

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

March 22, 2021

GENERAL ACCOUNT

6:00 p.m.

Persons present:

Mayor Dobbins, Mayor Pro Tem Aziz (via zoom), Alderwoman Cooper, Alderwoman Sutherland, Alderwoman Jackson, Alderman O'Garra, Town Attorney Jonathan Charleston, Tonny McNeil, Economic Developer, Interim Town Manager, Adam Lindsay, (joined via zoom at 9:10 pm) Melissa Pereira, Deputy Town Clerk, Debora Hudson, Town Clerk, Barnard Lemon, Visual Coordinator, Catherine Bamba (via zoom).

N.C.G.S. 143-318-11(a)(4) – Economic Development

Mr. Tonny McNeil gave an update on Project Candyland (Gourmet Popcorn Company), Project Ironman, (Fire Protection & Fire Supply) and Project Wishbone, (Tactical Gear Co.).

Mr. McNeil stated with where we are now would require advertising for 10 days and after that you would vote on approval of incentives. Once everything is approved there could be an April 15th announcement from Governor Roy Cooper's office. I would need a quote from the Mayor and the company CEO for this company then on April 15th there will be a Press Release for Project Candyland. Mr. McNeil presented a PowerPoint with pictures for the project.

Project Ironman – Eight-to-twelve-million-dollar investment. Currently working with the State and some Federal agencies on some grants. The grants will allow us to purchase land and construct the 50,000 sq. ft. building. Already received a commitment from the Community Development Block Grant for \$500,000 towards this project which is 12.7 acres at the end of Main Street.

Project Wishbone is a tactical gear company with an eight-to-twelve-million-dollar investment, 80 jobs over five years. Currently working on an incentive package for local and also working on grants. It would be located on Manchester Road with two 45,000 sq. ft. buildings on 10 ½ acres with a shooting range.

Alderman Sutherland asked if you have coordinated with them? Tonny stated yes. Cumberland County and State have made commitments. State will meet and then Press Release will go out to all media outlets.

Alderman Cooper asked is this the one where we have to put up a certain amount of money to match? Tonny stated the 5% match is for the building reuse grant. Alderman Cooper asked did that get approved? Tonny stated that will be April 15th. Alderman Cooper asked, you have 48 jobs with a salary of \$41,000. Where did you get that number? Tonny stated there is a spreadsheet whenever you give information about projects there is a summary spreadsheet done by the state. Alderman Cooper said so they are going to start out with how many people? Tonny stated the first year is eighteen. Tonny stated the Technical College is also involved and they are offering \$37,000 worth of training.

Mayor Dobbins asked about employees being tracked. Tonny stated he will do the tracking by doing a monthly and quarterly audit and it also has to be done for the grants.

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

Mr. Charleston stated as you know we have had issues with the SLA. There is about \$300,000 that SLA owes back to the town for the purchase of two tracts of land that was purchased by the town before SLA had gotten financing to do the deal. The problem that we have is SLA has a separate board from the TOSL. Going through the by-laws of the SLA, I direct your attention to page 3, section 9. It says any director may petition the BOA or the TOSL to remove any one or more directors when petitioning believes the other directors or directors have become unwilling to serve or the other directors or director can't be located. The BOA may take action and appoint new directors up to the number of directors authorized in the bylaws.

Let me tell you why this is before you today. As you know the town has a significant issue with fund balance and the \$300,000 is owed to the town and there is no way to access that money because nobody with the town is authorized to get that money. I am proposing for your consideration that the board remove all the directors from SLA and put a new crew on there, whoever you all want to put and

then we go ahead and have SLA elect new officers, authorized officers. We can't even talk about the loan with BB&T because we aren't authorized to do so. I was able to get Rhonda Webb who is currently a member of the board. Alderwoman Sutherland asked how many is on the board? Charleston stated three and stated this board approved everything. Mr. Charleston stated he asked Ms. Webb if she would be willing to come off and she said she would and she thought she was off the board. I asked her if she would consider sending a letter in to the BOA requesting pursuant to Article 3 paragraph 9 that BOA take the opportunity of removing all board members and put who they want on the board of SLA. Ms. Webb also asked that the State Treasurer website be updated. Mr. Charleston stated Claiborne Watson was a registered agent. Mr. Charleston opened the floor for questions and stated this is the best way to get control and get the money SLA owes the town.

Alderwoman Sutherland stated we need to move pass this and I concur with you Mr. Charleston. Mr. Charleston stated what might be in route to do it would be for the audit committee of the Board of Aldermen on a temporary basis because the Mayor doesn't create a quorum because the Mayor doesn't have a vote. Alderwoman Sutherland asked isn't it a conflict of interest? Alderwoman Jackson stated I think so. Mr. Charleston said no, it's not a conflict of interest. All we are trying to do at this point is have that board operating pursuant to instructions from this board. Alderwoman Sutherland asked, this is temporary right? Mr. Charleston said yes. Keep in mind the audit committee is a subcommittee of this board and is responsible to this board and has to report back to this board. I thought this would be a quick solution so we can get the ball moving. Keep in mind there is a \$800,000 payment due in August that has not been reimbursed yet. I reached out to bank, William Brooks the City Executive and he stated he couldn't talk to me about this. Mr. Charleston reminded the board of the intent to renegotiate the terms of the \$800,000 payment.

Alderwoman Cooper stated I agree and I think we need to name new directors because we need to know where we stand with this account and I agree that we need to move forward with your recommendations Mr. Charleston.

Alderwoman Jackson stated I am questioning this stuff. On this email she is specifically saying she was only on the Board of Directors because of what was going on here. On the other letter she said she wants to remove the officer? Mr. Charleston stated go back to Article 3, section 9 and explained. I asked her if she would consider resigning from the board so the board can put someone else in. She

said fine, I thought I was off. Mr. Charleston stated I drafted the letter so it would comply with the statute. Alderwoman Jackson stated this is the biggest problem that I see is you drafted the letter which is a conflict of interest. You work for the board not SLA. SLA is a nonprofit. I don't care who sits on that board, it is a nonprofit. We aren't supposed to be involved in that nonprofit. Mr. O'Garra just gave us meeting notes where they have been having meetings so evidently these people have been having meetings and have not been notified of what is going on. Meeting notes for Sept. 9, 2020 and February 18, 2021 were presented by Alderman O'Garra. Alderwoman Jackson stated we can't be dipping and dabbling in a nonprofit organization. Alderwoman Sutherland stated we should have never created it. Alderwoman Jackson stated exactly. We are touching the line of what we can and can't do. You work for the board; you have no business in this.

Alderwoman Jackson stated even if what you are saying and the bylaws are correct and it is, it's a thin line. You just admitted that you drafted this letter. It means you did the letter, not Ms. Webb based on what you said, not Ms. Webb. Alderwoman Jackson stated to do what you have to do but we need to let the League and Monica Jackson know about this.

Mr. Charleston stated I'm just presenting and you guys can do whatever you want. I am not representing SLA all this is the ability to get control of this and be consistent with what we told the LGC we were going to do.

Alderman O'Garra stated the \$290,000 one property is \$110,000 and the other is \$80,000. If you want that money you just need to do a resolution and turn it over to the 501c3. The town has to initiate this. Alderwoman Sutherland stated I would like to move forward on a professional manner. If I go to the attorney and ask him to draft a letter and I sign it then its legal. We should have never had a 501c3 in the beginning, we have told the LGC that we were going to do this so we just need to do this the correct way.

Mayor Dobbins stated most of us was here when we had a board attorney, nobody knew Bob Jessup. He came in with this idea and to expedite this and everyone in this room agreed. Now that the attorney is gone and the attorney of record is gone and now, we need somebody to help us clean this mess up. Now I think the way to clean it up is to get these funds out of these folk hands, dissolve the 501c3. Where is the money? What bank is this money deposited in? Alderwoman Jackson stated you

can't dissolve this 501c3. She stated the 501c3 can't be resolved by anyone except the Secretary of State and Federal. Alderwoman Sutherland made a very good point she just said if she needed something drafted that she would go to her attorney. Our attorney has no business drafting anything for this nonprofit.

Alderwoman stated I said that if I needed an attorney for legal advice to draft me a letter, I'm hoping this attorney has the experience to draft me a letter then I read it, then I sign it. Alderwoman Jackson stated that's exactly what I just said.

Alderwoman Sutherland said I said the town should have never got involved in the 501c3 and I want to move forward.

Just like she just said I have no problem doing what we need to do I just want it done right. You drafted the letter; you work for the board.

Mr. Charleston pointed out the point is in the bylaws I said what action the BOA can take. You guys can decide to respond however you want. I think the expectation from the LGC is clear. We have tried to get control of this but it's up to the board. I'm not acting on behalf of the town I just told her what the letter needed to say so this board can take action or not take action. Mayor Dobbins stated if she signed the letter it doesn't matter who signed it. Alderman O'Garra asked what was the date of the letter? Mr. Charleston stated March 22nd. Alderman O'Garra stated she was already no longer on that board. Alderwoman Jackson stated read the bylaws. On the minutes for Sept. 1, 2020, it said Daniel Gerald, Lee Grissom, Gay Tucker, Tonny McNeil were on the board.

Are you saying you could not reach any of these people? Mr. Charleston stated we asked Mr. McNeil and Ms. Gay Tucker who has the documents or any records on SLA so we can move forward.

Tonny said all his records got destroyed when the virus attacked. Ms. Tucker didn't have anything and Mr. Lindsay couldn't get anything. Alderwoman Jackson stated all you had to do was go to the Secretary of State website because its public record. Mr. Charleston stated there is nothing on the website.

Ms. Wullenwaber stated there are two issues. The \$300,000 the town is owed and the \$800,000 debt service that's owed for four years. It is an extremely large amount

of debt service. We can't even negotiate. The town has to pay this money back not SLA. Alderwoman Jackson said just get the money. I don't care how you do it but just do it right.

Alderman O'Garra stated I attend the meetings and I 'm going to tell you point blank Rhonda was removed from that board back on the 18th of February, 2020, along with Butch. The meeting was held at Carl Manning's office. Alderwoman Sutherland asked do you let people know when they have been removed? Alderman O'Garra said I don't know, I'm just a non-voting spectator.

Adam Lindsay joined the meeting via zoom at 9:10 p.m.

Mr. Charleston updated Mr. Lindsay about the letter from | Mr. O'Garra has come forward and has minutes from February that shows the board is still active. Mr. Charleston stated that he, Nancy, and Adam spoke with Tonny via telephone and he stated he had no records due to the virus on his computer. Adam had also asked Ms. Tucker if she had any records for SLA and she didn't have any. So, based on that I went to the bylaws to see what we can do and discovered Article 3, section 9. All the closing documents for the 3.5 million dollars and the only records we have we got from Bob Jessup and he is the lawyer for SLA and it didn't have anything about these other people. It had Rhonda Webb as a Director, and Claibourn Watson as a director. That is why we took the action that we took.

Mr. Lindsay stated the LGC is very interested in SLA and Nancy was asked to send them the bylaws and I believe they have them in their possession.

Project Wildcat purchase. Our interest is trying to get money from SLA to help with the fund balance.

Alderman O'Garra stated that I do sit in on their meetings and I told Nancy that about 2-3 weeks ago. To get the \$290,000 basically all the board has to do is pass a resolution and that would get the ball rolling and then the money would start to flow.

Mr. Charleston stated the town is morally obligated to pay this money and you have no plan.

The board has an obligation to address the three million dollars that's owed to BB&T with \$800,000 due in August.

Alderwoman Sutherland stated we have an obligation and I wasn't privy to a private meeting at anybody's building and I represent the town's tax dollars.

Mayor Dobbins asked where are the funds and can we get them transferred to the Town of Spring Lake.

Mr. Charleston asked Mr. Lindsay if the Town of Spring Lake was the only one who didn't get paid? There is one outstanding invoice for the attorney for SLA.

Mayor Dobbins asked who has the authority and where is the money?

Mr. Charleston stated it is my recommendation to let the LGC know that the TOSL is going to get SLA under control. There needs to be a check that comes back to us but under the bylaws they don't even have the correct number of members to act.

SLA is aware it owes money to SL so now the TOSL needs to adopt a resolution for SLA to pay SL. Alderman O'Garra said pretty much.

Ms. Bamba stated the property that the town purchased has not been completed and sold to SLA because there is a tax lien on the property. The town can't convey the market title. Mr. Charleston asked who was in control of this? Ms. Bamba stated Ann Evans. The tax lien was attached because of a town deficiency. Why is that stopping SLA from paying the town for that land and then working out the issue later? Liens were applied to the land in April of 2019. It was clean when purchased.

Transactions never went through because of the tax liens and was never consummated?

When was resolution drafted? In Sept. 14, 2020 and the board authorized the sale. When did the tax issue become apparent? Anne Evans was doing a title search and learned of the tax lien.

Charleston asked how much was the lien? Typically, the land is sold and so much is held back so there should be no reason the transaction didn't go through. It's been paid but IRS hasn't released.

You have a resolution ...2020(7)

My suggestion would be you take the resolution back and they should be able to write a check. Mr. Charleston read resolution 2020(7).

Alderwoman Sutherland stated she did not vote on that. Alderwoman Cooper stated we should go to roll call votes.

Mr. Charleston stated to Ms. Sutherland that after looking at the minutes you were at that meeting and you voted for it.

Alderwoman Sutherland stated ok but let's take the corrective step and let's move forward.

Mayor Dobbins can we agree to ask for some time to work this out by a consensus. Here is one way to do this, a judge can enter judgement and freeze everything.

The option is to petition the court and have the court to petition a receiver for SLA which means a third party comes in and manages it. What I would like to do is have Mr. O'Garra since he has the relationship and has been to the meetings to figure out how to get his resolved. If we aren't careful BB&T will appoint a receiver.

Alderwoman Cooper, Alderwoman Sutherland, and Mayor Pro tem Aziz gave their consensus.

Mayor Pro tem asked is this about Ms. Webb's letter to remove all those members from the board and bring the audit committee to the board? Mr. Charleston stated we have found a resolution 2020(7) that authorized the sale of the property to SLA. TOSL had an IRS lien for some unpaid employment related taxes and the amount is \$11,000. So, what we will be asking SLA is to pay us everything but the \$11,000. They can hold that until they can confirm that the tax is clear.

The officers of the Corporation are Daniel Gerald, Mr. O'Garra, and Sona Gibson. The officers of the board don't have the authority to remove a board member. Mr. Charleston stated, so I recommend we go forward with the letter from Ms. Webb.

Alderwoman Sutherland asked are we talking about taxpayers' dollars where individuals are over taxpayers' dollars? Is this town money? Is it personal money?

The cleanest thing to do is come out of closed session and pursuant to Article 3, Section 9 and remove the directors from SLPA and replace them and my recommendation would be with the audit committee. Mr. Charleston stated the reason he says the audit committee it will be three people but it won't be three voting members of the board that would create a quorum of the town board. Mr. Charleston explained the motion.

The second matter to deal with is RIF. Mr. Lindsay addressed the board. He spoke with the LGC and gave them an update. What we are finding for this year's budget is while we got some favorable news from our revenues, we also found some of those revenues were not applicable to the general funds. So, our budget is really out of balance this year and my thought was to look at a reduction in force with two positions, the Economic Developer and Town Engineer. I suggested we will continue with the two positions I just mentioned and address the structural gap with the budget through the budget itself. The gap is so large and we need to make strategic decisions and not just cut to be cutting. They know that we are going to be in the hole this year. Lindsay stated we would like to proceed with the RIF on those two positions and would deal with the other positions through the budget.

Alderman O'Garra asked about the Economic Developer. He stated the ED is a position that would pull us out of this hole and bring in money to the town. That's a position that we fought for and I'm not ready to give that up.

Mayor Pro tem asked Mr. O'Garra where do you suggest we get that money from? Alderman O'Garra suggested you look somewhere else.

Mr. Lindsay explained how the two positions are funded. Both positions were budgeted out of the enterprise fund. If you keep the positions, they will need to be budgeted in the general fund for next year's budget.

Mr. Lindsay discussed and explained furloughs. When you have a budget gap of close to a million dollars you don't have enough days to make up that gap. Mr. Lindsay stated this is going to be a very difficult decision but the reality is Spring lake is not sustainable and we have to bring it into sustainability so it will survive and thrive. We have to find ways to reduce cost.

Debora Hudson
Town Clerk

ATTEST:

Mayor
Larry G. Dobbins