the funds for pension payments. Mrs. Ostrom said the funds could be used to make pension contributions, but could not be used to make extra lump sum payments or pay debt to the pension funds. She also reviewed premium pay requirements which would necessitate the adoption of a premium pay policy and the identification of essential workers. The cap for premium pay is \$13 per hour with an overall maximum of \$25,000.

Jordan Hughes, City Engineer, spoke about additional funding of \$1.6 billion that will be available from the State for statewide water, wastewater, and stormwater systems. He reviewed the allocations for that funding, noting \$839.6 million had already been designated. Of the remaining \$758 million, the City would only be eligible for three categories of funding: grants for water and wastewater systems that are not distressed, grants for training, rate studies, etc., and grants for projects to improve infrastructure to control stormwater. The City will be working with a grant writer to seek as much funding as possible, but the competition will be tight. There is a good chance the City can obtain funds for studies. Alderman Aster asked who made the decision to give out the \$839 million before the City could even apply. Mr. Hughes said that decision was made by the NC Legislature, and City did secure from those funds \$230,000 for wastewater projects and \$75,000 for stormwater improvements. A copy of that legislation will be provided to the City Manager for distribution to the Board. Mr. Hughes concluded his overview by detailing the funding timeline, including the application deadline, anticipated disbursement, and cut-off by which all funds must be expended.

Tony Gatin, IT Manager, reviewed cybersecurity statistics and recommended projects utilizing ARP funds. The total recommended package was \$463,000 with a recurring annual cost in the same amount.

Mr. Bauschard reviewed the proposed electric system capacity improvements project at a cost of approximately \$10 million. He discussed the need for the substantial improvements and the potential consequences of not improving on capacity and redundancy. The City has previously designated \$500,000 in funding to get the project started with land acquisitions, etc. Any possible funding from ARP will offset debt service for the improvements. Alderman Aster felt the City had been talking about the need for electric system improvements for quite some time and needed to move forward on the project.

Mayor Outlaw asked for an update on battery energy storage. Mr. Bauschard said this was an emerging project with an investment of approximately \$4.2 to \$5 million and an annual return of approximately \$1.4 million. Batteries would allow the City to avoid some costs on its power supply purchase. While he has been silent on the project, it is still very much on his radar. Duke is fighting against the project and filed a grievance with the Federal Regulatory Commission this past summer, which the

City won. Duke then filed an appeal, and again the City prevailed. Notification was received yesterday that the City unanimously won at the District Court of Appeals level. Mr. Bauschard will be meeting with the NC Eastern Municipal Power Agency ("NCEMPA") tomorrow to review the next steps. Alderman Odham asked if the City were to start the project now if it would be grandfathered in should Duke succeed. Mr. Bauschard was unsure and felt it would be a roll of the dice, although he noted there are some cities that have started the project. He expressed a willingness to take the risk if the Board was willing and said he would trade generators for batteries any day of the week.

Alderman Aster asked if the proposed substation would help with the load. Mr. Bauschard stated a new station would allow for growth on both sides of the river and would improve reliability. He felt realistically it would take two years to get a new substation into service.

Alderman Odham asked when the revenue bond debt service for the AMI project would be satisfied and the amount of the annual payment. Mrs. Ostrom was unaware and said she would need to check and report back. Voicing his opinion that enterprise funds should be used for enterprise costs, Alderman Odham felt the ARP funding should be spent on general fund projects. He pointed out the enterprise fund could raise rates to cover infrastructure improvements. Although not fully sure, Mr. Bauschard thought the AMI debt would be paid in 2023, and he thought the electric fund was in good shape to take on debt. Even though the project had already been approved and a project fund established, the Board expressed a desire to expedite the electric system improvements.

George Chiles, Public Works Engineer, reviewed the presentation slides on unfunded drainage projects totaling \$2 million. The estimate for the North Hills drainage study is for a feasibility study only, not any type of construction or implementation of the study's findings. Alderman Odham said he was in favor of all the stormwater projects listed in the presentation, but he questioned the funding that Jordan Hughes referenced earlier and whether any of the identified projects would qualify for that funding. Mr. Chiles said some of the projects may qualify, specifically for the engineering and design funds, but that would be unknown until the State identifies the criteria. Alderman Odham asked about the possibility of using ARP funds to tackle the drainage projects and then apply for grants and use any awarded grant funds to replace the ARP funds that were used. Mrs. Ostrom said that would be possible by simply shifting funds. Noting work that had been undertaken on the North Hills project, Alderman Bengel asked was that project not already funded. Mr. Chiles explained staff obtained a proposal, but no funding had been established and the work could not be absorbed through the current budget.

Mayor Outlaw noted in his 16 years on the Board that he had never seen the Rose Street pump on and operating, nor evidence of a surge of trash being pumped out. Mr. Chiles said if the \$2 million drainage projects are funded and the flood gates are again operational at East Rose then benefits would be seen. The seven drainage

projects identified in the presentation are the ones thought to be most beneficial in yielding a positive impact.

For clarity, Alderwoman Harris asked if the City spent \$2 million on the drainage issues if the City would be able to recoup that money through any awarded grant funds. Mrs. Ostrom said if the projects are paid with ARP funds and the City later applies for and then receives grant funds after the projects are complete then that timing could be an issue. However, the City could start a project with the ARP funds and shift money if grant funds are awarded before project completions. Jordan Hughes provided additional clarification and explained it was not possible to designate ARP funds for some of the projects and then seek state infrastructure ARP money, as the City would not be eligible for the State ARP funds. The State ARP projects must be identified and approved prior to construction.

Since there are two years to spend the ARP funds, Alderman Odham asked if theoretically the City could set aside money for projects, apply for grants, and if grant funds are received then use the ARP money that has been set aside for other projects. He also asked about the possibility of borrowing funds for infrastructure improvements and then reimbursing the City to buy more time. Mrs. Ostrom said it was not possible to pay down debt, but funds could be shifted. Jordan Hughes reviewed the timeline for the State ARP funding and said awards should be made by the fall. By the end of the calendar year, the City should know whether it was selected for any of the State funding.

Alderwoman Harris questioned Mr. Chiles about the status of researching the unimproved, undeveloped rights-of-way and roads in New Bern and whether the \$2 million would include paving of these. Mr. Chiles advised the \$2 million would only cover the identified drainage projects. He thought he had an estimate for the paving she referenced and said he would check.

(Alderman Kinsey momentarily stepped out of the room at 5:33 p.m.)

Alderman Best asked how long the North Hills study would take, and Mr. Chiles anticipated a 90-120 day turn around.

Jordan Hughes then reviewed unfunded water and sewer projects, which were listed on the final slide of the presentation. It was thought that the water and sewer rehabilitation projects in Duffyfield and other areas would be suitable for the state ARP funds and that they should score well in the process. To his knowledge, Mr. Hughes stated there were no lead pipes in the City, although one is stumbled across from time to time. When discovered, that pipe moves to the top of the list for replacement.

Foster Hughes advised the Board that it could give direction now or come back at a future meeting with direction. Alderman Bengel said it was a lot of information to digest. She stated she was concerned about infrastructure since that is an

investment in the future. She felt infrastructure in the area of the Choice Neighborhood Initiative had been long neglected.

(Alderman Kinsey returned to the room at 5:38 p.m.)

She also voiced a need for sidewalks in areas that have never had sidewalks.

Mayor Outlaw said he was ready to start some of the projects and was concerned about the possibility of losing some funds. Alderman Aster said he agreed and was prepared to direct the City Manager to move forward with the \$2 million drainage project, and Alderman Best concurred. Discussion of the drainage issues continued. Mayor Outlaw said he had asked Public Works to review the study that was performed by NC State University approximately 16 years ago for the Simmons Street pond, but he was not aware of anyone having done that. Alderman Bengel stated she had always heard that the North Hills development should have never been built because the area is so low. Alderman Best said the subdivision that was built behind it should have never been developed, as that subdivision pushes a lot of water onto North Hills. Alderman Aster asked Mr. Chiles to check on the study that the Mayor referenced to see if he or Jordan Hughes could locate and review the as-built drawings. Mayor Outlaw and Alderman Best also expressed a desire to review the study.

Alderman Best asked if the Board would be interested in increasing the allocation for drainage from \$2 million to \$3 million. Alderwoman Harris suggested the amount remain at \$2 million until additional information is received. Foster Hughes asked if the Board desired to give direction for staff to move forward on the \$2 million project and then consider allocating additional ARP funds once the North Hills study is received. Alderman Odham expressed concern about pursuing the drainage projects now and possibly losing out on grant funds that could have been obtained if the City waited. Mr. Chiles agreed and reiterated that the window for receiving the State's funding criteria was very close. There may be some projects that were not on the list that would better fit into the grant profile.

Alderwoman Harris asked about moving forward with allocating the \$46,000 for the North Hills study and indicated she would like to move forward with making that motion if the City was not going to spend the \$2 million at this time. Alderman Aster asked if any of the listed drainage projects would be submitted to the State for grant funds, and Jordan Hughes responded that it would depend on the application criteria, and he did not think it would be a bad idea to wait until the summer. He also recommended potentially carving out some of the ARP funding for a study to be performed now. He reminded the Board that by the fall or end of the year that the City would know which projects may receive state ARP funds. Any projects not awarded funds could then be addressed with the federal ARP funds. Alderman Bengel said stormwater was a priority, and she felt the current direction would be to initiate the studies because without those staff will not know what infrastructure is needed.

Alderman Aster said the City spent a lot of money in backfilling for employees who had been out because of COVID, especially in the Police and Fire Departments. He asked what expenses had been incurred and suggested possibly reimbursing the City for the overtime that was paid. Those expenses are unknown at this time, according to Foster Hughes, who also noted that the City is self-insured and pays for all Covid testing. Mr. Hughes said he would obtain the cost information.

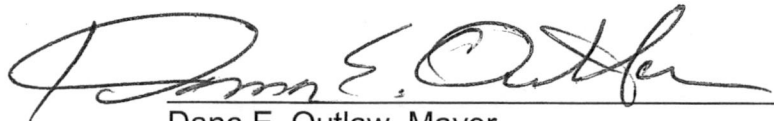
2. Adjourn.

Alderman Aster made a motion to adjourn, seconded by Alderman Odham. The motion carried unanimously 7-0, time being 5:58 p.m.

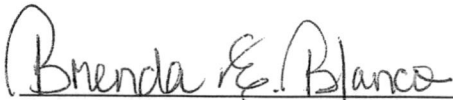
The attached documents are incorporated herewith and are hereby made a part of these minutes.

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

Minutes approved: February 08, 2022

A handwritten signature in black ink, appearing to read "Dana E. Outlaw", written over a horizontal line.

Dana E. Outlaw, Mayor

A handwritten signature in black ink, appearing to read "Brenda E. Blanco", written over a horizontal line.

Brenda E. Blanco, City Clerk