

**CITY OF NEW BERN
BOARD OF ALDERMEN MEETING
JUNE 1, 2010
CITY HALL COURTROOM -7:00 P.M.
300 POLLOCK STREET**

1. **Meeting Opened** by Mayor Lee W. Bettis, Jr.
2. **Roll Call.** Aldermen Sabrina Bengel; Victor Taylor; Denny Bucher; Johnnie Ray Kinsey; Bernard White; and Dana Outlaw.

Also in Attendance: Interim City Manager, Ed Wyatt and City Attorney, Scott Davis

3. **Public Hearing on the FY 2010-2011.**

Ed Wyatt, Interim City Manager emphasized to the board that this is only a proposed budget. Those of us who are responsible for preparing the budgets are placed in a dilemma that even occurs during prosperous years. You want the departments to provide the very best service to the citizens, as well as the customers since the city is so heavily involved in the enterprise function. On the other hand, during these tight bad economy times you want an osteal budget. We have put before you a budget that walks a tight rope. There are many things, I would like for the departments to have to carry out the work. We have attempted to provide you a tax rate that is slightly above revenue neutral. We tried very hard not to have adjustments in the utilities fees. In reference to the residential and commercial refuse collection, we do not know how it will progress throughout the year. It is understood why the board does not want to increase refuse collection fees considering the dramatic increases of water rates that has occurred in the past 14 months. The board must definitely make some recommendation on fee schedule adjustments in a number of different areas. Sanitation would be one of the first fee schedule adjustments to consider since it has been no rate increase in the last ten years. Mr. Wyatt thanked the board for allowing him to make remarks in reference to the proposed budget before the public hearing.

Stevie Bennett, 1312 National Avenue, New Bern preference Mr. Wyatt stating the budget is not revenue neutral. Mrs. Bennett wanted to know how much money it would take to make the budget revenue neutral. After a lengthy discussion, Mr. Wyatt stated it would take 1.3 million to have a revenue neutral budget to avoid a property tax increase. Revenue neutral is only one significant aspect of the budget, which is property taxes in the general fund; it does not include the enterprise fund which is water, sewer and electric. Ms. Bennett wanted clarification on the one day of week trash pick-up. Chief Aster stated the City has temporary staff that cleans up highway 70 and the entrance and exit ramps. This service will be reduced from five (5) days a week to one (1) day a week. Furthermore Ms. Bennett stated that there are eight (8) positions being eliminated and from her understanding one of the positions is the Litter Abatement

Officer. This individual will be reassigned to another department if he/she accepts the position. Also, there is the possibility it will be a reduction in salary. Ms. Bennett informed the board, she was the one who implemented this program, and she volunteered her time for nine (9) months, five (5) days a week. This is an important position that does not need to be eliminated. Mr. Wyatt stated this particular individual has been offer two positions, and the salary will not be cut. It is my understanding the individual was told there would be no reduction in salary. This is an example of a level of service that we have to trim that normally we would not in an effort to cut back on personnel. Chief Aster elaborated that this service will not be eliminated just reassigned to the Leaf and Limb division. Ms. Bennett stated that she does not feel the citations will be handled in a timely matter. Ms. Johnson normally responds within 48 hours of a written citation. If this position is eliminated, "the city is going to look like a trash dumb".

Mayor Bettis stated all across the country cities and municipals face tough decisions in an effort to be conscience of the tax dollar. We are asking the employees to multi-task in order to save money. Ms. Bennett complimented the city employees and thanked them for a job well done. "They are a fine group of people".

Ms. Bennett stated the proposed budget allocated \$641, 200 for Special Appropriations, she suggested the board cut back on special appropriations rather than cut employee's benefits and services to the City as well as possible furlough days. Also, why does the City allocate funds to agencies that are not non-profit organizations? A detailed financial report of these agencies should be made available to the City on how the funds were disbursed, if for nothing else but tax purpose.

Anthony Bonnici, 512 Jefferson Avenue, New Bern stated he reviewed the proposed budget line item by line item. According to Mr. Wyatt only one agency submitted a written request for special appropriations, that being Swiss Bear. Swiss Bear submitted a request for \$55,000 from the City and \$35,000 from the County. The county rewarded Swiss Bear \$10,000, and they are going through hard economical times as the City. He feels the City should take into consideration the economical impact on all the citizens and reward Swiss Bear the same amount (\$10,000) as the County.

Mr. Bonnici directed the question to Mr. Wyatt inquiring if there are any other agencies on the list besides Swiss Bear that submitted a written request asking for appropriations. Mr. Wyatt stated the only other written request received is from the New Bern Firemen's Museum in the amount of \$50,000. Mr. Bonnici recommended all the special appropriations be cut or reduced dramatically considering the employee's benefits are being cut. Also, a reduction in the board travel allowance would reduce a substantial amount for Governing Board. He further stated to eliminate the Sun Journal subscriptions in an effort to save funds.

Robert Costanzo, 128 Neuchatel Road, New Bern supports a flat water rate per gallon and do away with the minimum use charge. He further stated that each household be charge for the amount of water used. Jordan Hughes, Acting City Engineer stated the City is currently reviewing a comprehensive water and sewer rate structure study. The minimum rate is 3,000 gallon per month for each household.

Roger Whitney, 401 Simmons Street, New Bern recommended to the board the following:

- Look at the individual programs and determine if the programs are needed versus wanted.
- The City should purchase items from the cheapest supplier.
- The City should start with a zero base budget for each department and justify each line item.
- Private insurances companies should be reviewed, since \$11,000 is allocated per employee under the current insurance plan.

Mr. Wyatt stated that the City is self insured and \$9,800 is allotted for each employee. Those funds are placed into a trust fund. Last year the City paid 5,400,000 in insurance claims, but this year the claims have been substantially lower.

Katherine Adolph, 210 Metcalf Street, New Bern submitted documents to the board requesting \$6,000 be earmarked in the Public Works Department's budget for wheelchair accessible intersections. Primarily the Pollock Street corridors to Fleet Street, however, if funding is limited then focus on the Queen/Pollock & Norwood intersections to make them safe and accessible to disabled bodied citizens. Alderman Taylor stated he met with Mrs. Adolph and some committee members regarding this request. He further stated that he was not against the project, but feels there should be a meeting with all affected parties, such as local businesses. Alderman White inquired about the closing of the small roadway that connects Pollock and Queen Streets. Mrs. Adolph stated she was not aware of any street closing.

Alderman Outlaw made a motion to close the public hearing on the budget, seconded by Alderman Bucher. The motion carried unanimously.

Alderman Bucher made a motion to recess for 10 minutes, seconded by Alderman White. The motion carried unanimously, time being 7:55 P.M. The meeting resumed at 8:10 P.M. During the recess Alderman Taylor asked to be excused.

4. Review of Proposed FY 2010/11 Budget.

Alderman Bengel complimented Mr. Wyatt for an excellent presentation of the FY 2010-2011 budget, and thanked Mary Muraglia for answering questions/explaining the budget. She is very concern with any increases at this time. She was hoping to have a revenue neutral budget without raising taxes; therefore, we need to look at ways to

save money. After reviewing the departments, why are the recommended figures larger than the requested figures considering we are in an economic slowdown period? Mary Muraglia, Finance Director stated, she recommends a figure above revenue neutral based on 97.5% of the taxes being collected. If the City collects 11.2 million, it will keep the tax rate at 39.5%. The 12.5 million is based on the tax rate of 43.5%.

Alderman Bucher referenced the benefits for the City employees. The number one expense for the City is salaries and benefits. The City pays 100% of the healthcare cost for the employees. He further stated he was not aware of any company that pays 100% for their employees. Mr. Wyatt informed the board that majority of the cities pay 100% of the employee's healthcare. If cities do not pay 100% then they pay the majority of it. Sonya Hayes, Human Resource Director stated that base on previous statistics from the League of Municipalities; the cities have paid the entire cost for healthcare, but now some cities are asking the employees to contribute due to the economy. Alderman Bucher is of the opinion, if the employees contributes to their healthcare, they will value it. Mayor Bettis wanted to know if it was any ramifications if the city increases the cost of the healthcare insurance. Attorney Davis stated it would be ramifications for the retirees, but not the current employees.

Alderman Kinsey asked if the City had taken all the necessary measurements to cut the budget without increasing taxes and asking the employees to take furlough days. Mr. Wyatt preference the staff tried very hard to include only what was needed to continue operation. The Department Heads have concerns with the replacement of vehicles and equipment that was not included in the budget. There is much needed replacement of police patrol vehicles. The Police department requested the purchase of six (6) patrol vehicles and also the purchase of three (3) smaller vehicles for civilian personnel. Mr. Wyatt further explained the existing vehicles used by civilians will be converted to patrol vehicles and may need the necessary equipment installed. Also, a replacement of a water truck was taken out of the budget that was requested by Parks & Recreation Director, Mr. Hardison. This water truck should have been replaced several years ago. The staff has taken some very stern measurements in preparing the budget. On the other hand, he prefers the governing body to request a certain amount of money to be cut out of the budget versus trying to cut the department individually.

Alderman White stated he is not in favor of a tax increase or employees' layoffs. He suggested Special Appropriation or the non-profit organizations be cut. Mr. Wyatt stated the non-profit organizations totals in this year budget are the same totals used from last year budget; therefore, he could not presume to make cuts to long standing agencies. The question was asked if the city is contractually bound to giving to these organizations year in and year out. This is a question that can be researched with the exception of Craven County Public Library and North Carolina History Education Center. A resolution was approved in 2008, that the city would contribute 250,000 per year. Alderman Bengel negotiated \$125,000 (half) with Tryon Palace executives for the first part of the fiscal year. Mary Muraglia, explained the appropriation for the library, the

city entered into an agreement back in 1989 to contribute to the library. Each year the amount of contribution continues to increase; therefore, the City committed to the sum of seventy-five thousand dollars (75,000) yearly. The previous board requested any agency that received appropriations be required to turn in a yearly report. Alderman Bengel asked if the City was aware of the IRS Form 990, all non-profit agencies are required to file this form with the Internal Revenue Service. This form provides information on the filing organization's mission, programs and finances. Alderman Bengel inquired as to whether the non-profit organizations are in compliance by completing this form. Mr. Wyatt stated that the city needs to request an IRS 990-Form from each non-profit organization as well as an audit report.

Alderman Outlaw stated that the City should have requested input from a consultant when they first discovered the shortfall of revenues. These are some tough economical times and there is going to be an 8-10% tax increase. The board is going to make some unpopular decisions. There are issues such as the aquatics pool manager salary \$39,725, and the pool is in operation (May-September) five (5) months out of the year, and the Kale Road rent is \$122,696. Maybe the city should look into offering early retirement for employees. Implementing an income transfer of 1.5 million from electric to the general fund to operate is not the way of doing business. There are a lot of things in the budget that need to be cut or revisited. Alderman Outlaw is looking for a revenue neutral budget. He is recommending that each department operate on 90% of their budget, and directed the manager to look into leasing equipment versus purchasing. This is not a good time for a tax increase.

Alderman Bengel inquired as to what the \$5,000 allocated under special appropriations for Five Points Improvement covered. Mr. Avery stated the \$5,000 covers the cost for study. Alderman Bengel assumed the cost of the study would have been listed under the Planning and Inspection's budget. Mr. Avery replied historically that project and similar projects have always been listed under special appropriations. The Mayor clarified Mr. Bonnici question as to whether there is a deadline on receiving requests for special appropriation. Legally, there is no deadline for receiving special appropriation requests.

Alderman Bucher directed his question to Mr. Wyatt in reference to the fund balance. The City received a notice in 2008 from the Local Government Commission warning the amount of appropriations of the fund balance. The previous board set an informal goal of 15% to 20% fund balance. The City's fund balance is 6% for the FY 2010-11. What do you anticipation the results will be of a fund balance that is this low? Mr. Wyatt stated originally the City was to secure a loan from the electric fund, but LGC said that would not be a good choice; it would just be an added liability to the general fund. Therefore, the city had to make some revisions to the budget by invading the fund balance. Fund balance is un-appropriated monies that are not obligated. Based on the 2008 letter the City increased it fund balance by 9-10%. In order for the City to have a balance budget, we had to dip into the reserve. The general statute requires municipalities to have a balance budget. We can only speculate that we will receive a strong stern letter from

the Local Government Commission. Mary Muraglia, Finance Director stated we need to set some goals on how to increase the fund balance.

Alderman Kinsey wanted clarification on \$4,300 requested under special appropriations for the Duffyfield Community. Mary Muraglia stated these funds are used for Duffest and it covers the amusement rides for the kids.

Alderman White directed the question to Mr. Avery in reference to other areas that need sidewalks, and curb improvements. Mr. Avery stated the sidewalk spot improvement and the sidewalk corridor projects were a part of the Pedestrian Plan that was adopted in 2009. There is no funding for this project; it is a part of the capital improvement plan. Primarily, sidewalks and curb repairs are budget under the Public Works Street department. The City submitted a written request to Congressman Butterfield for grant funding to improve sidewalk and curb projects. Alderman White emphasized he is concern with areas that do not have any sidewalks or curbs.

Alderman Bengel requested clarification on the tax rate for the Municipal Service District. This is an additional tax that the downtown corridor residents pay for projects limited to this area. The current rate is .18% per 100. Mary Muraglia, Finance Director stated the rate is approximately .12% per 100. The budget figures are basis on the .18%, and she is waiting to get some direction from the municipal board as to what percentage they want for setting the rate. Alderman Bengel expressed as a property owner in the downtown area she would like to see the rate decrease because their properties values have double. Alderman Bengel wanted to know the debt amount for MSD. Mary Muraglia stated she has not had the time to research an accurate figure, but it looks like it is approximately 25,000. Also, attached to the MDS are two (2) full-time positions. The two (2) positions are custodian and parking control enforcement, but it has not been any parking enforcement downtown for months. The reason being this could be an expense that decreases Municipal Service District budget. Mr. Wyatt asked to address this issue in a memo to the board as it relates to a personnel issue.

Alderman Bucher wanted to know how we would cut 1.3 million from the budget if there is no tax increase. Will we begin to start laying employees off? The board members have expressed a revenue neutral budget and avoid tax increases. Mr. Wyatt stated he does not recommend layoffs, but it could be a probability. The question would be is the City willing to accept the consequences. Alderman Bucher stated the revenue shortfall occurred because the FY 2009-2010 was overstated. The current tax base is not enough to cover expenses. It is obvious the City did not receive the revenue they anticipated, and we were not aware of it until the last several months of this fiscal year. The question being we did a budget last year, it would have reflected that a tax increase was needed. Mr. Wyatt emphasized that we did not anticipate the sales tax being short \$700,000, and definitely by the next quarter when the sale tax did not improve. Also, the budget was prepared on the assumption that revenues would improve on the second half of the fiscal year, but it did not happen.

Mayor Bettis requested clarification on the sales tax. Mary Muraglia stated the sales taxes are received monthly, but they have been short every month. Mr. Wyatt informed the board the sale tax figures were kept at the same level as last year for this FY 2010-11 budget year. The economy has been in turmoil for the past year but the stock market was looking good until a couple of weeks ago. It is very hard to determine how much revenue will be generated. Alderman Bucher inquired if the figure that was budgeted for this year sale taxes was based on what we collected last year. Mary Muraglia stated no, the figures are based on the last sale taxes we received in September. She estimates what those projections would be through the end of the year based on the history and what the league says you can expect to receive the last six months. The problem being, the city will not get the rest of the revenue until September.

Alderman Kinsey inquired about the differences of percentages for fire and police department as well as the insurance for the general fund expenditure summary. The fire and police have capital items plus salaries and fringe benefits that were set out to be more funded than the past. What you are seeing is an increase in personal service for both of the budgets. The insurance percentage increased because the bridge had to be insured.

Alderman White requested clarification on the 3rd party provider for the health insurance. The City contracts with a 3rd party provider to process claims and payments. Typically, 3rd party companies is often a way to save costs and process claims more efficiently.

Alderman Bengel requested clarification on the contract services for the cemeteries. Does the contractor do ground maintenance work for just Cedar Grove/Extension. Chief Aster explained the contractual service for the cemeteries. Currently, there are five cemeteries and the contractual service is done by two (2) contractors. One contractor does the work for Evergreen, Greenwood and New Bern Memorial. The other contractor does the work for Cedar Grove and Cedar Grove Extension. Mr. Hardison and I are in the process of bidding the contractual services now. The bid process will be handle through the Purchasing Agent, Joyce Lewis. The bid process is for two (2) jobs: Greenwood, Evergreen and New Bern Memorial will be bided as a job; and Cedar Grove and Cedar Grove Extension will be bided as a job. Alderman Bengel inquired as to the role of the Cemetery Sexton. The sexton is responsible for the overall day to day operation. He is responsible for marking off all the graves for burials/funeral arrangements in conjunction with requests from the funeral homes. It is his responsibility to flag all the graves for monuments or stones that are requested by the companies/funeral homes, stated Chief Aster.

Alderman Kinsey questioned the 14.4% in the general fund for the leaf & limb division. Mary Muraglia explained it is one large capital item in this division, the dunk truck with the cherry picker. The installment purchase will take affect FY 2011-12.

The board directed the city manager to do additional cuts in order to have a revenue neutral budget. The board is looking to cut 1.3 million from the budget. Alderman Outlaw recommended cuts in each department to have a revenue neutral budget. Alderman Bengel recommended cutting 10% straight across the board. Alderman White recommends cutting special appropriations to avoid layoffs and taxes increasing.

5. Executive Session to Discuss Real Estate Matters.

Alderman Outlaw made a motion to go into executive session under the provision of G.S. 143-318.11 (a) (6). The motion was seconded by Alderman Kinsey and unanimously carried, time being 9:25 P.M.

6. Adjourn.

Alderman Bucher made a motion to adjourn, seconded by Alderman White and unanimously carried, time being 10:00 P.M.

Mayor

City Clerk