

State Water Infrastructure Authority
Meeting Date: December 8, 2021
Agenda Item F
Designation of Town of Spring Lake under Identification Criterion 1

Division of Water Infrastructure Staff Report

Background

General Statute 159G-45 directs the State Water Infrastructure Authority (Authority) and Local Government Commission (LGC) to utilize an assessment and review process to identify distressed units, to develop evaluation criteria for grants from the Viable Utility Reserve (VUR) and, at their discretion, impose specific performance measures or conditions on any grant awarded from the VUR.

The assessment and review process has been implemented to identify distressed units. There are four identification Criteria established by the Authority and LGC. The four Identification Criteria are:

1. Under final control of the LGC
2. Two consecutive years of missing annual audits
3. Assessment Criteria Score
4. Other information

The Town of Spring Lake, in Cumberland County, North Carolina, was originally designated distressed under Identification Criterion 3 in April 2021 following approval by both the Authority and LGC, based on a total score of 10 (scorecard and designation letter attached), which exceeds the threshold for LGUs operating both water and wastewater systems.

During its October 2021 meeting, the LGC passed a resolution to “Impound the Books and Assume Control of the Financial Affairs of the Town of Spring Lake Pursuant to N.C. Gen. Stat. 159-181(c)” which would qualify the designation of the Town under Criterion 1. Designation under Identification Criterion 1 would allow for the use of an Emergency Operating Grant from the VUR if needed for operation of the utilities to protect human health and the environment. The LGC plans to vote separately on designation at its December 7, 2021 meeting. At this time there are no imminent needs known for an EOG, though an evaluation of the current utility conditions is underway.

Staff Recommendation

Staff recommends the Authority designate the Town of Spring Lake as distressed under Identification Criterion 1, consistent with the resolution passed by the Local Government Commission on October 5, 2021 (also attached) and any action taken by the LGC during their December 7, 2021 meeting.

WHEREAS, the staff of the Commission recommends that the Commission exercise its authority under N.C.G.S. Section 159-181(c) to impound the books and records and assume control of the financial affairs of the Town; and

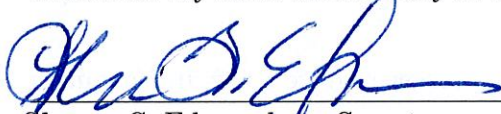
WHEREAS, the Commission does not take this authority lightly, has no desire to take control of the Town's finances and operations, and only does so as a measure of last resort following a long course of notice and warning to the Town to take the necessary corrective action;

NOW THEREFORE, BE IT RESOLVED, that the Commission rescinds the authority granted in its Resolution adopted on July 26, 2021 allowing the Secretary of the Commission to invoke N.C.G.S 159-181(c) pursuant to her judgment that specific criteria are met, and pursuant to the authority recited herein, that the Commission assumes full control of all financial affairs of the Town and directs its Secretary to take the following actions as deemed necessary:

1. To impound the books and records of the Town, assume control of the finances of the Town and oversee and direct all its financial affairs as set out in N.C.G.S. Chapter 159 and the rules of the Commission; and
2. To deliver to the Town, its officers, and Board of Aldermen this resolution from the Commission pursuant to the provisions of N.C.G.S. Chapter 159; and
3. To report to the Commission on the matters listed above and on the Town's readiness to comply with the requirements of N.C.G.S. Chapter 159 in order to provide a recommendation and time schedule for restoring the Town to fiscal health and returning to the Town control of its financial affairs.

I, Sharon G. Edmundson, Secretary of the North Carolina Local Government Commission, DO HEREBY CERTIFY that the foregoing is a true and correct copy of the Resolution adopted by the North Carolina Local Government Commission at its meeting held on October 5, 2021.

WITNESS my hand this 5th day of October 2021.



Sharon G. Edmundson, Secretary
North Carolina Local Government Commission

RESOLUTION REGARDING FINANCE OFFICER, DEPUTY FINANCE OFFICER,
ACCOUNT SIGNATORIES AND OFFICIAL DEPOSITORY
FOR THE TOWN OF SPRING LAKE

WHEREAS, the Local Government Commission (the Commission) impounded the books and assumed full control of all financial affairs of the Town of Spring Lake (the "Town") pursuant to Section 159-181(c) of the North Carolina General Statutes (N.C.G.S.) and,

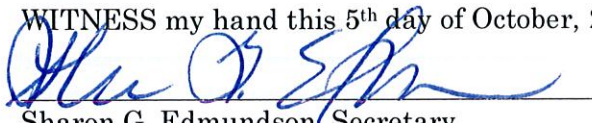
WHEREAS, the Commission desires to retain the appointed finance officer and official depository for the Town, and to appoint and/or designate a deputy finance officer and account signatory,

NOW THEREFORE, the Commission,

- 1) accepts and continues the Town's appointment of Samantha Wullenwaber as Finance Officer;
- 2) appoints David Erwin as Deputy Finance Officer for receiving and depositing funds, approving purchase orders and contracts, maintaining accounting records, pre-auditing obligations and disbursing funds;
- 3) appoints David Erwin as Account Signatory with the authority to execute signature cards for the existing Town bank accounts and sign disbursements in the absence of the finance officer; and
- 4) retains Mayor Larry Dobbins and Mayor Pro Tem Taimoor Aziz as Account Signatories; and
- 5) retains the designation of Truist Bank as the Town's official depository.

I, Sharon G. Edmundson, Secretary of the North Carolina Local Government Commission, DO HEREBY CERTIFY that the foregoing is a true and correct copy of the resolution adopted by the North Carolina Local Government Commission at its meeting held on October 5, 2021.

WITNESS my hand this 5th day of October, 2021.



Sharon G. Edmundson, Secretary
North Carolina Local Government Commission
Local Government Commission