

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

February 22, 2021

GENERAL ACCOUNT

6:00 p.m.

Persons present:

Mayor Dobbins, Mayor Pro Tem Aziz, Alderman O'Garra, Alderwoman Cooper, Alderwoman Sutherland, (Joined Via Zoom @ 6:07 p.m.) Alderwoman Jackson, Town Attorney Jonathan Charleston, Tonny McNeill, Economic Developer, Interim Town Manager, Adam Lindsay, Melissa Pereira, Deputy Town Clerk, and Debora Hudson, Town Clerk and Barnard Lemon, Visual Coordinator.

The motion was made by Mayor Pro Tem Aziz and seconded by Alderwoman Cooper to go into closed session pursuant to:

N.C.G.S. 143-318.11(a)(4) – Economic Development

N.C.G.S. 143-318-11(a)(3) – Attorney Client Privilege

N.C.G.S. 143-318-11(a)(6) - Personnel

G.S. 143-318.11(a)(4)

Tonny McNeill, Economic Developer briefed the board on the Building Reuse Grant Resolution. Mr. McNeill stated this is no different from any other department coming before you to ask for a match for a grant. This grant is for Project Candyland, the popcorn company. We have commitments from the county, the state, Golden Leaf and commerce. This grant is a part of the upfit for \$85,000 with a dollar-for-dollar match from the company and a five percent match from the town. This grant is not contingent upon a public hearing or any other meetings. The announcement for Project Candyland will come through the Governor's office. This is our tax base and this grant is due on 2/25/2021. Mr. McNeill asked the board for a called meeting to approve this grant. Alderman O'Garra asked what would it cost us? Tonny said \$4,200.00. Why does the town have to do this? Tonny said this is a requirement from the Dept. of Commerce. The \$85,000 is reimbursement and the town will manage the money and ED will manage the process. Alderwoman Sutherland asked when will the town receive it and what line item will it go to? Resolution was sent to the town attorney on Feb. 11th for comments and feedback. Alderwoman Jackson asked for clarification on the grant and stated Economic Development should be a priority. As far as a line item it would go under that project name. Mr. Lindsay asked are you asking the board to allow the town to apply for the grant? Tonny

said in the process of applying for this grant one of the tabs in the book is a resolution from the town. Alderwoman Cooper asked do we have to give them \$4,250.00 in order to get the \$85,000 and what are we required to do with the \$85,000? Tonny stated the \$85,000 is used as a reimbursement for the company. As we look at the building upfits it is going to be \$170,000. As they spend and turn in the receipts the town will reimburse the money from the grant money. The town will manage the process. They will do government to government. We use it as leverage to ensure they create those jobs and if they don't, they have to pay it back. Tonny stated we received \$240,000 from Golden Leaf under the equipment /lease program. The way it works is they will give the money to the town and the company will lease the equipment. The lease money coming to the town, the town will get to keep for economic development. Once the company creates the jobs then the equipment is transferred to the company. Mr. Charleston cleared up what was in the document it suggested that the town had already requested the grant and that's what Ms. Bamba was seeking clarification on. Mr. Charleston cleared up the fact that his email had been hacked and had been down during the timeframe you sent the email. He asked that he refrain from his comments suggesting what he did or did not do. Tonny stated this is about what's in the best interest of the town.

Mayor Dobbins interrupted and said we won't get anywhere like this and it's about what's in the best interest of the town, check your egos. Alderwoman Copper asked is this something we have to vote on? Tonny stated he would ask the board vote to approve the resolution with the recommended changes in order to move forward and submit the grant by the 2/25/2021 deadline. Mr. Charleston asked if the grant application had been submitted? Tonny stated no it has not been submitted. I'm just asking the board to approve the resolution with the recommended changes per Mr. Charleston and Ms. Bamba.

G.S. 143-318.11(a)(6) – Personnel

Mr. Lindsay started with the LGC letter dated 11/23/2020. We received an extension on January 23, 2021 which gave us thirty days. We want to address how we are going to communicate this publicly. It is not our intent to hide things. Their letter is a public record and our response letter is a public record. We want to be very thoughtful in the words we use. Mr. Lindsay passed out and read a copy of the LGC letter to the board members. Mr. Lindsay asked the board what questions they had about anything in the letter and I want to address some of the bigger concerns that are not specified but will need to be addressed with the LGC ? Alderwoman Cooper asked do we have any idea where our fund balance is? Are we below the threshold where the state will step in? Ms. Nancy stated that she doesn't have enough information but most likely we will be below the 8% threshold. Mayor Pro tem Aziz had a question about MacConnell & Associates. Do you know how much cost we have accrued from them and how much they expect to get total? There was a rate study done last year before July 1st. I reached out to them and found out they never made a

formal presentation to Spring Lake. They have done the work and are prepared to present at the budget meeting kickoff. They have done a lot of work already to tell you where your rates should be and we have been given them some updates to help with that. Nancy is running your finance department right now, stated Lindsay. Alderwoman Sutherland inquired about the Manchester project where the town will be responsible for the upcoming payment of \$800,000. What are we going to do? Mr. Lindsay stated that the town of Spring Lake have entered into several financing, debt, or borrows that they are not aware of at this time. A letter was sent saying a lot of things have to change based on what they've seen. They haven't seen anything about fire trucks, fire stations, 3.5 million dollars on a property acquisition. We are still finding things. Nancy found the town missed some debt service payments for this past November that weren't made. All of these things add up to a much more difficult conversation with the LGC because they were basing this all on what they could see. Now we are going to have to tell them it's worse than that. Alderwoman Sutherland to get to your question of what are we going to do about it? The challenge this board will face is this will be the most difficult budget you will ever have to go through and we have limited options when it comes to applying these dollars. Reality is we spent this money. We spent 3.5 million dollars on property. Now what are our options. This non-profit organization we are doing our due diligence trying to understand how this nonprofit, Spring Lake Acquisition was formed. It was formed as a 501c3.

We want to make sure we understand how it happened, status of this board and how do we manage this nonprofit as part of what needs to happen next. Mr. Charleston stated to Adams point one of the things that was worked on with this letter is make sure we can manage and be truthful with the LGC because they are going to find out anyway. One of the problems we have is from what we were told from one of the Lawyers is the whole idea behind SL Acquisition was to avoid going through the LGC according to your Lawyer and Mayor you were on the phone call. He said we did not have the audits done so this was a work around. That's what the Lawyer said and that's problem #1. Problem #2 is their Spring Lake Acquisition owns all this property and SL has no way to get it but the town of Spring Lake is morally on the hook for it, 3.5 million dollars, 850,000 coming due in August. Alderwoman Jackson asked for clarification on the nonprofit, Spring Lake Property Acquisition. Mr. Charleston stated we don't even know who the officers are or the board members and it's a complete mess. Alderwoman Jackson stated so we are relying on a nonprofit that we know nothing about. Mr. Charleston stated you are absolutely right but the problem is this board voted unanimously for the creation and authorized the resolution with no supporting documentation. Alderwoman Jackson asked what supporting documentation would we have asked for? Mr. Charleston stated you would have needed plan. Who is on the board, etc.? The key thing that I found going through documents is what happens to SLA upon dissolution? It says the assets go to another nonprofit. You could have simply said upon liquidation all

with Tony and asked where was the commitment from Fort Bragg to pay us on that 3.5 million? Tony stated we don't have that. Mr. Lindsay stated this was not a good business deal in his opinion. Mr. Charleston stated it could take 6 years for what is contemplated in those letters. Mr. Charleston stated on the Ft. Bragg situation he has requested a meeting with Senator Tom Tillis to pressure him on this and have requested a meeting with G.K. Butterfield. Mr. Charleston discussed asking to find ways to help town's that are having financial stress. Mr. Charleston stated that we are trying to work on the Spring Lake Acquisitions, and if we would take this to the bank; they would flip out on two reasons. Mr. Charleston stated the town don't have good financials on the structure of Spring Lake Acquisitions, and the audits are not done. Mr. Charleston stated the stuff we discuss has to stay in here or things could get messy really, really fast. Mr. Charleston stated this needs to stay in closed session. Alderwoman O'Garra stated we have done RIF in the past, and we do have to reduce this loan. Alderwoman Sutherland thought we had a Letter of Intent from Ft Bragg but she has never seen it. Alderwoman Sutherland stated they were supposed to survey the land but she has never seen that either. Alderwoman Sutherland stated that when Ms. Beth Wood came to one of our board meetings that she stated we had too many employees. Alderwoman Sutherland stated we are the solvent of the town and we need to follow policies and procedures. Alderwoman Sutherland stated the citizens need to know what's going on in our town. Mr. Charleston asked if he was a civil engineer? Alderwoman Sutherland stated no, he doesn't have the experience. Mr. Charleston stated that's why we can't discuss anything outside of this meeting. Mr. Charleston stated that most employees know more than we do, and the risks of the town could lose control of their finances. Ms. Nancy Medlin stated yes, and in the last couple of years the LGC has enforced in event they take control of the operations of different entities across the state. Ms. Medlin stated we need to be very cautious to avoid that here in Spring Lake. Alderwoman Jackson asked do we know who the board members are of the Spring Lake Acquisitions, and are we entitled to know? Mr. Lindsay stated we don't have that information and we are piecing together based on the documents. Mr. Lindsay stated it's a public body and they hide things. Alderwoman Jackson had concerns about why we are paying for land that we don't own but we will pay if Ft Bragg won't pay. Mr. Charleston stated Spring Lake Acquisitions went to a bank to borrow \$3.5 million really based on the credit worthiness on Spring Lake. Mr. Charleston stated if we had borrowed the money it would have went through the Local Government Commission. Mr. Charleston stated the LGC would have not approved the deal because our audits weren't current, and a lawyer advised them to create a non-profit and do the transaction with Spring Lake standing behind it. Alderwoman Jackson asked what power do we have over the Spring Lake Acquisitions? Mr. Charleston stated, we don't have any. Alderwoman Jackson asked so if they wanted to sell, we couldn't do anything? Mr. Charleston stated yes, it was set up that way. Mr. Lindsay stated we would challenge it, yes, we

assets go to the town of Spring Lake.

Alderwoman Sutherland stated the core of the matter is this should have never happened and the 501c3 should have never been brought into play. It has been totally dishonest and it wasn't transparent. We are in a terrible situation. Mr. Charleston stated one of the key issues is the town will have to determine is whether the town is in solvency.

Three years ago, you went from 30% to 14% fund balance. We have been overspending our budget. The damage is done. So, when you ask what are we going to do with that 3.5 million. Is Fort Bragg willing to lease or restructure the loan? Maybe we need to look at reselling this property to get out of debt. The reality is we don't have money. We are going to have to make tough decisions. As I go through the personnel policy, we may have to look at RIF (Reduction in Force) and that's where we are. My recommendation is a resolution to authorize the manager to execute a RIF policy. The two positions I want to address is the Economic Developer Director and your town Engineer. Two services that we need but happens to be two of your highest paid employees. We can't afford to pay for those positions right now but can still achieve outcomes.

Fay/Cumberland County has an Economic Development office and I have spoken to them about helping us and they said they would be more than willing to help us with these ED projects we have started. Town Engineer services it's not uncommon to contract out these services on an as needed basis. That's my recommendation.

Its going to be difficult to get our town finances back in shape. Its possible but will take a lot of leadership and unity from this board to get there. Will this board be supportive with these two positions and possibly some others? I need to know I have the majority of you with me because that's the tree we are barking up right now. Alderwoman Cooper stated I think we have no other option but to support RIF. Are you all saying the land swap is off the table right now? Lindsay stated I don't know if it's off the table but Fort Bragg has only given a handshake. We have a meeting coming up in March 1st about their possible interest in leasing the land and a possible land swap but if we can't come up with a debt service payment or get those funds lowered, I don't know how we will get this done. Mr. Charleston stated to keep in mind the borrower was SLA with a Quadi guarantee from the TOSL, which says the town has a moral obligation to fund the payments when funds become due. Nancy stated she felt like the LGC is going to have hard restrictions on the town and will expect an obligation of the town.

In follow up Ft. Bragg these were options agreements, there were no firm agreements. Somewhere along the way a decision was made to acquire all of that property. There was never a firm source of repayment. Where were you going to get the money from? Even if you swap the land you were still going to have to come up with 3.5 million dollars. Lindsay, my first day on the job I met

would. Alderwoman Jackson asked would all departments be looked at for RIF? Mr. Lindsay stated yes, but the two that stood out was Economic Development and Town Engineer. Mr. Lindsay stated he could contract those positions out a lot cheaper. Mr. Lindsay stated all departments will have to be considered. Mr. Lindsay stated the RIF policy says the town manager has to get approval from the board. Alderwoman Jackson asked before the budget? Mr. Lindsay stated yes before the budget and quickly as possible. Mayor Dobbins discussed as a board we trusted those who had the expertise but I know the bank and LGC are going to say get out of here with that too. Mayor Dobbins stated the LGC is going to be looking at the board. Mr. Charleston stated the board voted unanimously to move forward with Spring Lake Acquisitions. Mr. Lindsay stated we need to work on our message, and we have got to know what we did. Mr. Lindsay stated we are going to have to make hard budget decisions. Mr. Lindsay stated we need to manage the message because we would undermine the employees. Alderwoman Cooper asked could we get a copy of the LGC letter response mailed to our homes and emailed. Mr. Lindsay stated yes. Mr. Lindsay stated he will be transitioning to Fayetteville on March 1, 2021. I will continue to support you but it will be less hours. Mr. Lindsay stated he will support the Interim Town Manager and Nancy with the COG. Mr. Lindsay asked the board if they want to take action toward Samantha Wullenwaber or look at other candidates. Mr. Lindsay asked the board where do they stand on Ms. Wullenwaber? Alderwoman Cooper stated she is all in favor. Alderwoman Sutherland stated to give her the opportunity, and she has a great resume although she never has been a town manager. Mr. Lindsay stated although it's a part time job, however, it's a full-time job because the budget is coming. Alderwoman Cooper stated she would still like to see if there are more applicants. Mr. Lindsay stated its up to the board when they want to start the process for a full-time manager. Alderwoman Jackson concerns was its ok to bring her in but we still need to look for a town manager; we can't put that on hold. Alderwoman Jackson stated we have to show the LGC some stability because we are not handling these top positions correctly. Alderwoman Jackson stated we should bring in the COG to help find a town manager. Alderwoman Jackson stated their credibility is already being shown. Mr. Lindsay stated we have to give Mr. Durham credit to because he found me.

[Faint, illegible text, possibly a stamp or header]

Debra Hudson
Town Clerk

ATTEST:

Mayor
Larry G. Dobbins