

**CITY OF NEW BERN  
BOARD OF ALDERMEN WORK SESSION  
DECEMBER 12, 2023 – 2:00 P.M.  
CITY HALL COURTROOM  
300 POLLOCK STREET**

Mayor Odham opened the meeting. Prayer by Alderman Royal. The Pledge of Allegiance was recited, followed by a roll call.

**Roll Call:** Mayor Jeffrey Odham; Aldermen Rick Prill, Hazel Royal, Robert Aster, Barbara Best, and Robert Brinson. Absent: Johnnie Ray Kinsey. A quorum was present.

**Also in Attendance:** Foster Hughes, City Manager; Marvin Williams, Assistant City Manager; Brenda Blanco, City Clerk; Kim Ostrom, Director of Finance; Charlie Bauschard, Director of Public Utilities.

Mayor Odham announced he would need to leave at 2:45 p.m. to attend an event. While he is out, Mayor Pro Tem Brinson will preside over the meeting.

**1. Pre-Budget Discussion:**

- **Review Year-to-Date Budget-to-Actual and Fund Balance**

Kim Ostrom, Director of Finance, shared a PowerPoint to review the budget and financial status as of the current date. After the Solid Waste Fund was reviewed, Mayor Odham questioned whether the increase in solid waste fees needed review. Mrs. Ostrom said changes may be proposed during the budget process that will include moving Leaf and Limb and some utility expenses under the Solid Waste Fund.

It was noted the debt payments outlined on slide 16 did not include reimbursements to be received from FEMA. During the regular meeting later in the evening, the auditor will present the findings of the audit. Total fund balance is \$35.6 million with an available fund balance of \$15.3 million. The available fund balance reflects an increase of \$1.8 million from FY22. Mrs. Ostrom recommended the fund balance policy be updated to provide that after the annual audit is completed a percentage of the balance be allocated for capital improvements. Mayor Odham asked for a breakdown of what comprised the restricted \$14.2 million in fund balance. Mrs. Ostrom's responded the auditor would cover that in his presentation during the regular meeting.

While the audit was clean, there was a financial performance indicator of concern regarding the water and sewer rates, which do not cover water and sewer's operating and debt service payments. Some of the capital projects were partially funded with the intent to reimburse. The

reimbursement did not come through in a timely manner. Staff will obtain a rate study to look at adjusting rates in the next fiscal year.

- **Discuss Budget Process**

A budget calendar was shared with the Board for vital dates associated with the preparation of the FY25 budget.

- **Discuss Results of Governing Board Survey**

To be more efficient and engage the Board in the budget process, a survey was previously circulated to the Board. The results of the survey were reviewed by Mr. Hughes.

(Mayor Odham stepped out of the meeting at 2:40 p.m., and Mayor Pro Tem Brinson began presiding over the meeting.)

Suggested projects were listed, as well as capital purchases. With respect to personnel, the majority of the Board supported a 3% cost-of-living adjustment and a 3% merit increase. The majority also supported the following methods to balance the budget: a tax rate increase, allocating up to \$500,000 to \$1 million from fund balance, and a utility rate increase if recommended by a rate study.

Per Mr. Hughes, staff recommends establishing a capital project fund with funds that remain at the end of the fiscal year. Instead of rolling all the funds into fund balance, a percentage would be placed in the capital project fund.

Staff is still working on strategic goals. Employees will be involved in this process as well as the community.

Alderman Royal asked that when the Finance Director presents the budget that the information she reports be provided in writing. This will make it easier for the Board to read along with what the Director reports verbally.

Budget planning worksheets were distributed to the Board. The worksheets contained information gathered during the survey. The Board was asked to complete the worksheet and return it by the January 09, 2024 meeting.

- **Presentation of Utility Update**

Mr. Bauschard explained 32 members, including New Bern, make up the NC Eastern Municipal Power Agency ("NCEMPA") and are parties to purchased power contracts. He shared a PowerPoint presentation reviewing adjustments ("true ups") to the power supply cost. Potentially,

contract rider 1 for 2023 will equal a \$53 million true up. Based on the adjustments, capital needs, and inflation, he suggested the City consider rate increases as the healthiest way to approach the adjustments. Starting April 01, 2024, \$3 million is due to be paid by New Bern over the next 24 months. This will equate to a 3% rate increase on April 1<sup>st</sup> and does not include the second adjustment that will follow.

(Mayor Odham returned to the meeting at 3:36 p.m. and resumed presiding over the meeting at 3:38 p.m. Mayor Pro Tem Brinson returned to his regular seat at the dais.)

In summary, New Bern will most likely see a 3% rate increase on its cost, which will likely be passed along to the customers. The City has a potential of paying up to \$6 million between 2024 and 2026 to cover two true ups for energy consumed in 2022 and 2023. Annually, New Bern's debt service is roughly \$3.3 million. That debt will be paid off in July of 2025.

Mayor Odham asked for a list of representatives who sit on the NCEMPA Board so he and others could reach out to discuss this. Mr. Bauschard stated he was the only one on NCEMPA's Board to vote against the \$53 million adjustment being passed to members. He will lobby before NCEMPA again in January. Of note, after NCEMPA paid the \$53 million true up on July 01, 2023, it was left with \$110 million in working capital. NCEMPA uses \$40-60 million annually in working capital and has a policy of maintaining \$80 million on hand for working capital. Thus, after paying the true up, NCEMPA was left with \$30 million more than its policy requires. Considering this, Mr. Bauschard did not understand NCEMPA's request for members to reimburse it for the true up.

Alderman Aster suggested the worksheet that was distributed earlier in the meeting be modified to allow for more than just "support" or "don't support". He wanted an opportunity to rank the items.


## **2. Adjourn**

Alderman Aster made a motion to adjourn, seconded by Alderman Brinson. The motion carried unanimously 6-0, time being 3:47 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](http://www.newbernnc.gov). Video and audio recordings of the meeting have been archived.

Minutes approved: January 09, 2024

  
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Jeffrey T. Odham, Mayor  
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Brenda E. Blanco, City Clerk