

**City of New Bern  
Board of Aldermen Work Session  
April 5, 2011  
City Hall Courtroom – 6:00 P.M.  
300 Pollock Street**

**Board Members in Attendance:** Mayor Lee Wilson Bettis, Jr.; Aldermen Sabrina Bengel; Victor Taylor; Dennis Bucher; Johnnie Ray Kinsey; Bernard White; and Dana Outlaw.

Also in Attendance: Mike Epperson, City Manager; and Scott Davis, City Attorney.

Mayor Bettis announced tonight's meeting was the first live broadcast on the City's PEG channel and congratulated the City on such. Bettis also announced that he, Mike Epperson, City Manager, and Jon Rynne, Director of Utilities, spent the morning in Ayden, NC with a Mayor's Council from Eastern North Carolina working on a solution to the Duke-Progress Energy merger. The meeting went well. There is a limited amount of time to put together a case for intervention, and the time to act is now. A Federal Energy Regulatory Commission (FERC) attorney in Washington DC has been hired, and cities are lining up to help, indicating New Bern is not alone in its efforts. Commitments of money from other cities have been received to hire the attorney. Duke and Progress Energy filed their application on April 4<sup>th</sup>, and cities have 20 days to respond. During the merger approval process, cities will have an opportunity to strategically oppose aspects of the merger before a neutral party and try to turn them to the cities' benefit rather than seeking redress through bilateral negotiations with a recalcitrant agency such as Progress Energy, whose interests are opposed to ours or adverse to ours. The efforts of New Bern is paying off, as the City has seen Electricities become more responsive to the City's need and take steps that are unprecedented. Bettis thanked the other cities involved who also recognize the importance of the proposed merger, including the mayors of Kinston, Elizabeth City, Rocky Mount, Statesville, Southport and Wilson.

Mike Epperson, City Manager, discussed preliminary FY2011-12 revenue estimates prior to proceeding with the items on the agenda and provided a printout which outlined the revenue estimates as well as expenditure estimates. He stressed the point the information was preliminary, especially the revenue transfers from the State which are usually not known until closer to the time when the budget is due. The revenue budgeted in the general fund for FY2010-11 was \$33,810,858. The revenue projections for FY2011-12 are \$32,666,022, which is a little over \$1.2 million less than what was estimated for the City's current fiscal year. The budget that was approved for FY2010-11 was a pretty lean budget from the staff's perspective, and the estimated expenditures for FY2011-12 are basically status quo. Based on the estimates for next year, expenditures will exceed the City's revenue by approximately \$978,672. He stated this is a realistic picture as far the City's challenges for revenues in FY2011-12.

Epperson pointed out the FY2010-11 budget was minus a lot of capital improvements per the staff and also represented a budget with 23 positions fewer than the FY2009-10 budget. The budget for FY2011-12 will have a lot of serious challenges and for that reason Epperson wanted to provide this information to the Board for purposes of giving them context for the discussions to be held at tonight's meeting and from this point forward.

Mayor Bettis emphasized an important statement made by Epperson was that the information provided was for context in tonight's meeting. The City's revenues are going to be down and difficult decisions will have to be made. Times are tough and decisions made will not be a reflection on the organizations.

## **1. Discuss Appropriation Requests Not Considered Contractual in Nature**

### **a) Allies of Cherry Point ("ACT")**

Sonny Roberts, 4712 Trent River Drive, spoke on behalf of ACT, noting he sits on the Governor's Military Advisory Commission. ACT was formed in 1995 as an advocacy group for the betterment and enhancement of Cherry Point. They have been involved in several BRAC commissions and are expecting one again in 2013. That means all the bases will be "on the line" again, and the goal is to keep Cherry Point and all of the bases active. Roberts reminded the Board of the economic impact Cherry Point has on Craven County, the City of New Bern and Eastern North Carolina, stating it was a \$1.2 billion/year impact. The fleet readiness center employs approximately 4,400 people. It is the largest industrial employer east of I-95, and the area would be in dire straits without it. There are a lot of issues coming up before ACT. Bases have to be protected from encroachment problems, and ACT takes on that task. Once there is an encroachment problem, the life of the base is very much in danger.

Jamie Norment, 2402 Wild Turkey Road, an attorney with Ward & Smith, also spoke on behalf of ACT by updating the Board on what they have done and what their vision is for the future. ACT wants to preserve the military at Cherry Point and grow the economic base around it. That includes not only the fleet readiness center, but also the economic development that comes along with the air station, such as private industry moving into the area and people buying homes in the New Bern area. ACT is the only group focused solely on Cherry Point and its future. The group is asking the board for an appropriation of \$5,000.

Alderman Bengel stressed the importance of the military and that it is an industry which provides economic development. She noted the documents submitted by ACT didn't indicate any representation on their Board by someone from the City and asked how the City or the Board of Aldermen could get involved. Norment stated New Bern has a seat on the

Board of Directors. Their Board has only been meeting periodically since the last BRAC. With a new BRAC on the way, now is a very good time for the City to become involved. An official representative from the City can be on ACT's Board or Executive Committee, and the City can get involved in working with ACT to educate the community. Norment will make sure the City is involved in any way it desires to be. Epperson stated he had been asked to be on ACT's Board. Since being asked, there has only been one meeting and Epperson was not available to attend. Bengel further asked if anyone from the City was on ACT's Board during the last BRAC, and Roberts stated an invitation was extended to the City's prior Board, but it was not accepted. Alderman Kinsey offered to participate on ACT's Board, stating the current Board of Aldermen would like to do good things by partnering up with organizations and moving forward.

Alderman Bucher asked about the proposed operation budget for FY2011-12 which ACT presented to the Board, questioning the vendors listed and the services provided by those vendors. Norment explained the proposed budget is prepared by ACT's Board and Executive Committee and is based on the historical experiences since the last BRAC. It is really a "maintenance" budget. During the recession, ACT realized it couldn't get large contributions from the State of North Carolina, private industry or local governments, but they could continue to do the work needed in order to maintain what they have. ACT plans to re-energize their efforts to increase the size of the budget. Bucher, as a Chamber of Commerce member, stated he is aware as an act of love Sonny Roberts puts in a lot of time, energy and even his own money into ACT, and thanked Roberts for his efforts.

Mayor Bettis inquired about some specific line items in ACT's proposed budget. Finance and administrative support was listed at \$2,500, and Norment explained the City of Havelock maintains the organization's financial records to make sure they are consistent with LGC and proper audit requirements and that this amount covers some of their costs. Public communications was listed at \$2,600 and covers publication productions that are disseminated throughout the year. The \$15,000 earmarked for Ward and Smith would cover legal fees and lobbying, and the contingency amount of \$12,500 is to make sure there are funds available to respond to the federal government regarding anything that may come up.

Epperson explained there was no need for the Board to make decisions regarding appropriations at tonight's meeting, unless they so desired. At previous meetings, the Board had indicated it would like to hear from the organizations requesting funds from the City and that was the purpose of the presentations tonight. Tonight is a chance for the Board to have a question and answer session with the organizations.

b) **Craven Arts Council**

Carol Tokarski spoke on behalf of Craven Arts Council as its Executive Director, along with Barbara Brown, Treasurer. The Council has operated the Bank of the Arts for approximately 35 years. It has a box office in the facility and sells around \$100,000 in tickets to events in the City as well as operates an art gallery, has several exhibits throughout the year and also participates in a program called "Empty Bowls" where they raise money to provide food/meals to those in need. The Council makes about \$40,000 a year and is able to keep about 25% of that amount for use toward its expenses. Additionally, it acts as a granting agency, granting funds received from the State to other nonprofit organizations such as the New Bern Civic Theatre. Craven Arts Council is responding to the recession by monitoring their every dollar and doing what they can to conserve on utilities. They only have one full-time employee. In FY2008-09, their budget was \$312,000, and they have now reduced the budget by about 25% without really reducing any programs. The Council is requesting an appropriation of \$10,000 from the City. Tokarski passed out membership brochures to the Board and explained the benefits of being a member of the Craven Arts Council.

Alderman Bengel commended the Council on its outreach program stating it reaches out to the African American community and exhibits diversity. She further commented on the art walks and how much they are enjoyed by everyone.

c) **Swiss Bear**

Ernest Richardson, 301 Abner Nash Road, spoke on behalf of Swiss Bear as its Chairman. The organization was founded in 1977 and has submitted a request for an appropriation from the City every year since then. Swiss Bear was formed with the cooperation of Craven County, New Bern and the business leaders to improve the decline of Downtown New Bern. The results of the revitalization can be seen and can be recognized in the increased downtown tax base. In 2011-12, the plan is to focus on the revitalization of the Five Points commercial area and focus on the goals and objectives the City recommended to HUD. Current projects include the 1.5-mile river walk around the Trent/Neuse River, the Spider Lilly and the completion of the F11 jet. The City is not charged any fees, commissions or expenses by Swiss Bear for any projects they undertake. Their biggest fundraiser is Mumfest, which raises approximately \$95,000. The organization has asked the County for \$20,000 this year and is waiting for a reply.

Alderman Taylor stated each time Swiss Bear makes a presentation their mission statement changes. He asked Richardson if the mission statement relates to downtown only, the entire City, or the Five Points area. Richardson responded by stating he does not know the mission statement keeps changes. It was founded for the downtown area and that was its sole purpose. Over the last several years, the City has asked them to work on the Five Points area. He understands Taylor's statement and perception, but does not believe the mission statement has changed.

Taylor further inquired about Swiss Bear's expenditure statement noting it indicates \$115,000 in salaries. He expressed his feeling that the amount was a lot for a nonprofit organization to pay for a salary. Richardson stated the salary was reasonable for two employees and was approved by the organization's Board. Taylor stated he worked an 8-hour-a-day job and made nowhere near that amount.

d) **Duffyfield Community Festival**

Jamara Wallace, Chair of Duffyfield Residents Council, made a presentation relaying the group has had a very active year. They have proceeded with an ambitious clean-up which resulted in better waterways that run throughout the Greater Duffyfield community. They have sponsored a homelessness summit along with Neuse River Community Development and are currently working on the community gardens. The Council's overall goal is to make the lives of the residents of Duffyfield better as well as make the community itself better. They are very frugal in the use of funds they receive from the City. Duffest is set for May 7<sup>th</sup>, and the organization is saving about \$2,000 on entertainment as they were able to find a cheaper vendor.

Alderman Bengel inquired about any potential funds that are left over and how they are used, whether for projects in the Duffyfield community or as seed money for the next year's festival. Wallace stated any leftover funds are used for both purposes. For example, there is a need for some minor plumbing at the community gardens which will cost in the neighborhood of \$200. Council funds will be used to cover this expense. Funds are also used for refreshments and materials at the homelessness summit. Duffest is a major event costing around \$10-12,000 and uses most of their funds. The appropriation received from the City only covers a small portion of Duffest. The Council does not charge the community for the entertainment (rides, etc.) as they want to keep the entertainment free for the children and make sure the event is a time of enjoyment, fellowship and celebrating with one another.

Alderman Taylor stated he is a member of the Duffyfield Residents Council and can vouch for the information provided by Wallace. There is

no paid staff; everyone involved is a volunteer. The organization works hard to ensure it gets the best prices for Duffest.

Alderman White stated there is a lot to be done in Duffyfield, and he knows it will get done. In his opinion, Duffest is a pretty good program. Bettis stated he attended Duffest last year and had a great time. Wallace reminded everyone Duffest is scheduled for May 7<sup>th</sup> from 10 a.m. to 4 p.m.

Mayor Bettis informed Wallace he had learned from Dawn Gibson that Mrs. Obama has a grant for community gardens and asked Wallace to see him after the meeting to obtain the information. Wallace indicated the Council is looking for any funds that can assist with the project.

e) **Friends of the Firemen's Museum**

Bill Frederick, 2408 Turtle Bay Drive, spoke on behalf of Friends of the Firemen's Museum as Chairman of the Board of Directors, along with Nancy Mansfield, 315 George Street, who is Vice Chairman. The museum originally opened in 1955 and was operated by the City. It closed in September or October of 2002, and their organization took over the museum in July 2003. The first year of their operation they were appropriated approximately \$56,000 from the City. These funds were used to operate two buildings: the old fire station on Broad Street and the museum on Hancock Street. This year, the organization is asking for \$45,000 from the City.

Two projects are currently underway by the organization. It is less than 30 days away from starting construction on the refurbishment of the old fire station on Broad Street. To date, approximately \$175,000 has been spent on that building including displays, etc. Bathrooms in the existing museum have been completely remodeled to be handicap accessible.

Alderman Bengel, who sits on the board of the Friends of the Firemen's Museum, stated the museum is near and dear to her heart. She knows every dollar spent is scrutinized. Bengel made note of a correction in the information provided by Frederick noting the first year the organization oversaw the museum it received \$50,000 from the City instead of \$56,000. The \$56,000 represents the amount the City had been spending annually to operate the museum. The buildings and artifacts are owned by and property of the City. The appropriation requested by the Friends of the Firemen's Museum is for their use as caretakers of the City's property.

Beginning in 2004 and every year thereafter, the organization has held a fundraiser called Bar-B-Q and Blue Jeans. Per Alderman Bucher, this annual event has raised around \$100,000 since its inception. He commended the organization for taking this step to keep the museum

viable. Mansfield stated they are actively engaged in attempting to raise money to pay their own bills and have launched an annual fund as a way to get other donations.

Highway 17 Transportation Association has requested an appropriation from the City, but Epperson confirmed their presentation has been moved to the April 12<sup>th</sup> meeting. The Executive Director, Marc Finalyson, was not available for tonight's meeting as he was making a similar presentation before another board.

## **2. Cost of Service Study Results/Recommendations.**

Mike Epperson, City Manager, reminded the Board it had previously been presented with and adopted a set of strategic goals and objectives which referenced a cost of service study that would look at the City's own fees for services and make any necessary changes. The study was performed by the staff, instead of spending a significant amount of money to have a consultant perform it. Staff looked at five benchmark cities (Greenville, Elizabeth City, Statesville, Wilson and Kinston) and also looked beyond those cities (Asheville, Wilmington, Cary, Greensboro and Jacksonville). Generally, the City's fees are a little low in the areas outlined. Thus, there are some fees for which the City recommends changes.

Bengel asked why the City did not include Morehead City as a benchmark. Although she understands their population is lower than that of New Bern, it appears they have a lot of growth and development. Epperson stated Morehead City could be used, but generally the ones used were those of similar size who had water, sewer and electric funds. This is based on a recommendation from the School of Government that the City look at cities that have a full scope of services such as those of New Bern.

Mary Muraglia, Director of Finance, explained this was a large project and one of the difficulties was it was necessary to decipher terminology as it differed from city to city. Staff did their best to compare "apples to apples". She pointed out an error in the study noting the internet sweepstakes/electronic gaming under the privilege license section should not have reflected a recommended charge of \$2,500 per location and \$500 per machine. Those games have been banned and there is a lawsuit in process. In accordance with what the benchmark and other cities are charging, the City recommends a \$5 per machine fee.

The biggest area identified for possible additional revenue is in the Cemeteries division, at an estimation of \$30,000. The fees were last increased in July 2003. Changes are proposed in opening and closing fees and in the cost of the grave plots. All other proposed fee increases will equate to approximately \$5,000. The Police Department has one potential item (an EMS dispatch fee) that could be increased to generate additional revenue of approximately \$75,000. Most recommended changes are as a result of the City trying to be comparable in its

fees with the benchmark cities, or the initiation of fees for services which the City has not been previously charging.

Alderman Bengel felt an excellent job had been done on the study and found it helpful to see all fees in one document and the references to when the last fee adjustments had been made. She asked the City Manager if the Board would have time to further review and digest the study before making a decision on the proposed changes. Epperson confirmed the Board would have time to review the information presented and reiterated the point that it was a big task for staff, mostly because the City did not have one centralized location of all its fees. That was one purpose of preparing the study. It will make it easy for staff, citizens and the public to locate fees if they are maintained in one document. Additionally, it will be easier to review the fees every two to three years if they are collective in one document.

With reference to the \$14 EMS dispatch fee, most cities have their own EMS service according to Epperson. However, Carolina East provides the service, and the City dispatches for them. This is a fee the City would charge to Carolina East who in turn would potentially pass it on to the patient. The City needs to do a little more work on this proposed fee, as it has a dispatch contract with Carolina East. Epperson would like to make sure the City is not looking at a doubling of fees for the dispatch service. Otherwise, the rest of the fees represent pretty much what is the normal for New Bern's peer cities. It is the desire to eventually bring before the Board an ordinance which captures all the fees in one document.

Bengel inquired about the privilege license fees and whether they are mandated by the State. Muraglia explained a lot of them are set by general statute and those have been identified with a notation on the larger spreadsheet. Bengel further asked if the State determines who is exempt; for example, physicians and attorneys do not pay for privilege licenses. Attorney Scott Davis explained a fee is charged to everyone, the difference being whether it is paid to local government or to the State. For physicians and attorneys, those fees are paid to the State.

Three spreadsheets had been distributed to the Board, and Bengel asked for an explanation of the difference. Epperson explained the spreadsheet marked "1" shows the fees for which staff is recommending changes; spreadsheet "2" identified all the fees that the City currently charges; and spreadsheet "3" shows the comparison to all the other cities. Bucher felt it was great to have the comparison and that New Bern should be in line with other cities.

Epperson pointed out the last page of one of the spreadsheets referenced event fees, which were discussed recently with the Board. Of note, those fees would not be effective until January 1, 2012, pursuant to the Board's previous direction. Muraglia brought to the Board's attention Statesville has a pre-death clause

relative to their cemetery sales, and New Bern may want to consider the same. This would mean a plot could only be purchased at the time of death. Epperson explained this would eliminate a funeral home from making large plot purchases, thus leaving the plots available for individuals to purchase at the time of need.

Bengel noted some fees are based on residency and non-residency. She asked how the City would be able to determine if someone was truly a resident of New Bern. Epperson stated it is standard to charge fees based upon residency. Thurman Hardison, Director of Parks and Recreation, explained there is software and websites available which allow you to enter an address and the computer will alert the user as to whether the address is in the City limits or outside. Parks and Recreation is currently using this tool.

### **3. Enterprise Fund Transfers/Charges Policy.**

Mike Epperson, City Manager, reminded the Board in January there was a discussion at a work session which consisted of a presentation from Bill Rivenbark of the School of Government, whereby one of the items discussed was current charges and transfers from the enterprise funds. Jon Rynne, Director of Utilities, explained an interfund transfer is basically a direct transfer from the enterprise fund into the general fund in the form of revenue. Pursuant to the City's current interfund transfer policy and the Local Government Commission's allowance, New Bern transfers up to 3% of its un-depreciated fixed assets out of the enterprise fund to the general fund. House Bill 117 is addressing this specifically. Interdepartmental charges are the shared services that the enterprise funds use, such as Human Resources, Accounting, etc. There is a parallel between what happens with a utility franchise tax and with the way property taxes are handled for investor-owned utilities, to the actions the City of New Bern takes with its interfund transfers.

The City's enterprise funds contribute to the different "organizations" within the City. Rynne explained there has been discussion of capping the interdepartmental charges at the current dollar amount they are now at and then look at mechanisms to evaluate the percentage allocations and find out what those allocations should really be based upon the enterprise funds' use or a head count of the organizations.

Epperson recommends no changes to the interfund transfer policy. That policy has been in place since 1996, and the City has been following it. Since there is pending legislation, the City is not in a position to recommend changes in that area until at least the outcome of the legislature is known. However, the Board has been concerned about the amount of transfers from the enterprise funds to the general fund. Mr. Rivenbark had raised concerns over how the charges were being identified. Last year's fiscal audit noted the City needed to have a more objective means of identifying those charges. The City is going to need some time to work toward reducing those transfers per Epperson. It will need an

objective analysis of how it will identify more reasonable percentages of transfers for each of the entities that receive a transfer and set a goal regarding the reasonable percentages. It will probably take a series of years to work toward that goal, and the City may need a consultant to assist with this. The information provided tonight is just a starting point, as it did not take the City a day to get into the situation it is in and it will not take a day to get out of the situation.

Mayor Bettis asked Rynne for his opinion on NC House Bill 117. Rynne stated based upon what he had heard today, he did not believe the bill would move forward. Bettis stated that would give the City time to work toward a solution in a rational manner. Epperson stated the proposal is actually relatively simple. The proposal is, for now, to cap the transfers to where the estimates currently are. Bettis asked if that meant more needed to be squeezed out of the budget in lieu of raising taxes. Epperson replied that was a decision for the Board, acknowledging the Board had previously indicated at the last meeting that it did not desire to start with a proposed budget that raised taxes. Management will present the Board with a budget that does not contemplate an increase in taxes and allows the City to “live within its means”, unless the Board instructs otherwise. The Board can then review the proposed budget to see if there are cuts they wish to make or even if there are items they desire to have added.

Alderman Taylor asked about the request for a street closing on behalf of the New Bern High School prom. A school representative had dropped the information off prior to the beginning of tonight’s meeting and stated she would return for the next meeting to make her request before the Board. The representative did not realize public comments were not being taken at tonight’s meeting, and she was not aware of the process for such a request. Epperson stated he would make sure someone followed up with the school on their request.

Mayor Bettis apologized about the confusion of tonight’s meeting not being an “open mic” night. He overheard Tony Bonnici earlier in the morning encourage fellow citizens to appear at Board meetings if they were interested in hearing what is going on in the budget process, and Bettis commended that stating citizens needed to tell the Board what they want. He reminded the public April 12<sup>th</sup> is the next “open mic” night and encouraged citizens to make their comments and concerns known to the Board regarding the upcoming budget.

Alderman Bengel, on behalf of the Board, expressed condolences regarding the death of the father of Veronica Mattocks, City Clerk. Frank Evans was a man of unity in the community.

**4. Adjourn.**

Alderman Kinsey made a motion to adjourn the meeting, seconded by Alderman Bucher. The motion carried unanimously, time being 7:52 p.m.

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Mayor

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City Clerk