

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

March 2, 2021

MINUTES

9:00 a.m.

The Board of Aldermen held a special meeting in the Grady Howard Conference Room of the Spring Lake Municipal Building with Mayor Larry G. Dobbins presiding.

**Board Members Present:** Mayor Pro Tem Taimoor Aziz  
Alderwoman Sofia Cooper (via Zoom)  
Alderwoman Jackie Jackson  
Alderman James O'Garra  
Alderwoman Fredricka Sutherland

**Others Present:**

Adam Lindsay, Interim Town Manager  
Jonathan Charleston, Town Attorney  
Nancy Medlin, Council of Governments  
Gary McConnell, MacConnell & Associates  
Justin Hembree, Council of Governments  
Tim Garner, Director of Water Treatment Plant  
Debora Johnson-Hudson, Town Clerk  
Melissa Pereira, Deputy Town Clerk  
Banard Lemon, Audio Visual Coordinator

**2. Invocation and Pledge of Allegiance**

Ms. Debora Hudson gave the Invocation and led the Pledge of Allegiance.

**3. Review and Discuss Audit**

Mr. Adam Lindsay informed the Board that the auditors are finalizing the 2019-2020 audit, and the target completion is March. Mr. Lindsay conveyed it's very critical to complete the audit so we understand our financial position as of June 30, 2020, and developing our budget for 2021-2022. Mr. Lindsay stated the phone conversation went well with the LGC, and in the letter we responded to their concerns and how we are managing our finances. Mr. Lindsay stated the LGC encourages us to move forward. Mr. Lindsay stated the theme for this year's budget is how we are going to operate within our means, and ensure all audits are timely completed. Mr. Lindsay stated the LGC is interested, and they want to see the audit completed, and the preparation of the budget. Mr. Lindsay stated we will give feedback and comply with all guidelines outlined, and they will be checking in with us on a monthly basis. Mr. Lindsay stated the LGC will also wants us to be able to provide financial data to the board to see on a regular basis. Alderwoman Jackson asked about the projection of numbers from the Budget 2019-2020 or now? Ms. Nancy Medlin stated the fund balance number is the projection of Budget 2019-2020. Alderwoman Jackson asked does the projection numbers correspond with the numbers in the bank? Ms. Medlin stated no, fund balance is different than cash. Ms. Medlin explained fund balance is what you have leftover after you have outdated everything that is restricted like Powell Bill, the money is restricted. Ms. Medlin stated you can't allocate restricted fund

balance to fund balance. Ms. Medlin stated your fund balance is not restricted and can be used for any purpose. Ms. Medlin stated the LGC looks for liquidity and financial health. Alderwoman Jackson asked about \$1 million dollars at the end of the year. Ms. Medlin stated no, that's the \$10,994 you had available on June 30, 2020. Alderwoman Jackson conception is we had \$1,097,701 million. Ms. Medlin stated no, from July 1, 2020 until now you have received sales tax money from the State, received taxes from the County but also been spending the monies that come in and the monies that go out. Ms. Medlin expressed you had budgeted July 1, 2020 with \$11,000 dollars but spent \$350,000 so you started out the year in the hole. Ms. Medlin stated that's the issue we are dealing with. Ms. Medlin expressed from now until June 30, 2021 you have received property taxes and you received everything that you are going to receive because most of the revenues come in during the December to February timeframe. Mr. Lindsay reiterated if you have a bank account and you may set aside vacation money over here (which I don't want to touch), but then I have my utilities bills, mortgage, or rent and all your bills come out of one checking account and your vacation money is also in that account; but you budget those things that you do, and what happened here with the Town's financials is we tapped into our vacation money to pay our bills. Mr. Lindsay stated that's why we are trying to get caught up with audit and understand what's going on in this current budget, and that we don't run out of resources. Alderwoman Jackson had concerns with our current financial situation and asked could we take from the account if we had too. Mr. Lindsay stated we may not legally be able to use it because there are some legal restrictions. Alderwoman Jackson asked could we use our savings to bring us back current? Ms. Medlin stated no, you can't use water and sewer funds for general purposes or Capital Projects funds for other purposes. Ms. Medlin stated that's what the audit does. Alderwoman Jackson asked could the board receive a breakdown of where the funds go? Ms. Medlin stated yes. Alderwoman Jackson had concerns about Ms. Tucker, the Finance Director, not being invited to the meeting and she believes she should have been present. Ms. Lindsay stated his preference is to ask Nancy or myself; Gay is supporting us but the decisions we are making right now is myself or Nancy. Alderwoman Jackson stated she just wanted input from Ms. Tucker. Mr. Lindsay stated she would not have the answers only me and Nancy. Alderwoman Jackson asked what is Ms. Tucker's title? Mr. Lindsay stated she is still acting as the Finance Director. Alderwoman Jackson had concerns about Ms. Tucker being involved and on the same page as Mr. Lindsay and Ms. Medlin. Alderwoman Sutherland had concerns about the audit and bank reconciliations, and the fact is we didn't complete bank reconciliations. Alderwoman Sutherland exhibited documents to show what the previous finance director presented quarterly. Alderwoman Sutherland had concerns about the overspending of expenditures not documented. Alderwoman Sutherland asked do we know how much we are in the hole with these expenditures? Ms. Medlin stated we haven't fully completed the audit but I can tell you most every department was overspent before June 30, 2020. Alderwoman Sutherland stated we haven't seen any budget amendments since Mr. Watson left. Ms. Medlin stated and that's one of the internal issues that we are looking at and will come to you with recommendations from making sure that those sorts of over expenditures don't happen. Ms. Medlin stated Budget 2021 departments spent over, and we know we are already overbudgeted in turn we will have to do budget amendments. Ms. Medlin explained we have big holes to fill especially with salaries with fund appropriation, and we trying to figure out what our response is going to be. Ms. Medlin stated we have sent out requests to the departments heads for individual estimates to help us, and should have a better picture sometime next week. Alderwoman Sutherland asked how can we run a town when we don't have any monies? Mr. Lindsay stated we will address those concerns. Alderwoman Sutherland asked about franchise tax and where is it located? Ms. Medlin explained franchise tax is one of your revenue lines actually where utilities that operate inside your corporate limits, for example a gas company or an electric utility; they have to pay you by state statute to operate within your corporate limits. Ms. Medlin explained you get those distributions on a quarterly basis and they come from the Department of Revenue, and there are three-line items where those utility franchise taxes are reported. Mr. Lindsay stated that we will show you where they are captured. Mr. Lindsay stated audits tell you what happened and the budget is a legal

spending plan. Mr. Lindsay explained in the private sector a budget is a plan, and in local government it's the law.

#### 4. Utility Rates and Discussion

Mr. Lindsay introduced MacConnell & Associates to present the Town's Water and Sewer rate study. Mr. Lindsay expressed your utility or enterprise fund is a business and operation has to be more like a business so your revenues have to cover your expenditures. Mr. Lindsay stated you have to plan for future cost in those revenues. Mr. Lindsay highlighted that we purchase water and provide a commodity in wastewater and it is essential that we capture our costs, and that's why you need to look on a regular basis what your actual expenditures are and what you think they're going to be making sure your rates are adjusted to pay for those. Mr. Lindsay stated its important that we continue to analyze, and make sure you are where you need to be to cover your costs which are always increasing. Mr. Gary MacConnell stated that the water rates need to raised. Mr. MacConnell expressed people don't like to raise rates in the pandemic but sometimes you have to raise rates so you can meet the needs of your system because it is a resource and a valuable commodity. Mr. MacConnell explained water purchased from Fayetteville PWC and Harnett County, and potable water demand of one million a day. Mr. MacConnell stated the current status with the Town's water rates has not been raised in two years and sewer rates last raised eight years ago. Mr. MacConnell stated that a red flag because cost has gone up. Mr. MacConnell expressed the growing expenditures have taken over the revenue in turn with less money available for routine maintenance and capital improvement projects, and does not keep up with inflation.

Mr. MacConnell conveyed that you have to raise rates to keep qualified staff and to maintain quality staff, and raise rates to keep up with what other people are charging. Mr. MacConnell stated you have an aging water treatment plant in need of regular maintenance with limited grant opportunities. Mr. MacConnell stated there are now grant programs that are no longer available to the town. Mr. MacConnell stated your rates are extremely low. Mr. MacConnell stated you have an aging system that needs more work and two open positions that need to be filled and it makes it more difficult to maintain a quality system. Mr. MacConnell stated Spring Lake has the lowest water rate flat fee and when your average is 13.09 and you are at 3; there is a problem because you are not getting enough necessary revenue to run and maintain that system. Mr. MacConnell stated the sewer rates are also extremely low. Mr. MacConnell recommends to upgrade the water treatment plant in the future. Mr. MacConnell stated your revenue is not covering the system and the need to raise rates to meet and cover capital improvement projects. Mr. MacConnell stated if you don't raise rates then the state can come and take over. Mr. Connell stated the average water bill would go up \$10-\$13 a month, and sewer rates would go up from \$9.25 to \$16.05. Mr. MacConnell stated we need to raise the rates periodically to keep up with inflation. Alderwoman Sutherland stated that Spring Lake doesn't offer any amenities to our citizens but we are in a situation that our infrastructures are in need of updating. Alderwoman Sutherland stated the monies that came in from the hurricane was supposed to go to water and sewer, and I don't know where the money went. Alderwoman Sutherland had concerns about the rates being raised just because the money was mismanaged. Alderwoman Sutherland expressed that the analysis does show the Town of Spring Lake could be one of the lowest. Alderwoman Sutherland had concerns about citizens who are on a fixed income, and let our citizens know what has happened. Alderwoman Sutherland had concerns about the town is no longer eligible to get a grant. Mr. MacConnell stated with DEQ there are some grants that are not available, and it was brought to my attention that the water and sewer fund was being brought into the general fund. Mr. MacConnell stated that the state wants town's to be self-sufficient with your water system ran as a business. Mr. Lindsay stated that the funds were not mismanaged as much as underfunded. Alderwoman Sutherland stated we should have a Public hearing for the citizens so the citizens can understand the rise in water bills. Mr. Lindsay stated we are not raising rates tomorrow but in the near future. Mr. MacConnell stated he could come to a Public Hearing and speak on behalf of the town. Mr. MacConnell stated no one wants to raise rates but

you have too. Mr. Lindsay stated this is needed and we have costs that we can't cover to maintain our water system. Mr. Lindsay stated we need to raise rates so we are better prepared for these things. Aldermen James O'Garra stated its obvious the rates will increase whether we win the election or not. Aldermen O'Garra stated we do owe it to the citizens that they know the truth. Aldermen O'Garra stated we have lost a lot of money due to this pandemic but also reconnections and disconnections, and we will never recover that money. Aldermen O'Garra stated people were told they didn't have to pay a water bill, and now it's come back to bite us. Aldermen O'Garra stated its not a reflection on Mr. Lindsay or Nancy Medlin; it's the Board. Alderman O'Garra had concerns about Mack Street and the water pipes that broke. Alderwoman Jackson had concerns about the water rates rising at such a fast pace, and we should have raised the water bills over a period of time.

## 5. Budget Areas of Focus

Mr. Lindsay discussed the water and sewer analysis of revenue and expenditures. Mr. Lindsay stated the budget and actual revenue listed is what we thought was going to happen and then what actually happened. Mr. Lindsay explained a budget is broken down by groups such as personnel cost, operating cost, capital expenditures and debt services. Mr. Lindsay stated your personnel cost is your biggest expenditure in local government. Mr. Lindsay stated your utility side capital tends to be a more regular and a higher item because of the nature of that business function, for example, pipes in ground, water plant, and water towers. Mr. Lindsay stated the pandemic has impacted our revenue and where people haven't been paying their bills under the Governor's orders was never meant that you don't have to pay, it was just a delay in payment. Mr. Lindsay stated this is a huge factor in this year's revenue. Mr. Lindsay discussed our revenues are lower but our expenditures are not, and people are still using water at the same rate, and our infrastructure is still out there needing to be maintained. Ms. Medlin explained sometimes you have interruptions like dealing with the pandemic and collections. Ms. Medlin expressed you need to keep cash on hand in case of those types of interruptions. Ms. Medlin expressed when that next hurricane comes through or another pandemic you need sufficient reserves to continue to operate the utility. Ms. Medlin stated even though you are not billing customers, you still have expenses such as employees to pay and maintenance to the system. Ms. Medlin stated days cash on hand is to determine how healthy your system is for a system of your size. Ms. Medlin stated I expect to see a minimum of 400 days cash on hand, and what that tells you is you have 400 days and not spend down your reserves. Alderman O'Garra stated he was always told to have 3 months cash in the event something would happen, and we have passed that with the pandemic. Alderman O'Garra stated we do need to increase cost, and the Board to say we are not going to charge late payments and cutoffs takes us out the business because this is a business. Alderman O'Garra stated all the benefits we gave the customers did not help us and we should have been raising all along. Mr. Lindsay stated you don't want people to miss their payments, however, you have to have an incentive for them to do it. Mr. Lindsay expressed we know we have people trying to make their bills but we've got to provide the service. Mr. Lindsay stated we have to look at our deposit amounts, are they too low, and this is where policies come into play. Alderwoman Sutherland stated the town has been closed three times due to hacking and the COVID outbreak, and people have tried to pay their bill online. Alderwoman Sutherland stated we have to look at our customer service and do better with our business practice. Mr. Lindsay stated even the best systems are going to have things happen, and we want to react on a case-by-case basis. Mr. Lindsay stated I'm very confident that our water department will help folks that are trying to do what they can but at some point, they still have to pay their bills. Alderwoman Sutherland stated we do have a policy that we should have emergency funds. Ms. Medlin stated I recommend 400 days, and we won't build that overnight, this will take a number of years. Alderwoman Sutherland stated that Spring Lake pays the highest taxes in Cumberland County.

Alderman O'Garra asked what percentage would 400 days be? Ms. Medlin stated in the general fund the bottom-line threshold of eight percent comes from that general fund recommendation from the LGC. Ms. Medlin stated that the three-month recommendation comes in for larger municipalities and for smaller municipalities they recommend higher than that. Ms. Lindsay stated that we want to look at your benchmark. Alderman O'Garra asked should we have at least twenty-eight per percent general fund? Ms. Medlin stated for a municipality your size, you really should be looking in the forties. Mr. Lindsay explained Tim from the Water Treat Plant has called me and told me that he has two situations going on, and only able to fix one. Mr. Lindsay stated they need a contractor to fix the other, and this is a great example why you need cash on hand.

Mr. Lindsay discussed the general fund and the changes that occur. Mr. Lindsay explained we have to understand the audit, and we have to understand what's budgeted in the current year to see what's in alignment and what's out of alignment. Mr. Lindsay stated in the past your fund balance has been used to balance your budget. Mr. Lindsay stated you don't want to use your fund balance on a recurring basis. Mr. Lindsay stated now we are below the threshold that the LGC recommends, and that's why we were sent a letter in regards to our budget. Mr. Lindsay stated we can not plug our budget with the fund balance. Mr. Lindsay stated we have to make decisions that won't be easy. Mr. Lindsay stated we have to look at every department, revenue, and expenditure in order to get our budget in alignment. Alderwoman Jackson asked if the fund balance was like a savings account? Mr. Lindsay stated yes, it's like a checking account also called an unassigned fund balance. Mr. Lindsay states we need to have a policy that we never see it this low again. Alderwoman Sutherland asked what restricted fund meant? Ms. Medlin stated a restricted fund balance is you might receive grants, and Powell Bill is a good example. Ms. Medlin stated you can only use it for a restricted purpose. Ms. Medlin stated you receive money from the fuel tax when people fill up the cars with gas, and a few pennies comes back for road and drainage improvements. Ms. Medlin explained you can't use the money to build a park restricted by state statue. Alderwoman Sutherland asked what does assigned and unassigned fund balance mean? Ms. Medlin explained the assigned is that portion of your fund balance you are going to pay out next year; it's typically accounts payable. Ms. Medlin stated unassigned you can set aside for one-time purpose but it's not to be used to balance your budget. Ms. Medlin stated in 2014 fund balance percentage was 41% and by 2020 the percentage was 0.14 percent which is way below the 8 percent that LGC recommends. Ms. Medlin stated for a municipality your size you should be above 40 percent. Mayor Pro tem Aziz asked in 2018-2019 there was an increase to 2019-2020, and what accounts for that? Ms. Medlin stated she does not have a final number for the assigned or restricted. Mayor Pro tem Aziz asked was it unassigned? Ms. Medlin stated no. Alderwoman Jackson asked if it was the splash pad? Ms. Medlin stated it could be. Mayor Dobbins stated he knows we budgeted for the splash pad; no Powell Bill money was used. Mr. Lindsay stated this is revenue not expenditures. Alderwoman Jackson asked is any hanky panky going on? Mr. Lindsay stated I don't think so, it's revenue. Alderman O'Garra stated the splash pad came out of general fund. Alderman O'Garra stated we told the manager don't raise the rates; you build the splash pad. Alderman O'Garra stated the manager did not want it, but we, the Board, spent that money. Ms. Medlin stated the unassigned fund balance is only used for one time, not salaries and general expenses. Ms. Medlin stated you want to use it for one-time capital cost or emergencies. Mr. Lindsay stated we've got to analyze our future position and complete the audit. Mr. Lindsay stated we will analyze the budget and ensure we are living in our means. Mr. Lindsay stated we want to see Spring Lake strive and get out of the position. Mr. Lindsay stated we are at a pivotal point as we continue as a town and providing the quality of that we believe in. Mr. Lindsay stated there are two approaches to this we have to find revenue or reduce the cost.

Mr. Lindsay stated we must raise are rates because they are too low. Alderwoman Sutherland asked if the town would contract out water would it save us any money? Mr. Lindsay stated he don't think its cheaper but will look into that. Alderwoman Sutherland stated salaries were not budgeted. Mr. Lindsay stated salaries were budgeted. Alderwoman Sutherland had concerns about high level salaries. Mr. Lindsay stated we are not just looking at high level salaries. Alderwoman Sutherland stated you had already stated at least two positions in

closed session. Mr. Lindsay stated we are looking at all areas and trying to uncover everything we can to get ourselves back in time. Alderwoman Sutherland stated we should have a Public Hearing to hear from the citizens as well. Mayor Dobbins asked are you wanting us to give you some ideas? Mr. Lindsay stated not ideas, but support. Alderwoman Jackson had concerns about getting rid of salaried positions instead make them hourly and keep the positions. Alderwoman Jackson had concerns about getting rid or cutting positions that are essential. Mr. Lindsay stated when we do talk about personnel it will require personnel decisions and pay reductions, and I'm very sensitive to that but this is about the town being solvent. Mr. Lindsay stated it's not about people and performance; it's about making sure Spring Lake is sustainable. Mayor Pro tem Aziz asked are we in a hiring freeze? Mr. Lindsay stated that's correct. Mayor Pro tem Aziz asked with some of the current positions not being filled is the salaries accounted for? Mr. Lindsay stated it's not just salaries; we are not trying to spend any dollars now except on emergencies. Mayor Pro tem Aziz expressed looking at the unfilled positions now and maybe cutting positions. Mr. Lindsay stated that would be a smart approach if it works out that way. Alderwoman Cooper stated that Beth Wood mentioned we had not done a fiscal inventory of assets for the town, and will we have that available? Ms. Medlin stated there is not an inventory being done in conjunction with the audit. Ms. Medlin stated the audit committee would schedule a regular inventory cycle that coincides with the audit to do an inventory annually of all of your assets. Ms. Medlin stated its needed so you can understand you CIP and what condition it's in. Mayor Dobbins had concerns about our vehicle policy, and the audit committee getting to work. Alderwoman Sutherland asked who's working on site? Mr. Lindsay stated they are here working all week.

## **6. Town Manager's Search**

Mr. Justin Hembree discussed the town manager's search. Mr. Hembree explained this is the most important process that they Board goes through recruitment and selection. Mr. Hembree discussed what specific background that the Board is looking for. Mr. Hembree expressed posting the job will be the first step. Mr. Hembree stated the board will see all the applications that come in, and score by ranking. Mr. Hembree stated to narrow down to 3 or 4 candidates, and include the Board in the process. Mr. Hembree stated it's a hot market out there, and specifically to managers. Mr. Hembree stated it's a tough market out there. Mr. Hembree stated to get the process started, we would develop a survey tool that y'all can go online and take, and this would give a base line with results. Mr. Hembree stated then we would come to the Board and discuss the criteria that you are looking for in a manager. Alderwoman Sutherland had concerns about the process and the ten steps. Alderwoman Sutherland stated they are looking for a manager who can go beyond, and knowledge of budgeting. Alderman O'Garra stated he don't want applications with no experience. Alderman O'Garra stated we required a manager to live here. Mr. Hembree stated yes, that was a requirement but now it's changed. Mayor Pro tem Aziz stated residency would not be an issue. Mayor Pro tem Aziz stated conflict resolution is very important because as a manager you are managing people. Alderwoman Cooper stated that all applications would be forwarded to us, and I don't think that's necessary especially if they don't meet the qualifications. Alderwoman Cooper agreed with Mayor Pro tem Aziz in regards to conflict resolution. Mr. Hembree stated only the most qualified will be sent to you based on the rank criteria. Alderwoman Jackson asked what is the timeframe? Mr. Hembree stated the reason I'm being hesitate because it depends on the factors, and could take two months. Mr. Hembree stated while advertising the town manager position it will state opened until filled. Mayor Dobbins stated he would like to see a manager with strong communication skills as well as expertise in finance, and verbal and written skills, and body language, and one who has a vision for this town. Mr. Hembree stated he's honored to help. Mr. Hembree stated he will be very honest and you might not like what I say whether it's about candidates but I have the best interest of the town at heart. Mr. Hembree stated when you hire a manager, he or she will be interviewing you too. Mr. Hembree stated the first thing he will do is send a survey, and we can meet individually to discuss the process.

Mr. Lindsay stated if you any questions please send them to the Town Clerk.

9. Adjournment.

Action: There being no further business to come before the Board, the meeting was adjourned at 12:20 p.m.

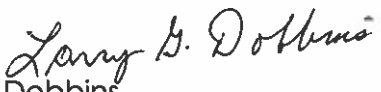
Motion: Mayor Pro tem Aziz

Second by: Alderwoman Jackson

Vote: unanimous



Melissa Pereira  
Deputy Town Clerk

ATTEST:   
Larry G. Dobbins  
Mayor