

Town of Spring Lake
Regular Meeting of the Board of Aldermen
Municipal Building
300 Ruth Street
Spring Lake, NC 28390

July 10, 2017

MINUTES

7:01 p.m.

The Spring Lake Board of Aldermen held a regular scheduled meeting in the Grady Howard Conference Room of the Spring Lake Municipal Building with Mayor Chris Rey presiding.

Board Members Present: Mayor Pro Tem Larry Dobbins
Alderman James Christian
Alderman James O'Garra
Alderwoman Fredricka Sutherland

Alderwoman Densie Lucas was absent.

Others Present:

Tad Davis, Town Manager
Tom Cooney, Public Works Director
Sam Jones, Recreation Director
T.J. McLamb, Fire Chief
Claiburn Watson, Finance Director

Tony Buzzard, Town Attorney
Rosa Henegan
Charles Kimble, Police Chief
Doris Snider, Senior Center Director
Rhonda Webb, Town Clerk

2. Invocation

Alderman O'Garra gave the invocation.

3. Pledge of Allegiance

Mayor Rey led the meeting in the pledge of allegiance.

4. Additions or Deletions to Agenda

Alderwoman Sutherland requested to add a closed session for personnel to agenda.

Action: The Board approved a motion to add a closed session for personnel to the agenda.

Motion by: Alderwoman Sutherland

Second by: Alderman O'Garra

Vote: Unanimous

5. Approval of Agenda

The Board approved the agenda as amended.

Action: The Board approved a motion to approve the agenda as amended.

Motion by: Alderwoman Sutherland

Second by: Alderman O'Garra

Vote: Unanimous

(A copy of the Agenda is hereby incorporated by reference and made a part of these minutes – see attachment one.)

6. Approval of Consent Items

The Board approved the consent items:

a. Minutes of the July 10, 2017 Regular Meeting

Action: The Board approved a motion to approve the consent items: Minutes of July 10, 2017 Regular Meeting.

Motion by: Alderwoman Sutherland

Second by: Alderman O'Garra

Vote: Unanimous

7. Public Forum

Nathaniel Fitch, Sr., 735 Goodyear Drive, announced that we now have a Police Athletic League (PAL) membership. He thanked all the Board members for all their help and stated the PAL finally got their charter together and are now looking for a building.

8. Public Hearing

a. Town of Spring Lake (Mutzberg Tracts) Property Annexation

Mayor Rey opened the Public Hearing. No one spoke for or against the Town of Spring Lake (Mutzberg Tracts) Property Annexation.

Action: The Board approved a motion to close the public hearing.

Motion by: Alderman Christian

Second by: Alderwoman O'Garra

Vote: Unanimous

(A copy of the agenda memo is hereby incorporated by reference and made a part of these minutes – see attachment two.)

9. Presentation

a. Yard of the Month

Mayor Rey recognized the Yard of the Month recipients. The following resident won the award for July:

Mr. and Mrs. Darius Q. Adams, 1413 Lottie Street

(A copy of the agenda memo is hereby incorporated by reference and made a part of these minutes – see attachment three.)

b. Police Vehicle Update

Mr. Davis provided the Board of Aldermen with a notebook of information regarding police vehicles from 2014-2015 Fiscal Year through 2016-2017 Fiscal Year. He stated the first two police vehicles (two 2015 Ford Explorer Utility Interceptors) were purchased from Bobby Jones Ford in February 2015 for \$51,961.92. The information included in Tab 1 of the notebook was a copy of the check and invoices for the vehicles. Information included in Tab 2 of the notebook was a copy of the Resolution for installment purchase financing approved by the Board of Aldermen on June 27, 2016 for two police vehicles for that year along with a Stormwater vehicle and a clam shell truck. Installment financing total was \$320,247. He stated this constituted a loan from BB&T to cover the cost of these vehicles. There were two separate loans, one to cover the cost of the clam shell truck over a 5-year period and another one to cover the cost of the two police vehicles and the Stormwater vehicle over a 3-year period. Information included in Tab 3 of the notebook was the Budget Ordinance for 2015-2016 which shows the installment purchase proceeds for each vehicle separated by Fund. Tab 4 included the Town's Central Collection Receipt Register showing where the check from BB&T was deposited into the Town's various Funds along with a copy of the check from BB&T for \$320,241. Included in Tab 5 was a copy of the BB&T financing document

checklist and the financing agreement. Tab 6 included a list of the vehicles with the VIN numbers. Tab 7 included the payment schedule for the two police vehicles and the Stormwater vehicle which shows that the payments are due beginning on August 1, 2017 until August 1, 2019 and are paid annually in arrears. The amount of the payment schedule is \$29,501.99. Tab 8 included the payment schedule for the two police vehicles and the Stormwater vehicle showing the dates and amounts that payments are due. Tab 9 included the Use of Proceeds Certificate showing the Payment Obligations. Tab 10 and Tab 11 included Certificates of Origin for the two police vehicles. Tab 12 included the Lien Recording Application and Title Application for both police vehicles. Tab 13 and Tab 14 included the actual invoices for these two police vehicles.

Alderman O'Garra inquired if the two police vehicles are the \$66,000 ones and Mr. Davis advised yes. Alderman O'Garra asked what they cost a piece and Mr. Davis responded the cost per vehicle is about \$23,779 and the debt amount comes up to \$47,558 and then when you fully load them that is what brings them up to the \$66,000.

Alderman O'Garra asked if there is documentation and Mr. Davis stated it is found further in Tab 14 which shows the cost associated with the ancillary equipment that are required for lighting and other parts that are included in the package. Alderman O'Garra restated that the two vehicles without equipment were \$47,558 and Mr. Davis stated that is correct. Mayor Rey clarified that is straight from the dealership and Mr. Davis said yes and then you have to outfit them with communications, lights and stuff like that. Alderman O'Garra asked if we delivered an actual check to them and Mr. Davis replied that Tab 14 contains the actual stub from the check that the Town cut to Chrysler, Jeep Dodge. Mr. Davis stated at the macro level we got the loan from the bank and then we used that money to pay for the vehicles and now as a result of the agreement with the bank on 1 August we will start paying them the cost incurred as a result of the loan. He stated as part of our debt servicing effort this year we recommended retiring the debt of \$66,000 for the two police vehicles and \$20,000 for the Stormwater vehicle. We were not going to address the clam shell truck because the cost is too great for us.

Alderwoman Sutherland stated she understands he said the documentation is redundant which it is but to her understanding, when Chief McDuffie was here, he said we paid off those vehicles in the last budget year for these vehicles so what we are doing is redundant. She stated you are telling us that you got a loan for the vehicles that had already been paid off so did you use the vehicles as collateral to get another loan against it? Mr. Davis stated no ma'am. Alderwoman Sutherland stated she asked Rhonda to give the Board a hard copy of the budget but looking in here I don't see what I'm looking for. She stated we approved that in 2014 and 2015 when we had presentations for the budget we approved to pay those vehicles off. I can recall talking to Mr. Watson and we should have those documents for those vehicles that was in an accident that we had to replace and Chief McDuffie brought it to the Board for us to pay the vehicles off as well. Mr. Watson stated that he believes Mr. Davis is going to talk about that in the 2016-2017 Fiscal Year and we haven't gotten to that yet. Mr. Davis stated right. Mr. Davis stated what Alderwoman Sutherland is talking about right now is the 2015-2016 budget and this goes back to what I mentioned in Tab 2 which was the guidance from this Board to use installment financing as a mechanism to pay for those vehicles and if you look at Tab 3 which is the actual approved budget for that year, you will see on the second page where it is highlighted that the installment purchase proceeds for that year is \$66,000 which was used to pay for those vehicles. So, if Chief McDuffie said that these vehicles are paid off he is probably accurate because we did pay them off but we paid them off with money we got from the BB&T loan. Mayor Rey stated we paid off the vehicles but we haven't paid off the loan and Mr. Davis stated yes, we have to now pay back the loan.

Mayor Pro Tem Dobbins stated we paid off the vehicles. Mayor Rey then stated that's right, we went to the bank and got the loan for \$300,000 and of the \$300,000 we took \$66,000 to pay for the vehicles. We bought the vehicles cash from the dealership. Alderwoman Sutherland stated right. Mayor Rey continued by saying we still owe for the loan to the bank for the \$300,000. Mayor Pro Tem Dobbins agreed. Alderwoman Sutherland stated we shouldn't still owe that much. We have had budget amendments as well and if we are talking about budget year 2014-2015 as well as 2016-2017 we shouldn't still owe \$320,000 when we originally bought this budget amendment for the vehicles so if we are making a loan payment at the bank are we paying on the loan and that

total shouldn't still be the same. Mr. Davis asked Alderwoman Sutherland to go to Tab 7 and highlighted the third paragraph which outlines the fact that we don't begin paying for this loan until 1 August 2017, so even though the loan financing was done back in the 2015-2016 budget year, the way the arrangement was worked out with BB&T was that the first payments on that loan were not going to be due until August of this year, one year later.

Alderman O'Garra asked if the Board authorized this transaction and Mr. Davis stated that is correct. Alderwoman Sutherland asked where does it say that and asked Rhonda if she has the minutes. Mayor Rey stated that is in Tab 2. Alderwoman Sutherland asked Rhonda to pull the minutes where this was presented as well as where the vehicles was in the accident and the insurance checks. Mr. Davis stated the minutes where the Board approved the financing are in Tab 2. Mr. Davis said he will actually get into a discussion where the vehicles were damaged later on in Tab 16. Alderman O'Garra said so ya'll are saying I wasn't here at that time and Alderwoman Sutherland stated I wasn't either. Mayor Rey stated yeah you were Ms. Sutherland, you were here, June 27, 2016. Alderwoman Sutherland stated she was here when Chief McDuffie stated they were paid off. Alderman O'Garra said so the vehicles were paid off in July, the same time you got the loan? Mr. Davis said the check was cut September 2015. Mayor Rey asked so we got the check from the bank on August 1, 2016 for \$300,000 and then we purchased the two Dodges a month later. Mr. Davis advised the check is in Tab 14. Mayor Rey clarified that the check for the vehicles to the dealership was cut September 24, 2015 but the check from BB&T for the \$300,000 was cut in 2016. He further clarified that the \$47,558 for the two Dodges came out of the 2015-2016 budget and we paid that in advance of getting the \$300,000. Alderman O'Garra stated he thought Mr. Watson was going to make contact with BB&T and have the check forwarded and Mr. Watson stated all the information he has, as of this afternoon, are in the book. Alderman O'Garra stated so you were not able to get that done and Mr. Watson said I did get checks in on Friday. Mayor Rey clarified that they are talking about the actual check that has cleared the bank and Alderman O'Garra stated yes. Mayor Rey then requested a copy of the actual check for \$47,558 to Chrysler, Jeep Dodge.

Mayor Pro Tem Dobbins asked if the two Dodges, the pitch black and the bright white, were purchased in the 2015-2016 Fiscal Year and the payment was to begin this year, in the 2017. Mr. Davis said based on the installment loan paperwork, yes sir. Mayor Pro Tem Dobbins said the other thing is the invoice date is 9-24-15 and inquired when the vehicles were delivered. He said now that's the invoice date and that matches the aforementioned Tab 14, page 5 invoice date and I guess we now go back to the contract date, right? He stated in Tab 7 the paperwork says the agreement is entered into on August 1, 2016. Mayor Rey stated what he is looking at is that we paid for the vehicles prior to receiving the loan from the bank, am I correct? Mr. Watson stated that is correct. Mayor Rey then asked why it took so long to put the loan package together and stated it looks to the Board, he then stated he will not speak for the Board but will speak for himself because you guys may see it differently. He stated we don't receive the money until August 1, 2016 from the loan package from BB&T but we have already purchased vehicles prior to that and so the question for the Board is – do we have concern with the fact that the vehicles were purchased prior to the loan and why did it go in that order. He recapped what he understood to have occurred which is that the Board approved the loan in June of 2015. He stated we approved to do the financing so we knew we were going to do the financing and ended up getting the vehicles before we did the financing. Mr. Watson stated correct. Mayor Rey said so that's what took place. Alderman O'Garra asked when did we give them the check, when we got the vehicles did we give them a check? Mr. Watson stated if you look at the spread sheet, the invoice for the Dodge Chargers was 9/24/2015 and we cut a check on 10/2/2015. He stated also during that same time period, before I came to work for the Town, they had planned to purchase a clam shell truck in the previous budget years but it took longer than they expected for that to be delivered which was later in the fall and we paid for that. Mayor Rey asked Mr. Watson when he came on board and Mr. Watson replied March 2015. Mr. Watson then stated the last piece was the Stormwater vehicle and Byron Blumenfeld could not locate a pickup truck for that use until right at the end of the Fiscal Year from Capital Ford and that is when we finally did the all the financing for all the vehicles and to reimburse ourselves for the police vehicles, the sanitation truck and the Stormwater vehicle.

Mayor Pro Tem Dobbins stated that he heard the term "reimburse ourselves" and inquired if this was paid out of Town money and then we got the loan that came back into our budget. Mr. Watson stated yes sir and stated that in one of the Tabs there is a reimbursement resolution that allows the Town to reimburse itself for past expenditures. He also stated that is a requirement under IRS rules.

Mayor Rey recapped that the Board of Aldermen approved, in June, for us to get a loan but we moved to purchase the vehicles prior to us getting the full approval of the loan. Once we received the loan and "reimbursed ourselves" for the vehicles, I guess the question is going to be, for the Board, is there heartburn from the Board members that we, first and foremost, we approved that we were going to get the loan, the Board approved that we were going to finance these vehicles, and clearly it is legal for them to make the purchases and reimburse us, the question is does the Board have heartburn about purchasing the vehicles before we have the loan from the bank? Actually, that is the question here.

Alderman Sutherland stated, in actuality, this is how I feel. When monies has been approved during budget time, if we have the monies in our General Fund, we said that we are going to purchase this and we have a budget, those vehicles was purchased and the dates is corresponding and I have some paperwork here. I also have a financial agreement which should not be this complicated, for us to purchase vehicles, so if we are refinancing and we keep refinancing on tax payer dollars, the Town is losing money. So if we stated that we were going to pay for those vehicles out right, in order for us to not lose tax payer dollars, to keep fluffing it and going around, then it should be paid for if it is presented to the Board, as a Board member, yes you were here Ms. Sutherland, then I expect that to happen. As a Finance Director, when you state and you present a budget amendment to the Board that the vehicle is going to be purchased and paid off, that's what I'm expecting. But then when we turn around and get \$320,000 because the finance with BB&T allows us to pay for the vehicle a year later but still taking into consideration the interest that we are accruing through the Town with tax payer dollars, that's just not good financial advice to me. Why would we do something like that if we have approved it as a Board to pay these vehicles off and when we was having the budget workshops I stated that. When you said we were going to pay off these vehicles again out of the \$499,000 and I said why would we do something like that when we have agreements with different financial institutions, as a municipality that we don't pay off vehicles right away. Then you come back to me and tell me that it was paid off and then later you come back with we've got a year later to pay and we are accruing interest on tax payers dollars, no, I'm not with it. It was clear to me at this workshops out of that \$499,000 that we're getting ready to pay off vehicles again that you're just telling me that they were paid off so why do we have to pay them off again out of this budget? I'm just totally confused, I really am. I don't understand. You're telling me that they are paid off and delivered later and then we come back and we got a year later to pay, we go to BB&T and get \$320,000 but then at this budget workshop it was asked several different times about the vehicles, why is it that we have to pay those vehicles off again if you're telling me that they are already paid off and we still got a year out of the \$320,000 but then out of this budget it's \$499,000, so these numbers to me is just a lot of paperwork. I'm just a little confused and we're going through these Tabs because we keep paying off the same vehicles.

Mayor Rey stated he wanted to try to bring a little clarity to what has been stated tonight. He said as a Board in 2015 we agreed to take out a loan to pay for these vehicles that much we can agree on. That was approved by the Board of Aldermen. He stated he is sure that all the department heads came and made their pitch on the vehicles that they needed in that time frame for the upcoming year so in June 2015 we approved to finance these vehicles that were requested by our department heads. We moved forward and purchased two of the vehicles, the two Dodge Chargers. We received the invoice in September 2015 and we cut the check in October 2015 for the two Dodges. That money came directly from the Town of Spring Lake because we were still putting together the financial package for BB&T for the loan that the Board said we would acquire to pay for these vehicles. We paid for the vehicles out of, I'm assuming, the General Fund, right Butch? Mr. Watson replied for the police vehicles, yes sir. For the Stormwater vehicle it was out of the Stormwater Fund and for the Clam Shell truck it as out of the Sanitation Fund. Mayor Rey stated but we had still not received our loan from BB&T in the 2015-2016 cycle. So

we come to the end of the 2016-2017 cycle and now the package is coming due by BB&T for us to receive the money from BB&T. We receive the \$300,000 from BB&T that we would have used anyway to purchase the four vehicles and so we ended up reimbursing ourselves on the vehicles that we already purchased and now we are at the point where we have to pay back the loan but to Ms. Sutherland's point, the loan was not received until August of last year which was in the 2016-2017 budget cycle. And now that we are out of that cycle, the way the loan was written, the first payment was not due until a year later. Mayor Rey then inquired if we had accrued interest during that year and stated that he assumes the decision to set up the loan this way was due to a cash flow decision. Mr. Watson stated some municipalities set financing terms annually, some semi-annually and some quarterly in arrears. Mayor Rey then inquired if we go back and look at the majority of the loans that we have taken out will we find this structure for most of them and Mr. Watson stated correct. Mayor Rey stated we are not doing anything that hasn't been done before and the question for the Board is to make sure they understand that the vehicles that were purchased initially were paid for by the Town, the loan that we got from BB&T in August 2016 we used to pay ourselves back but we still have to pay that loan back. He also stated that he is sure the Police Department needed those vehicles sooner than August of 2016. He stated that it makes business sense for the Town to purchase those vehicles because we had the money in the General Fund knowing that we were going to get the loan and knowing that we were going to pay ourselves back. Because if that was the case we need to set a precedence as a Board that we don't purchase anything until we get the loan from the bank and that will tie the hands of the department heads from being able to do their jobs because we would not have gotten the vehicles until August of the following year. He said he believes that is where some of the confusion has created how this got started and it has provided some clarity for the Board on how some of our processes are. He stated when we said in the budget workshop that we wanted to use money out of the General Fund to pay off the two Dodges, what we are doing is paying off some of the \$300,000 loan that we know comes due next month which will bring down the overall payment and will make the long term interest more amenable for us based off of the new financial obligations that the Town has absorbed like increases from the water companies and decreased revenues that we have now absorbed from the General Assembly. He then stated that he understands it and wants the Board to ask any other questions they have so that everyone understands how this process has gone.

Alderwoman Sutherland stated she is sorry but she just don't understand. She asked if Mayor Rey stated there would be no interest and Mayor Rey said no, he was wrong. Alderwoman Sutherland stated there will always be interest and Mayor Rey agreed saying yes, there is always be interest, I know that. Alderwoman Sutherland said it states here out of the \$320,247 to enable the Town to acquire installments and equipment as designed below and provide a secure, securing the Town obligation under this agreement by the security interest and BB&T favor. Also it says right here at the bottom it has attorney fees and interest as well. So I don't know if the Board, if everybody has this financial agreement but it's not straight up, straight out paid for those vehicles and the Clam Shell truck. She then inquired how old is that Clam Shell truck? She stated she thinks we had that truck before Mr. Davis even came. Mr. Davis stated this is a second truck. Alderwoman Sutherland inquired when we got it and Mr. Davis stated about a year ago. She asked is that the one you said was broke down and Mr. Davis replied it is up now. She asked if we had to put money into it to get it fixed and Mr. Davis replied yes ma'am. Alderwoman Sutherland then stated, but anyway, that's what this says here, out of that \$320,247 we have to pay attorney fees, interest fees and obligation and bond council opinion, the original opinion, that's why I'm a little confused. I just don't understand how this has already been approved and the time limitation obligation was actually before what you said because this is dated July 27, 2016 so I don't understand when we get a loan last year and we don't start paying until this year but we have the funds according to this agreement and attorney fees and everything else. What did we do with that money at that particular time? She stated because this agreement here dated July 27, 2016 between the Town of Spring Lake North Carolina and the Branch Banking and Trust Company, this is the whole contract and it says attorney fees and interest so why would we get the money and not pay until now if we have that money? Mr. Watson stated that money came back into the General Fund, the Stormwater Fund and the Sanitation Fund to pay ourselves back and it was set up where you start making those payments on an annual basis from that point in time so that's why it comes due on August 1, 2017.

Mayor Rey stated that the minutes they have in their notebook only reflect the decision for the Board to approve the Resolution and he believes they will want to get minutes prior to the Board meeting showing the discussion about the vehicles and asked the Clerk to get those for the Board. He stated we will clearly need more information on this and we don't want to be bogged down with this all night. He then called on Alderman O'Garra and then Mayor Pro Tem Dobbins.

Alderman O'Garra asked if the money comes out of the Police Department's budget when they purchase vehicles. Mr. Watson said when a town or county does a budget, just like Mr. Davis stated, for the 2015-2016 budget year, installment proceeds show up as a revenue to receive those but you don't have any debt payments that same year for those vehicles so in that case it would not be in the Police Department's budget. If you look at other year's budgets, and if they had capital outlay items to purchase and pay cash and not finance it, it would be in the budget but it would be in the capital outlay portion of the budget. Alderman O'Garra stated ok, so we are doing it different than we have done it in the past. He stated he can remember when we did the Ford SUVs we accumulated some money and we went out and we allotted the Chief the money to purchase the vehicles and all he did was come up to Finance and get the checks and I think with the rest of the money he surprised everybody with the body cams. That's not the same way. Mr. Watson stated if he remembers correctly the body cams were purchased with grant funds received from the League of Municipalities. He said he thinks he is correct in stating that they received a grant for \$2,500 to purchase body cams. Alderman O'Garra stated no, I don't think you are correct. This is something McDuffie went out and did. Mayor Rey stated we didn't purchase them from the League. Mr. Watson replied that the League gives grants for public safety purposes and the year before I got here they purchased some body cams. Mayor Rey clarified that that was the second iteration, the first iteration we used our money to purchase some body cams prior to you coming on. Alderman O'Garra inquired if we had a problem getting the check to the dealership on time and Mr. Watson stated he is not familiar with any problems in someone getting their check.

Mayor Pro Tem Dobbins stated he might finally be getting this but help him out where he errors. In September 2015 we received two vehicles and we have driven those vehicles for the Town for 21 to 22 months with no payments. Mr. Watson said correct. Mayor Pro Tem Dobbins then stated it is costing us, in addition to that, according to Tab 8, the interest on the vehicles of about \$2,500, so it is costing us about \$2,505 to drive their vehicles for 22 months. Mr. Watson stated we purchased the vehicles in September and the financing took place at the end of July so you would have a year's interest, yes sir. Mayor Pro Tem Dobbins stated it looks like two years' worth of interest. Mayor Rey stated the initial money came from us. The 2015 money came out of our General Fund so there's no interest. The interest started in August of 2016. Mayor Pro Tem Dobbins stated so that is not really \$2,505. He then stated now we are at the point where the financing is due and I guess that's just the bottom line. Well, not the financing but the payment of the loan is now due and it looks like we owe the money. But, on the other hand, if we had the money to buy the vehicles before the loan, could we not have left it at that. Mr. Watson stated not during the budget process because you had to show the loan as installment proceeds and you didn't have any debt payments showing up for that year so the next year when you do the budget you have the debt payments showing up. Mayor Rey stated what Mr. Dobbins is asking, and correct me if I'm wrong, we were able to cut a check out of our General Fund then why did we need to do the financing. Mayor Pro Tem Dobbins stated that's right, that's what I'm saying. Mr. Watson stated by the end of that Fiscal Year you would be, or that particular line would be in the red or in the hole. That's why you would show that you plan to replenish it with those proceeds. Mayor Pro Tem Dobbins stated ok. Mayor Rey then stated I understand that because we put that in the budget, but again, if it was articulated to the Board, prior to them making that decision, that hey in our General Fund we have X amount of millions of dollars and we can take this money out and go purchase these vehicles, I think what they are saying is maybe that is how it should have been. But, that goes back to the budget workshop that we just talked about getting to become a culture of instead of financing things to start paying off things. He stated the culture of the Board, and this is through no fault of our own, has been to finance vehicles. We have always financed vehicles in the past and I think what we've noticed now it that we have the resources but I would caution the Board and say that if we would have outright written a check for all the vehicles, not only would

our Fund balance have been lower and we wouldn't be able to meet some of the debt obligations that are out of our control like some of the stuff the General Assembly does to reduce our revenues or us absorbing the rate hikes by PWC and Harnett County for water and us not passing that along to our citizens and we have been absorbing that for the last four, five or six years. Alderman Christian stated not to mention what we pulled out of General Fund to cover the expenses of Hurricane Matthew. Mayor Rey then stated a part of the discussion that we have to have moving forward in the strategic plan of the Board is that when we want to make the large capital purchases is to ask can we buy it outright and then looking at the timeframe of how the financing goes. I think the challenges for the staff is that I know the Police Chief needed his Chargers sooner rather than later and I think that goes back to having conversations with our financial institutions as to why it took so long to put a financing package together which is completely unacceptable. He said that's the kind of conversations we need to have when we as a Board agree to finance something and make sure it happens sooner rather than a year later. What we cannot negate is that it is customary when institutions loan monies to municipalities there are certain ways that is done. He asked Mr. Watson to tell the Board what are the ways this is done. Mr. Watson stated there are different scenarios and there are more than three. You can finance it like we did it and pay in arrears. You can also pay in advance where your first payment is in advance. Most people don't do that or they finance it less that first payment. Some people finance and put money in escrow up front but then you are paying interest on everything but you haven't made any payments. The other thing that you may or may not recall, in the April, May or June of 2015 the Legislature changed the law and prohibited us from collecting any funds for business licenses. That cut our revenues by approximately \$31,000 each and every year. That is one thing at the time, along with the transition from Mr. Wilkison to Mr. Davis that drove this decision. Another way to handle this is to just take the money out of Fund Balance and pay for it and those are the different options. Mayor Rey stated moving forward, and hopefully as the Board has an opportunity to absorb this information, we can see the different things that took place here and present the information to the Board in such a way that everyone understands and is comfortable moving forward. He stated he hopes the information provided here will help answer some of the questions as to why some of this stuff has crossed over Fiscal Years based on what has been presented to us. Alderman Christian stated he believes a better term to say is not that we are paying off vehicles but that we are paying off the loan that was used to buy the vehicles. He believes it is a matter of terminology, we are not paying off the vehicles again we are paying off the loan we used to buy the vehicles. Mayor Rey further stated that it could have been said that we took the money out of Fund Balance because we haven't received the loan yet that the Board said we need to take out to finance the vehicles instead of us finding it all out at the very end. He also stated that as we do these transactions it is critical that they Board understands. Because when you talk about moving money and citizens in the community are asking Board members questions because they did a four year request and found out that you paid off the vehicles already and I don't understand why you are saying you are going to pay off the vehicles again. He stated when we are moving money like that staff has to be able to say this money is coming out of Fund Balance but we are pursuing a loan, then the Board can absorb that better and can articulate that to the citizens instead of things looking like we don't have it together when actually we do but we are not explaining it the proper way and it leaves us all out here looking crazy.

Mr. Davis stated that he is not a big fan of installment purchases either. He thinks when we went through this process what brought us, as a staff, back to the issue of moving forward with the effort is that we got a sensing from the Board and that was the guidance to move forward and when the budget was put together for that year there were places in the revenue stream for the different funds. In the General Fund the \$66,000, in the Stormwater Fund the \$20,000 and in the Sanitation Fund \$278,000. So there were holes in the budget and we were counting on that revenue to come forward to balance the budget that was approved by the Board at that time. One of the other factors that we haven't addressed here and impacts on this whole package is that the Clam Shell truck, the second one, was delayed. It actually had to be built and it was delayed in getting here. He stated he doesn't remember the times but it wasn't here when it was supposed to be here and he believes that had an impact on this as well. We tried to tie the financing together with the police vehicles which were needed immediately, the Stormwater truck which there was a delay on and then of course the Clam Shell truck. He stated he agrees with everything that has been said here and a better job could have been done going through this

process as a whole and I think we have learned some valuable lessons going forward to really, when required, come back to the Board and explain what was done. He stated there were probably some options that we should have looked at and had dialog on during this process but you are categorizing this correctly in terms of paying off this loan, it is a financial obligation that we have and I think we need to move forward as we recommended to pay off a portion of it as part of this budget process for 2017-2018 and for the clam shell truck piece we would pay off in the five years loan that is in place right now.

Alderwoman Sutherland thanked Mr. Watson for his clarification and Mr. Davis for his explanation but we shouldn't be where we are today. We had the budget workshops and I said the same thing you said, why would you purchase, and I'll state it again, I have already said this, pay off vehicles. Because when it was presented to us, that's why I asked you for the minutes and I would love to see the minutes that brought us up to this because it is always said the Board approved this, the Board said this, or whatever the case may be, this is what you did. But, you are not presenting me the minutes that state this is what I said and this is what the Board did. So anyway I'm kind of in the blind because I can't remember all the time accurately a year later but I can remember Chief McDuffie standing before us, because we thought it was great that we were able to purchase these vehicles and pay them off because the Town was in a good place, we're not paying interest and we look good. A year later or two years later, whatever the case may be, whatever we purchased for the Town, we are not in a good place, we just fluffed the General Fund to look good and now we are in this situation. To say all of that, I said the same thing to you when we were sitting at that table about the interest and paying it off. Now, we are ready to pay this off. I'm thinking with the experience and expertise, you are the expert in finance, and with experience, then if we know what local governments are accustomed to doing when it comes, instead of it being a personal loan that I would purchase to get a vehicle or house or whatever the case may be, then why wouldn't we always do what's best for the Town and for the citizens so we wouldn't be here and I'm not understanding and I'm thinking that when we get those body cams and we are getting those nice vehicles to drive around the Town that we paid for them and we was in a good place. And there was some grants that was applied for in his department. So, I'm just a little confused and I know that you say from this point on we are going to try to do better with our finances but why are we here, why are we in this position if we know we have the experience and we know what's right for the Town and the citizens at all times. I'm just a little confused but thank you so very much for your research and again we'll go back and look at all this paperwork and I think you stated that we need to go ahead on and get this paid off but the Mayor stated give us enough time to absorb this before and I think my colleagues stated that we had to take money out of General Fund for Matthew and I think Mr. Cooney said we should be receiving \$267,000 back. Have we received any of those checks? Mr. Cooney stated yes and we have a report for you at the next meeting. Alderwoman Sutherland stated I think you said there will be monies left over from that and we would be purchasing different things of that nature. So, I just think for future reference if you are going to present stuff to us a year later then I think we should have minutes in front of us so I can see what I really actually said, but thank you so very much. Mayor Rey stated a lot of great lessons learned here, keep on learning and growing. Thank you all so very much. We will take back this information and I think in the future rather than us just getting the action item minutes let us get the discussion minutes as well. I think that would be helpful for the Board members so they can see the discussion that was made by the Board so that when we get to the Board meeting and we vote on a decision they can have some context.

(A copy of the agenda memo and notebook is hereby incorporated by reference and made a part of these minutes – see attachment four.)

c. Manager's Update

Mr. Davis reported the following:

- There is a new format for the Farmer's Market this year. The will be open the 1st Saturday of each month. They had a good turnout this past Saturday. The next one will be August 5th and then the 9th of September.
- I had a good conference call with NCDOT as a follow up to some of our questions and concerns from the NCDOT Forum. It looks like we are going to get some of the modifications we asked for and I am trying to

get some better graphics from them so I can show you that. We talked about the guard rail and safety at the round-about. We will also get the redesign that we recommended for south Main Street and Bragg Boulevard. They will extend the median out so that you will be able to make a right turn onto Main Street from Bragg Boulevard and as you come down Main Street you will be able to do a continuous turn onto Murchison Road which should assist with some of the traffic challenges we have had there with traffic backing up onto the bridge.

- Working on a scouting/recruiting night, possibly the last Thursday in August, where we would bring together representatives from the Boy Scouts and Girl Scouts to share information with the community on scouting programs.

Alderwoman Sutherland inquired about new furniture at the Recreation Department and stated that there are signs telling people that they are not allowed to sit on the furniture if they have been exercising and that the kids are not allowed to sit on the furniture because they are afraid it might get tore up. She stated we should get commercial furniture because we can't monitor who sits on the furniture. We can't keep people off the furniture purchased with tax payer dollars. I like things to stay nice too and that's why we need to try to invest in commercial furniture. She stated I'm speechless and I don't know what to tell people when they call me and tell me they were kicked off of the furniture. She asked if it was true and stated some things just don't make sense to me. We need commercial furniture where you don't have to put up signage and people taking photos of the signage and sending them saying we can't sit on here because I've been exercising. That is something we shouldn't even try to monitor. Mr. Davis stated that he will look into it and get back to you.

Alderwoman Sutherland then asked for Rhonda to do some research about the tennis courts because they look bad and we have been talking about the tennis courts and putting money into the tennis courts but it looks like that fell through the cracks as well. She then inquired what happen to the money that was supposed to be used for the tennis courts. Mr. Davis stated we will provide you all with an update on that at the next meeting. She stated we would just love for our children and citizens to have nice things as well and we put money into it. I can appreciate the police vehicles and the public safety, the Police and Fire Departments and everything but we as a Board, then it comes back later and says that we approved for the tennis courts to be remodeled and different things and it has not happened, anyway, thank you so very much, that's all I have.

9. New Business

a. Ordinance (2017) 6, Town of Spring Lake (Mutzberg Tracts) Property Annexation

Ms. Webb advised the next step in the annexation process is for the Board of Aldermen to adopt Ordinance (2017) 6 to annex the tracts of land into Spring Lake.

Action: The Board approved a motion to approve Ordinance (2017) 6

Motion by: Alderman Christian

Second by: Alderman O'Garra

Vote: Unanimous

(A copy of the Agenda and Ordinance (2017) 6 is hereby incorporated by reference and made a part of these minutes – see attachment two.)

10. Closed Session, G.S. 143-318.11(a)(6) - Personnel

Action: The Board approved a motion to go into Closed Session pursuant to G.S. 143-318.11(a)(6) – Personnel.

Motion by: Alderman Christian

Second by: Alderman O'Garra

Vote: Unanimous

Action: The Board approved a motion to go back into open session at 8:47 p.m.

Motion by: Alderman Christian

Second by: Mayor Pro Tem Dobbins

Vote: Unanimous

11. Adjournment.

Action: There being no further business to come before the Board, the meeting was adjourned at 8:48 p.m.

Motion: Alderman Christian


Second by: Mayor Pro Tem Dobbins

Vote: Unanimous



Rhonda D. Webb
Rhonda D. Webb, MMC, NCCMC
Town Clerk

ATTEST


Chris V. Rey
Mayor