

**City of New Bern
Board of Aldermen
Budget Work Session
June 1, 2011
City Hall Courtroom – 6:00 P.M.
300 Pollock Street**

Board Members in Attendance: Mayor Lee W. Bettis, Jr.; Aldermen Denny Bucher; Johnnie Ray Kinsey; and Dana Outlaw. Alderman Sabrina Bengel arrived at 6:15 p.m. and Aldermen Bernard White arrived at 8:00 p.m. Alderman Victor Taylor was absent.

Also in Attendance: Mike Epperson, City Manager, and Scott Davis, City Attorney. Attorney Davis departed the meeting after the closed session.

Alderman Bucher made a motion to go into closed session pursuant to NCGS 143-318.11 (a) (3) to discuss claims by the estate of Davis Muse, seconded by Alderman Outlaw. The motion carried unanimously, time being 6:05 p.m.

Alderman Bucher made a motion to come out of closed session, seconded by Alderman Kinsey. The motion carried unanimously, time being 6:15 p.m.

Mr. Epperson, City Manager gave a follow-up on issues that was discussed at the May 25, 2011 Budget Work Session.

- **Training for the Clerk:** The clerk has researched the classes and the schedule for the class dates has been set, but the cost has not been finalized. The clerk will report back to the manager when the fees are finalized.
- **Chamber of Commerce Dues:** The cost is based on the number of employees, and the range for the city is 451-800 employees. When and only if the city falls under 450 employees would we see a reduction in the dues. Also, businesses are allowed six (6) free representatives that receive perks such as the newsletter, business before/after hours, as well as others. Currently, the city has more than six (6) representatives, but is not charge the additional fee of seventy-five dollars (\$75.00) for each extra representative.
- **Craven County Public Library:** The City of New Bern entered into an agreement in 1989 with the library reducing its contribution over a number of years and ultimately resulting in an annual fixed cost of seventy-five thousand dollars (\$75,000).
- **Municipal Service District (MSD):** The MSD board has requested a tax increase. Mr. Raines has been asked to appear before the board at its June 1, 2011 budget work session to speak on this issue.
- **Alfred Cunningham Bridge:** Mark Stephens, P.E., Director of Public Works stated the city pays for the liability insurance coverage on the bridge. Prior staff felt it was in the best interest to provide liability insurance coverage due to the possibility of someone pursuing the city to be negligible or responsible for accidents that could occur. The cost of coverage for liability insurance is five hundred and seventy dollars (\$570.00) a year.

The equipment breakdown insurance was taken out specifically for any mechanical breakdown of equipment or damage to equipment related to accidents, operation or natural causes. The cost of coverage for equipment breakdown insurance is two hundred and sixty dollars (\$260.00) a year. Currently, the city does not have any coverage for the bridge structure itself because the bridge has not been released to the City of New Bern.

Aldermen Outlaw and Bengel wanted to know the dollar amount of coverage for the five hundred and seventy dollars (\$570.00) that is paid yearly for liability insurance. It is not clear what the dollar amount of coverage is for the bridge, but staff will contact the account executive at SIA Group and report back to the board, stated Mr. Epperson.

- **Leaf and Limb Cost:** Mark Stephens, P.E., Director of Public Works, did a comparison of what other cities are charging, stated Mr. Epperson. All the comparison cities charge a flat monthly rate for yard waste collection which includes garbage and yard debris. Some of these cities specify a certain portion of the flat rate fee goes toward the leaf and limb cost while the other cities did not break out a cost for leaf and limb. Each city's services differ from weekly, bi-weekly, and twice a month pick-ups.

Alderman Bucher stated the City of New Bern is proposing an eight dollar (\$8.00) monthly fee. The eight dollar fee is for garbage only, currently the city does not charge for leaf and limb pick-up, stated Mr. Epperson.

- **Postage for letters from Planning and Inspections for non-compliance issue:** Staff has not recommended charging for the complaint letters. A certified letter costing \$5.59 per letter and a regular letter costing \$.50 is sent to the property owners. These letters cover weed and debris, abandoned vehicles, and minimum housing code violations. The letters may be sent more than one time depending on the response from the property owners. An administrative fee of \$60.00 plus the actual cost for services when the city has to advertise in the Sun Journal for grass cutting, cleaning debris or boarding the house. If there are anymore questions in reference to this issue, Mr. Avery will be able to answer them during the Planning and Inspection section.

Finance

Mary Muraglia, Director of Finance, gave an overview of the finance budget. The Finance Department has four (4) divisions within the department: accounting, warehouse, information technology, and tax collection. In the personnel services, one vacant position is included in the recommended budget and is budgeted for nine (9) months of the year to be determined by the new Director of Finance. The operating cost has not changed dramatically with the exception of moving expenses for the new Director of Finance. The annual audit remains the same at \$39,700; consulting fees of \$5,300 for arbitrage reviews on installment debt issues. A fee of \$2,200 for actuarial study for other post employment benefits is included. This study is

required every other year and was budgeted in the current year; however, it is not expected to be completed until July or August.

Warehouse

The Warehouse Division provides quality materials at the lowest possible cost to all city departments. This process eliminates departments from going out to retail stores buying office supplies and other inventory. The department continues to work as a team to serve departments and deal with the challenge of increasing materials cost and extended delivery times.

The operating cost has not changed dramatically with the exception of the increase in fuel cost due to the rising prices, and the replacement of a nine year old printer used to print purchase orders for a total amount of \$1,960.

Information Technology

The Information Technology Division provides a total source, single point resource for computer, telephone and system support. This division budget is considered the largest of the divisions within the Finance Department.

The consolidation of IT services has begun with Finance's IT division staffing and responding to technology needs of the Police Department. Additional overtime above the normal request is due to the operation of the PEG channel and filming meetings or events. The operational cost has increased due to additional consultants service and new projects. The additional costs consist of new equipment for the PEG channel (digital camera and accessories), fiber optic software, and new virtualization project. The capital outlay cost is the driving force behind the increase in this division. The cost to replace the core fiber switch is ninety thousand dollars (\$90,000) and the replacement of the fiber switch at Ft. Totten is sixteen thousand four hundred (\$16,400). Also, the funds for the virtualization project are included in the capital outlay at a cost of one hundred seventy thousand dollars (\$170,000). The Virtualization Project will allow the City to move the city's servers and PC's into a virtual environment; purchased by installment financing.

Mark Trail, Information Technology Manager, presented a power point presentation on virtualization. Virtualization is the creation of a virtual version of something such as an operating system, a server, a PC, a storage device or printer. The City of New Bern continues down the road of replacing Servers and PC's. Over the next five (5) years, eighteen (18) servers will need replacing at a cost of eight thousand dollars (\$8,000) each. There are three hundred fifty-eight (358) PC's within the city and one third (1/3) of them are at least seven (7) years old. The older the PC's get the harder it is to maintain them as well as finding spare parts.

Virtualization will improve the efficiency and availability of resources and application in our organization. The city would typically save 50-70% in capital IT cost by consolidating its resource pools and delivering highly available machines through virtualization. Why use virtualization: multiple operating systems may run on a single computer; reduce capital cost by

increasing energy efficiency; ensure the enterprise applications perform with highest availability and performance; improve enterprise desktop management and control with faster deployment of desktops and fewer support calls due to application conflicts; reduce datacenter costs by reducing our physical infrastructure; and increase availability of hardware and applications for improved business continuity and disaster recovery as well as 85% improvement in recovery time from unplanned downtime.

The estimated savings over the next five (5) years for servers is one hundred thirty-three thousand (\$133,000) and a savings of one hundred and six thousand (\$106,000) on PC's. The project will have a 100% return on investment (ROI) in five (5) years, and the total cost over the five (5) years is approximately two hundred thousand (\$200,000).

Alderman Bucher stated eventually the IT Department would need to be located to another building preferably on the first floor. Craven County has offered the city to use their building, stated Mark Trail.

Tax Collection

The Tax Office is responsible for the billing and collection of ad valorem taxes, privilege licenses, parking leases, nuisance abatements and other revenues. Over twelve million in revenue is collected including two hundred fifty thousand (\$250,000) in privilege licenses.

The operating cost includes printing and mailing of tax bills and delinquent notices by SouthData as well the lockbox processing of mail payments by BB&T. Funds are also included for advertising delinquent taxpayers and property foreclosures. A fee of eighteen thousand dollars (\$18,000) is payable to Craven County for processing the collection of motor vehicle taxes.

Alderman Bengel wanted to know the status of customers being able to paying their electrical bills on line. This process should be in place for customer convenience; with today's technology people are paying their bills on line. There are a number of criteria that must be meet and worked out before electrical bills can be paid online stated Mary Muraglia.

Human Resources

Sonya Hayes, Human Resources Director, stated the HR budget has a few minor changes. Funds are allocated for professional services; the city will hire a consultant to conduct a market study of employees' compensation. The market study will determine what positions are overpaid and what positions are unpaid.

Mike Epperson, City Manager, stated the current classification compensation system is very traditional; and the new market study would clarify if the city is being fair to their employees in reference to their compensations. This procedure would be a starting point to determine if an employee is above the market or below the market in compensations.

Alderman Bengel asked if the gift certificates for retired employees are purchased out of the HR budget. It is a line item in the HR budget described as employee awards, stated Ms. Hayes. Alderman Bucher asked if the market study would determine whether an employee got a five percent (5%) increase versus an employee getting a 2.5 increase based on their job performance. There are a lot of factors that will determine whether an employee gets compensated; you want to pay employees on the market value. There may be some situation where long time employees are paid above the market and short time employees are paid below the market, stated Mr. Epperson.

The employee's benefit changes that went into effect on January 1, 2011 have had an impact on the reduction in claims. The increases in co-pays, prescriptions drugs, and deductibles have saved the city money. The cost of claims is approximately one hundred ninety-five thousand (\$195,000) less based on data from January- April 2011. Also, the city is developing a wellness program for employees and hopefully this will be a cost container for reducing claims, stated Ms. Hayes. Mary Muraglia stated according to her projection this fund could be short a little. The claims expenditures are greater than the revenue; she is monitoring this account.

Fire

Bobby Aster, Fire Chief, stated the department will realign two (2) funded positions from a Fire Prevention Inspector to a Fire Marshall and a Fire Specialist to a Fire Lieutenant due to the retirement of Commander Henry Watson. The recommendation is to be utilizing a Junior Building Inspector having him get certified with a probation certificate. He then would be able to assist in fire inspections. Once the economy improves, he would be allowed to return to Inspections if needed. The fire department has certain industries such as the hospital and Hatteras Yachts that require a lengthy inspection. These inspections take at least ten (10) days or more to complete and must be done annually. The department is behind at least forty (40) to fifty (50) inspections a month due to the retirement of Commander Watson.

The proposed operating expenses include firefighters getting physical exams, which is required by OSHA and NFPA. The department pays for physicians to come onsite to perform the exams. A maintenance/inspection contract for fire apparatus, new software, replacement of twenty-four (24) mattresses at the Headquarters Station, automatic external defibrillators, eighteen (18) sets of turn-out gear and other equipment are part of the operating expenses. Fire Protection contracts with Tri-Community Volunteer Fire Department (\$3,500) serves residents in Bridgeton and Sandy Point; and Township #7 Volunteer Fire Department (\$4,000) serves Still Water Harbor. These contracts allow residents a quicker response time. The fire department also plans to spend \$25,000 for extrication equipment purchased by installment financing. The old extrication equipment will be used at the Thurman Road Fire Station #2. This will reduce response time and decrease fuel cost.

Alderman Bengel wanted to know the status of adding an additional station in the Pleasant Hill area; it is need tremendously. The Fire Chief and the manager have discussed this matter and plan on discussing it at an upcoming work session. Alderman Outlaw inquired if the city was in

good standing to keep its ISO rating. Chief Aster stated as long as the Insurance Commission knows the city has a plan, the rating will remain the same, but plans for an additional station need to take place as soon as possible.

Fire Volunteers is committed to providing continual protection from the devastation of fire and life threatening emergencies. The proposed operating budget is \$43,650 which is three percent (3%) less than the current budget. The volunteers are also required to have physical exams, and the service is provided at the main station as well. Ronnie Weems, Deputy Chief, receives a stipend of \$6,000 and ten (10) Fire Specialists share a stipend of \$20,160. Volunteer firefighters have to be certified the same as career firefighters as well as pull duty at the fire station. There are approximately twenty to twenty-five volunteers within the city, and they are required to work twenty-four (24) hours a month.

Alderman Bengel stated the volunteers had a long history in New Bern and they are considered an important resource to the area. In the FY budget 2010-11, the volunteers took a drastic hit and she would not like to see them take a three percent (3%) cut this fiscal year. The three percent (3%) cut was discretionary and it could be added back. If so, cuts would have to be made elsewhere in the overall budget to keep it balanced, stated Mr. Epperson.

Alderman Bucher expressed his concerns that volunteers are decreasing nationwide. This is a challenge across the country. Deputy Weems stated as they hire one individual another one is leaving due to career, jobs and relocation.

Planning & Inspections

The cost of certified mail was discussed as to the city recouping fees for non-compliance issues. Certified mailings with return receipt are sent to city residents for nuisance abatement, (weed-debris) minimum housing code and abandoned vehicles. It costs six dollars (\$6) per letter and last year the department mailed approximately 534 letters costing \$3,200. This year approximately 199 letters have been mailed costing \$1,200. This is the cost of doing business; the city has never recouped any fees for this service. Mayor Bettis inquired as to whether the city was collecting a fine for non-compliance issues. If the homeowner complies with the complaint, then no fee is implemented. On the other hand, if the homeowner does not comply with the complaint, a sixty dollar (\$60) administration fee and the cost of mowing the grass is passed on to the homeowner, stated Mr. Avery. These fees are attached to their property taxes.

Alderman Bengel stated it is a problem with the mowing of property. Property owners that live out of state prefer to pay the cost of the city mowing their grass. "The City becomes their yard service" because they know what the fee is. Normally, the cost for mowing is eighty dollars (\$80) plus the administration fee. It is an easy way out for property owners. Aldermen Outlaw and Bengel spoke with Mark Stephens previously about this issue. It appears to be cheaper for the city to mow the grass for non-compliance owners versus them hiring a company, stated Mr. Epperson.

Alderman Bucher suggested increasing the fees for repeated offenders, but it makes no sense to charge a fee for the certified mailing. It was the consensus of the board to increase the fee by the cost associated with postage for repeated offenders and non-responders. This request will be added to the schedule of fees.

The Planning & Inspections budget is similar to last year's budget with minor changes. The proposed operating cost of ninety thousand dollars (\$90,000) will be used for the clearance of dilapidated houses. This amount will address between 9 to 15 houses; the city has identified twenty (20) dilapidated houses. There is ten thousand dollars (\$10,000) that will be added to the ninety thousand dollars from the Community Development Grant for this project. This is a part of the City's goals and objectives that the board adopted earlier. These funds will address distressed areas within the city. A work session should be scheduled in the early part of the year educating the board on the process, stated Mr. Epperson.

Alderman Bengel requested the number of building inspectors on staff. There are six (6) building inspectors staffed. She has concerns that some residents in the Historic District are doing work on their homes without a building permit. Mr. Avery suggested if someone sees work been done on houses to report it their office. It is hard to enforce it if there is no knowledge; it has been known that residents get work done on the weekend while the office is closed.

Aldermen White and Kinsey stated years ago the permit was posted on the building for public view. It still should be posted, stated Mr. Avery, but often they are removed.

GIS

The proposed GIS budget is similar to last year's budget with minor changes. This year a seven (7) year old PC for the GIS Coordinator needs to be replaced at a cost of four thousand dollars (4,000). The staff has experienced data loss due to the age.

Alderman Bengel requested clarification from the manager, if any additional funds are need for the redistricting. Mr. Epperson stated there is no additional cost for this process. The GIS Coordinator will be discussing the redistricting at a work session soon.

Water Fund

Jordan Hughes, City Engineer, stated the water and sewer budget is estimated on anticipated revenues. The budget is set up as a revenue neutral rate structure adjustment; it does not matter whether the city adopts an alternative schedule or keeps the current schedule. Previously the board discussed an alternative water and sewer rate structure. The main objective of the alternative rate structure was to eliminate the City's current policy of charging each water and sewer customer a minimum of 3,000 gallons of consumption per month. The other additional revision was the elimination of the additional meter surcharge.

Alderman Bucher asked about dual irrigation meters as to how other bench mark cities charge their customers. All the bench mark cities have separate irrigating meters, but there is no separate charge. Cities outside of the bench mark (Cape Fear, Fayetteville, Greensboro, High Point and others) typically charge 50% to 200% above the regular in-city rate. The City of New Bern has proposed in the alternative rate schedule 35% to 50% above the in-city rate on the consumption charge alone, and to reduce the ready-to-serve charge from a 35% multiplier to an even charge the same as the in city rate. Irrigation meters are 1" which is standard and on average customers use 15,000 gallons of water during the summer months. Under the current rate, if a customer uses the 15,000 gallons a month it would cost \$140.93, and a cost of \$137.70 a month under the proposed schedule. The big cost saving will be the no use customers, under the current rate schedule it would cost \$88.97 just to have a dual meter and the proposed schedule would cost \$57.50. It costs approximately twenty-five dollars (\$25) a month for a dual water meter, but eventually increases to eighty-eight dollars (\$88) a month stated, Alderman Bucher. The charge for dual meters was the same as in city rates when first implemented, but there was no sewer charges, stated Mr. Hughes. Dual water meters are located in Taberna, Carolina Colours, and Greenbrier. There is approximately five hundred (500) homes with dual meters. If the city changes the current 35% multiplier there would be a loss in revenue. The staff would have to add a one cent (1¢) increase on consumption to recoup the loss in revenue, stated Mr. Hughes. Alderman Outlaw requested additional clarification on the 35% multiplier. Mr. Hughes stated 1.35 % is charged for the second meter which includes the ready-to-serve charge and consumption charges only, not sewer. What staff has proposed is to eliminate the 35% ready-to-serve charge if customers are not using it, but increase the multiplier for the consumption from 35% to 50%.

Alderman White stated if a customer has two (2) meters then they are responsible for paying for them, and there should be a difference in cost. It does not matter if it is water or electric. Alderman Bucher stated that is true, but the city is charging a premium on the irrigation meter. Previously, he asked management why the premium charge and management replied, "we did it because we could". There is a fee already for the irrigation meter. It costs customers two thousand dollars (\$2,000) for a tap fee, and Alderman Bucher expressed the premium cost is a penalty.

The board's final conclusion was reduce all the charges on the irrigating (second) meter and charge the customers the same fee as the first water meter.

Alderman Outlaw inquired as to the cost related to chemicals for treating the water. Constituents have complained about the changes in water due to less chlorine. The wells draw water from the Black Creek Aquifer, an underground body of exceptionally high quality water. The only treatment required is the addition of chlorine for disinfection.

The Water Fund Division has six (6) positions that are vacant and unfunded due to the restructuring of the department. At the opening of the new Water Plant last year, it was decided to staff two (2) treatment operators since the plant was still under a one year maintenance contract. The contract has expired, and it was determined that an additional new

position (operator) is needed. The Water Resources Administration has been moved from the General Fund to the Water Fund. Staff provides services for the water and sewer. The sewer fund will contribute 50% toward the cost of the operations through interdepartmental charges.

The water distribution system maintenance capital improvements will cost three hundred thousand dollars (\$300,000) for various water system improvements. This cost is due to replacing 2-3" aging galvanized pipes with new 6" pipes. This improves the firefighting capability. Other capital improvement expenditures are the 3rd Avenue realignment with 1st Street to the tune of two hundred thousand dollars (\$200,000). Equipment (walk-behind concrete saw and mini-excavator) will be purchased at a cost of ninety-three thousand dollars (\$93,000).

Sewer Fund

The sewer budget is estimated on projected revenues as well, stated Mr. Hughes. The city typically has more sewer customers than water customers; therefore, staff has projected more revenue this fiscal year due to Township #7. A Pretreatment Coordinator position and one Office Assistant III position will be transferred to this division from the Pretreatment division.

The operating cost for the plant has increased due to rising fuel prices, utilities cost for pumps, heaters as well needed chemicals for treatment which is required by state law. The operating cost increased approximately forty-one thousand dollars (\$41,000) from last year's budget. As part of the capital improvements expenditures, a composite sampler will be purchased at a cost of five thousand eight hundred and forty dollars (\$5,840) and an aerator motor for fourteen thousand dollars (\$14,000). Alderman Outlaw asked if any additional funds are need for the equalization system. Staff is not expecting any additional cost in reference to the equalization system. The system is operating well and approximately 225 customers have been taken off the step system and transferred to the gravity system.

The **sewer collection system maintenance** is one of the largest divisions as it relates to cost. This division is responsible for the maintenance and operations of the City's sanitary sewer collection. This division works in close coordination with the water operation division and employees from both divisions work interchangeably. Currently, there are twenty-five (25) authorized positions, but twenty-one (21) are funded. Four (4) positions are vacant and unfunded to help keep the operation cost down.

The operating cost for sewer collection system is costly, but will decrease over the number of years. There are one hundred ten (110) sanitary sewer lift stations and operation facilities. Repairs and maintenance on equipment, control panels, pipes and fitting for Township #7 step system are all included in the operational cost. The sewer collection system capital cost of two hundred fifty thousand dollars (\$250,000) is needed to rebuild lift station #32 and lift station #6. Sewer improvements are needed to the tune of nine hundred twenty-five thousand dollars (\$925,000) for the STEP system lift station, and Highway 17 South sewer improvements (behind Moore's Barbecue); both are funded by installment financing. Another significant project is

located on North Craven Street adjacent to the Maola Milk Company. There is a reoccurring dip in the road due to failing gravity sewer system.

Electric Fund

Jon Rynne, Public Utilities Director, stated the department operates on safety, reliability, workforce development, and system improvements. Staff has addressed those operating characters which create a healthy and smart organization. This year the revenues have increased about nine hundred seventy thousand dollars (\$970,000) compared to last year. Electric revenue is very driven by demand only, that being the weather. One must be very conservative about what the revenues will be; it cannot be determined by the previous years. The electric department budget is also estimated on projective revenues, and those numbers are used to work backwards with the expenditures to determine the budget.

Alderman Outlaw asked for clarification on the six hundred thirty-five thousand dollars (\$635,000) under proceeds of installment purchase. The new "Smart Grid Pilot Project" cost is four hundred and fifty thousand dollars (\$450,000), and the purchase of a digger truck cost one hundred eighty-two thousand dollars (\$182,000).

The **electric administration** is similar to last year with minor changes. It is responsible for the overall management of the department. Duties include GIS mapping of the electric system, processing customer concerns and promotion of energy efficiency. The operating cost includes twenty thousand dollars (\$20,000) for system coordination study that will determine the safety of the electric system; long rang system plan which is required for the purpose of financing projects at a cost of seventeen thousand five hundred dollars (\$17,500); and three desktop computers to replace units that are out of warranty at a cost of four thousand eight hundred dollars (\$4,800). The only capital operating cost is the replacement of a truck at a cost of sixteen thousand five hundred dollars (\$16,500).

Alderman Bengel asked what the line item electrical engineer professional service in the amount of sixty-seven thousand five hundred dollars (\$67,500) covers. These funds will be used to hire consultants for the system coordination study and long-range system plan study, stated Mr. Rynne.

The **utility billing** authorized five (5) funded positions, same as last year's budget. As part of the reorganization this division moved to Customer Service and is now under the Director of Finance. It is responsible for the processing of electric and water meter readings to expeditiously bill customers monthly for utility services. The division also handles customer inquiries on utility matters, explanation of billing components, and handles requests for upgrades of new electric/water resource services. The operating cost for bill printing services by a third-party processor (Arista) will cost forty-nine thousand dollars (\$49,000), and postage for mailing utility bills will cost one hundred five thousand dollars (\$105,000).

Alderman Bucher wanted to know if customers would be able to receive an electronic bill versus a paper bill if they so choose. This request has been added to the bill payment agreement, stated Ms. Muraglia.

Alderman Kinsey wanted to know what system is used to read the electric meters. He has some complaints from citizens that no one ever enters their yards. The city currently uses a radio system to read the electrical meters. Each house is read with a hand held radio. The hand held devices are pointed to the electrical meters for the reading. All water meters are read by employees; none are radio read, stated Mr. Rynne.

The **utility service** authorized sixteen (16) positions, and funded fifteen (15) as a cost saving measurement within the division. This division moved to Customer Service and is now under the Director of Finance. This division is comprised of meter reading personnel, technicians, and two (2) utility service crews. The meter readers read all the meters and the technicians are responsible for the testing, calibration and troubleshooting of meters. The service crews field trouble calls, install temporary electric services, and repair/install street and area lights. The operating cost consists of a number of equipment needs within the division. This includes the replacement of Itron handheld reading meter costing eighteen thousand seven hundred dollars ((\$18,700), and the purchase of new 2 way communication meter. Street lighting and waterfront lighting repairs and maintenance assumed from the Public Works department will cost seventy-three thousand four hundred dollars (\$73,400). There are two (2) trucks that need to be purchased as it relates to capital cost.

Alderman Bengel wanted to know if the city was buying trucks that were not gray and then paying to have them painted gray. The trucks are state bid; the city buys them gray. State contract normally has the standard gray that a lot of cities and counties use, stated Mr. Rynne.

Distribution Operation and Maintenance (O&M) is responsible for the installation, operation and maintenance of the overhead and underground electric system. Distribution handles all tree trimming and right-of-way clearing of necessary debris to ensure reliable operation. This is the largest of the divisions in the electric department, facilitating construction operations related to new development and replacement of aging or failing infrastructure.

The purchase of a line truck and a work truck and other equipment is recommended in the capital cost for this fiscal year. The final project is the replacement of River Crossing for Underground Cable at NBGC/Trent River. This crossing goes from New Bern Golf and Country Club to the Haynes Farm which is the last crossing buried under the river. The cost of the project is one hundred fifty thousand dollars (\$150,000). A new line truck will be purchased replacing a fourteen (14) year old truck, costing one hundred eighty-five thousand dollars (\$185,000) and recommended for installment purchase.

Alderman White what is done with the old line trucks? Mr. Rynne stated normally the old truck is used as a trade-in; it will reduce the cost on the new truck. Other times the old truck is either auctioned off or transferred to another department within the city, stated Mr. Rynne

The **Power Supply division** is responsible for the installation, operation and maintenance of the electric substations, load management equipment and supervisory control and data acquisition system. Additionally, this division handles the testing, repair, and disposal of all distribution transformers and maintains all testing records required by the Environmental Protection Agency. This division also manages the contracts for underground locating and performs fault locating on underground cables as needed.

The city has power purchase costs to the NC Eastern Power Agency. This cost is estimated very similar to the revenues; it is based on average demand and usage. This year the city is estimated on spending forty-seven million, two hundred sixty-seven thousand, five hundred seventy dollars (\$47,267,570) on power purchase. This constitutes about 74% of the proposed budget for next year. This is the largest component of the electric fund. In addition, the debt service for the new Lewis Farm Road Substation and installment payment of three hundred fifty thousand dollars (\$350,000) from the 2.2 million dollar loan is paid out of this division.

The implementation of the Smart-Grid Pilot project will be an asset to the city. The funds would allow the city to purchase the software, servers and hardware necessary to set up the ability to read the electric meters two ways. The pilot program gives the city the ability to monitor the load management functions. It will also monitor and report failure and disconnects of the load management switches. This technology will decrease the power supply cost and assist customers with managing their energy consumption. The city loses approximately 1.3 million dollars a year that can be cut from power supply costs based on malfunction load management switches. The system allows customers to monitor their usage and allow them to “pay as you go” daily or weekly versus monthly bills. It will also eliminate payment agreements and deposits. It gives the customers the flexibility to control their electrical bills just like individuals control the gas for their cars. It was recommended implementing the program gradually and adding to it each year. The cost of four hundred fifty thousand dollars (\$450,000) will cover approximately 25% of the customers to participate, and it would be volunteers.

Alderman Bucher stated customers are getting a discount on their monthly bills that have a load management switch that has been disabled or not working. This program would improve the effectiveness of load management.

Communications Control authorizes five (5) funded positions. This division is responsible for the monitoring and control of the electric, water and sewer systems through the utility SCADA system. This division is a 24-hour, seven day a week dispatch center that handles all trouble calls and after hour’s customer requests. The control operators manage the devices used for the load management program, initiating and terminating the cycles for the load management switches and generators based on the system peak. There is very little change from last year’s budget with the exception of purchasing one desktop computer to replace an out-of-warranty unit at a cost of one thousand six hundred dollars (\$1,600).

Customer Service has very few changes from last year stated Mary Muraglia, Director of Finance. This division authorizes sixteen (16) funded positions, and will be fully staffed (with employees being transferred from the police department) by July 1, 2011. The Customer Service division is responsible for accounting, servicing and collection of payments due for utility services. This division also investigates theft of service and collects utility debts owed the City through the state tax garnishment North Carolina Debt Setoff program. The City has collected eight hundred thirty thousand dollars (\$830,000) for delinquent taxes and utility debts.

The operating cost increased slightly due to the new service being implemented of electronic payment bills at a cost of three thousand five hundred dollars (\$3,500). The city participates in electronic lock box and ancillary service at a cost of thirty-one thousand eight hundred dollars (\$31,800); and a credit check for deposit verification services at a cost of ten thousand eight hundred dollars (\$10,800). IT supplies are increasing due to the replacement of hard drives and warranty on PC's.

Stormwater Fund

The stormwater fund is a new fund implemented in this year budget, stated Mr. Epperson, City Manager. As part of the city's goals and objectives of evaluating and identifying organizational structure for efficiencies, the City Engineer and his staff will begin performing in-house annual inspections and reviews for stormwater versus paying a consultant to perform the work. The establishment of a stormwater fund will allow the city to have additional resources to use toward stormwater improvements, as the fees collected from developers for the inspections will now be available for appropriation for needed projects.

Capital Reserve Fund

The sewer/water capital reserve fund is expected revenue from tap fees, and revenues are not what they should be according to the study, stated Mr. Epperson, City Manager. This sewer fund has accumulated revenues of eighty-six thousand, nine hundred dollars (\$86,900). The water capital reserve fund has accumulated revenues of four hundred fifty-three thousand, one hundred eighty-seven dollars (\$453,187). Both funds need to continue to build revenue.

Public Comment

Stevie Bennett, 1312 National Avenue, thanked the board for having such informative work sessions; it has been very helpful. She also thanked the board for taking into consideration of charging a fee for all certified mailing that is sent out for non-compliance. Ms. Bennett further stated she would like to see Special Appropriations cut by 8% versus 3%. This would allow five thousand dollars (\$5,000) for the Volunteer Fireman; they do a great job.

Stevie Bennett stated the following comments:

- Competitive bids need to be sent out to local companies to mail out tax notices, electric bills and delinquent tax notices. The money should stay in Craven County;

- The 97% tax collection does not include uncollected taxes for SkySail. Skysail owes \$141,000 for FY 2010;
- Tax bills and utility bills going to one owner should be mailed in one envelope rather than separate envelopes for each bill;
- Why does it cost the city \$4,000 for fire protection for one house at Stillwater Harbor? Do these funds cover the Arthur Farm property as well?
- Has the city considered giving some of their property to non-profit agencies (Habitat for Humanity) and not charge them any property taxes until a house is built? This would release the liability cost. The city works with agencies such as Habitat and NRDC and the properties the city owns was acquired through FEMA. Agencies cannot be exempted from taxes, stated the manager;
- The city should buy only American made vehicles; and
- What is the percentage of households on load management?

Alderman Bucher made a motion to adjourn the meeting, seconded by Alderman Kinsey. The motion carried unanimously, time being 10:00 p.m.