MONDAY-5:30 P.M. MARCH 24, 2008 WORK SESSION

The City Council of the City of Elizabeth City held its regular work session on the above date and time in the City Council Chambers of the Municipal Administration Building with Mayor Pro Tem J. M. Baker presiding. Council members attending were: J. M. Baker, L. A. Hummer, R. E. King, B. S. Meggs, J. A. Stimatz and V. C. Watts. Councilman E. K. Rivers arrived at 5:45 p.m. Mayor S. S. Atkinson was not in attendance. Staff members attending were: City Manager R. C. Olson, City Clerk D. S. Pierce-Tamplen, City Attorney W. H. Morgan, Deputy City Clerk V. D. White, Public Utilities Director P. A. Fredette, Parks and Recreation Director J. D. Overman, Fire Chief W. C. Pritchard, Finance Director S. E. Blanchard, Electric Superintendent K. F. Clow, Police Chief C. E. Crudup and Planning Technician A. Cole.

Mayor Pro Tem Baker opened the meeting. She called upon Councilwoman V. C. Watts for the invocation after which Councilwoman L. A. Hummer led the Pledge of Allegiance to the Flag of the United States of America.

1} APPROVAL OF THE AGENDA:

Mayor Pro Tem Baker called for approval of the prepared agenda.

Councilwoman L. A. Hummer asked to move ***Item #4-Closed Session to consult with City Attorney to #5 and move Discussion Elizabeth City Neighborhood Association to #6.***

> ***A motion was made by Councilwoman L. A. Hummer, seconded by Mayor Pro Tem J. M. Baker to approve the prepared agenda to include the above stated items. Those voting in favor of the motion were: Hummer, Baker, King, Meggs, Rivers, Stimatz and Watts. Against: None. Motion carried.***

2} <u>Closed Session - To Consult with City Attorney as Per NCGS 143-318.11 (a) (3):</u>

Mayor Pro Tem Baker entertained a motion to retire into Closed Session.

> ***A motion was made by Councilman J. A. Stimatz, seconded by Councilman R. E. King to retire into Closed Session to consult with the City Attorney as per NCGS 143-381.11 (a) (3). Those voting in favor of the motion were: Stimatz, King, Baker,***

Hummer, Meggs, Rivers and Watts. Against: None. Motion carried.

3} <u>Return to Regular Session:</u>

A motion was made by Councilman J. A. Stimatz, seconded by Councilwoman V. C. Watts to return to regular session of Council. Those voting in favor of the motion were: Stimatz, Watts, Baker, Hummer, King, Meggs and Rivers. Motion carried.

Mayor Pro Tem J. M. Baker declared the meeting back into full work session.

4} <u>Discussion – Elizabeth City Neighborhood Corporation:</u>

Mayor Pro Tem Baker called upon City Manager Olson to bring us up to date on this item.

Mr. Olson stated that you have included in your agenda package a memo from City Staff with the number of different options and amortization schedules that we were requested to run for the City Council. He did receive a correspondence from Councilman Stimatz that some of the amortization schedules we ran weren't exactly what the Council was looking for. He guessed we used 3.41% instead of the 3% that he had requested that we use. That basically changes the schedule roughly by about $10 per month when staff reran those calculations. What we have here is a number of different issues. The first one to bring the Council up to speed is we do have an outstanding note with ECNC that was issued back he believes in 2004-2005 for $50,000. That particular note now has a balance of $13,846.94 on it if he is not mistaken. In addition to that note we do have misdirected program income associated with the sale of 705 Southern Avenue that occurred back in 2003-2004 or basically in Year One of the Hugh Cale Grant. We have provided a spread sheet concerning how the money was spent on each one of the respective structures. And, also the amortization schedule, plus a letter we did receive from ECNC requesting that their annual payments be a lump sum of $6,000 per year. He is available to answer any questions concerning this.

Councilman E. K. Rivers asked to be excused from discussion and vote on this issue.

A motion was made by Councilman J. A. Stimatz, seconded by Councilman R. E. King to excuse Councilman E. K. Rivers from this issue. Those voting in favor of the motion were: Stimatz, King, Baker, Hummer, Meggs, Rivers and Watts. Against: None. Motion carried.

Councilman Stimatz said one of the questions that I asked was what was the current rate of interest on a secure loan? Did we find that out?

Mr. Olson replied that if we had to go out right now and get it is that what you are referring too?

Mr. Stimatz said that I asked the question what was the current rate.

Mr. Olson replied 2.8%.

Mr. Stimatz said on a secured loan. Secured with?

Mr. Olson replied with the taxing power of the City.

Mr. Stimatz said well in this case there are no items to be purchased. I am talking about a secured loan that has collateral, so a collateralized loan. What is the current rate?

Mr. Olson said what he is referring to is an uncollateralized loan. Do you have any idea Sarah?

Finance Director Blanchard replied you would use something like an automobile.

Mr. Stimatz said that we are not talking about automobiles we are talking about a loan where somebody has to put some collateral up and they don't have a car to do it with. So, what do they put up? If I go to the bank and I want a personal loan for $50,000 and they say that I need collateral what are they going to ask for and what's the rate on that? We don't know. We just know automobile loans. That is one of the questions that I asked that wasn't answered.

City Attorney Morgan stated that he might just add that typically on an unsecured loan depends upon the credit worthiness of the borrower and in his law practice the best rate typically that he would see for an unsecured loan 90% of them are tied to prime usually prime minus a half or perhaps prime minus three quarters would be the best rate that you could get.

Mr. Stimatz said which is?

Mr. Morgan replied prime is now 5.25%.

Mr. Stimatz said so five and a quarter. Given the history of this particular creditor who has misdirected funds before I would be surmise it would be prime

rate and a quarter. The question is what is that payment? The other problem that I have you gave us an update list tonight of the costs associated with the properties and they still don't add up.

Mr. Olson asked in what sense?

Mr. Stimatz replied well lets pick 602 South Road Street. You have a sale price of $69,000 and you have payoff and lien of $13,406 which is would leave you to believe that there is a program income of only $55,000 but you show that we have a program income of $60,000. The same thing is true for the next one. I have some data that tells me for instance go back to 709 Herrington Road, two items that are missing. There were three change orders for rehab costs that changed the cost of rehab from $27,155 up to $29,585.50. In addition, the City paid the closing cost of $1,191. Neither of those are reflected in that. So, this spread sheet isn't worth anything because it is not accurate. That is my problem with that. I guess can you put my slide up. In trying to make sense of this thing it was very difficult for me to follow the money. And to do it I almost had to play monopoly in my head. What, who got what for what? And, what finally made sense is this diagram that you see before you, two pots of money, CDBG money and General Fund money. CDBG paid $28,000 for the house. It paid $29,586 for the rehab. That brought the value of the property project if you will up to $57,585.50. Then the City decided that we would buy this house from ECNC and what is fascinating is that both in the 2003 audit that we paid for and the 2004 audit that ECNC paid for both accounting firms clearly indicate that ECNC doesn't own the properties. I will read you the phrase, "the corporation, this is referring to ECNC, is holding title to the properties as an agency for the City of Elizabeth City temporarily until the properties are sold and these properties are not considered assets of Elizabeth City Neighborhood Corporation." In fact in the 2004 audit that Peachtree did for ECNC they carried it as a liability. They list four houses that are carried as a liability. The total liability is $144,600. The four properties that they refer to are 602 South Road, 709 Harrington, 505 Shepherd Street and 703 Cale Street. So, we make an offer to ECNC to buy a property that they are holding that is due to the City and we are going to pay them first what the amount of CDBG money. I am assuming that is because we want to pay CDBG back. I would like to think that if we had gone to DCA and said, you know instead of us selling this house on the market could we hold it and use it for a homeless shelter which is one of the prime reasons we started this grant, I've got a feeling that DCA would have said no problem just hang on to it. I don't know if we ever asked that question. I have asked if we have any correspondence on this and I haven't been given any. I hope we can find it. Then we say to ECNC not only will I pay you the cost of the project for this, but I am going to give you up to the appraised value. So I am going to give you an extra $32,000. So, we sign the agreement. We signed the contract. We forgave the $50,000 loan that was out there earlier that had been brought down

to $46,000. We forgave $32,000 of that. At the same time we signed a note telling ECNC that we were going to pay them $58,000 for that house in four annual payments. One of which we have already made. In addition instead of the seller paying the closing costs the buyer paid the closing cost. We did. Subsequent to the closing DCA came down and said, gee did you check this house for lead since it is so old. Well surprise, surprise. That costs another $30,000. I am assuming the City paid that out of the General Fund. The best case would be that, CDBG money paid for it and then the City wouldn't have put out so much money. According to what I can figure out this house which cost $58,000 plus the $30,000 for the lead ended up costing the taxpayers, not just the City, but all taxpayers $179,777. And, I would like to have it explained to me how this worked. Especially when you compare in contrast to other sales that we have had where it looks as if we the City are misdirecting the program income to ECNC and if we did that, did we have permission and why would we pay more than the basic price of the property for a property that we in essence already owned. It is very confusing why the City would give ECNC $91,000. And, here is another thought. If you want to say that well, DCA wouldn't let us, they made us buy this house. The fed money had already bought it but we had to reimburse the federal money if we the City wanted to use this. Within the meaning of the grant, it is hard to believe that they would hold us to that standard. Given the two or three or more times that ECNC has misdirected the program income why would we pay it to them over four years. Why wouldn't we turn around and pay it to CDBG directly ourselves. And, I guess the question would be did we pay out $14,000 last July if that is program income? That is supposed to come back to the program has ECNC paid that $14,000 back to the program income. If not, why not and why isn't that being added to the $47,584 not $484. $585 is what the audit showed and our books are incorrect on. So, I am having a hard time understanding why we bought a house twice. Excuse me, we didn't buy a house twice, federal government bought it once and we bought it again. I am confused here. I am really confused. It is hard for me to understand this. And, I don't know where DCA has been in all of this. What kind of oversight. I look at our books, I look at the numbers you have and they are not correct they don't add up. We have been in this program for four years. If DCA has been doing their job in looking at us if we had within that program and he doesn't know to what extent the Finance Department is responsible for overseeing CDBG he would think that would be DCA's job more than our job although we being the City as the Grantee should take care and have some oversight internally. You know this thing is a mess. So, I don't know if ECNC owes us $47,584 or not. What's interesting is if we owe them $44,000 and they owe us $47,000 why don't we wash those two numbers and they only owe us three. So, this is the kind of bookkeeping, you know it is not clear where the bookkeeping is. Where the money is? Where it went? Why it went where it did. Who authorized it? Did DCA ever weigh in on this issue? Do we have the documentation? I had asked for this earlier. I asked specifically.

Mr. Olson asked Ms. White to put up the other documents so that he could explain to the City Council the flow of funds associated with this grant and he thinks that will become self explanatory when we go ahead and do that. As you can see here, DCA gives the City the money. The City used to give ECNC the money. They would go out and purchase the house and then they would rehab it. They would then sell that house whether it was 705 or a different one of the four addresses they had. The sale proceeds go to ECNC and in turn ECNC is supposed to give them back to the City. That basically then goes into the program income account. We have basically a revolving loan fund associated with this particular project. What we did on this case and he will have the Council if it deems it appropriate open the February 27, 2006 Closed Session minutes. Just that part of the minutes that spells out this item to all members of the City Council. They instructed staff to proceed under the information that we provided you at that meeting. We purchased the home for what the City/DCA had in the home which was roughly $55,000. However we paid or credited to ECNC account the difference between what we spent on the home and the appraised value. That money was then used to pay down the $55,000 loan that they took out in 2005. The lead base paint question also came out of the CDBG funds. It did not come out of the City's General Fund. DCA did approve it. DCA did approve the purchase of the homeless shelter. Our books have been audited by the City's auditors. They have also been audited by DCA and no questions concerning any of our accounting have come into play yet. If the City Council wants a full accounting or have an outside firm to come in he will be happy to show them the books. We have the closing statements on all property that we have purchased with the Grant. There is definitely a detailed accounting of how the money was spent throughout this entire process. The City Staff has nothing to hide. Along the way City Staff has provided the Council with a series of recommendations and the former City Council went ahead and approved those recommendations and that is what City Staff implemented.

Mr. Stimatz asked if I could read from that February 23rd Closed Session document just one sentence as he doesn't think that it is an issue now. In that you recommended that we pay the difference between the project costs and the purchase price. That is what you recommended there, the project costs and the purchase price. If the purchase price is $58 and the project cost if the $30,000 for the lead abatement was, came out of CDBG is that correct.

Mr. Olson replied that is correct.

Mr. Stimatz said then the project cost for this item is $87,000 and the purchase price is $57,000 which means there is a negative. Then I was not at this meeting. I was in Washington, DC. I have to hope that I would catch this. Maybe not, nobody else did. I can see where it would be easy to mistake what

happened. The recommendation is City Council was to take the difference between the purchase price and the appraisal. Suddenly we went from project cost and purchase price to purchase price and appraisal. In Closed Session City Council agreed to one thing later on staff brought it back something different. That wasn't the same. And, it is significantly different. My question would be for the purpose of calculating program income what number do we use.

Mr. Olson replied what staff did is we utilized the amount of money the State had in the Grant.

Mr. Stimatz said, on no what, what, what, how did you figure out what the program income is. What two numbers do you take from the other?

Mr. Olson replied the two numbers are the purchase price of the structure and the rehab costs. After the City secured the property it was determined by DCA or ECNC did not follow the lead base abatement costs so that basically was taken out of the grant, after the fact. So the subsequent monitoring visit for the close out of that year it was brought to our attention that there was a problem there.

Mr. Stimatz said let me ask the question then. The contract sale price is $58,822; call it $58,000 for a round number. If that is the sale price and that is what we paid for it and the net result of the project cost is $87,000 that is a deficient. So should we have paid the $87,000, we didn't and then I don't understand on the HUD form we show a credit appraised value differential of $32,000. Is that program income? Is that, to me that is like what it sold for. That's, that's the value that was given for this property. The true value given for this property was $91,000 not $58,000. The value given because we gave them, it says right in here, seller financing $58,822 and there is a note to that effect. And, we reduced the seller's loan balance. That is $91,000 worth of credit. I don't care how you want to slice that bread its $91,000 that we gave to ECNC. Now if that's the purchase price then all that money should be coming back to the City as program income. Why would we give away $32,000 in program income to ECNC? If it's not program income then why did we give ECNC $32,000 as a gift? Don't tell me the City Council voted on it because I don't think they understood what they were voting on.

Mr. Olson said that we wrote several memos to the City Council and he believes that they did know what they were voting on. It was a consensus of the City Council to go forward. You have seen a copy of staff's memos. We hid nothing from the City Council. We had too after consulting with DCA we needed to replenish the program. What we had in the costs we did that and that became program income and then whatever the City sells the property for is what the City sells the property for. That was explained at length to the City Council.

Mr. Stimatz asked so did you sell it for $58 or $91.

Mr. Olson replied that we sold it for the purpose of the books for $58,822.

Mr. Stimatz said so what is the purpose of the $32,000 to ECNC.

Mr. Olson replied that is the appraised value. It was a private sale between us and ECNC.

Mr. Stimatz said so the private sale between us and ECNC was for $91,000.

Mr. Olson said that is correct.

Mr. Stimatz said so we bought the house from ECNC for $91,000.

Mr. Olson said that is correct.

Mr. Stimatz said so the program income due back to CDBG is $91,000. Yet, we gave $32,000 of it to ECNC and have we accounted for the $14,000 we have given them so far on the note.

Mr. Olson said no we have not.

Mayor Pro Tem Baker asked if there were any other comments on this issue.

Councilwoman B. S. Meggs asked to say one word. She remembers when we did this and was it in Closed Session that we did this.

Mr. Olson stated that it was the Closed Session of February 27, 2006 where the Council authorized staff to proceed with the items. Subsequently at the next City Council meeting the City Council took official action on all of this.

Ms. Meggs said we decided that it was the best in our interest to go ahead and get this straighten out and we did vote on this because she remembers, but we decided that it was in the city's best interest to go ahead and get it settled. She said that she is still not sorry that we did it.

Mr. Stimatz said that he is glad that Ms. Meggs is glad we gave $32,000 to ECNC with no value back that is very interesting. I guess my problem here is I have to say in his own mind that this is why I would like to make a motion to table action on this issue pending a complete audit. I don't know by who, ok. Somebody out of the process. I don't know who but he moves to table this item until our next meeting. The problem that I have is it is not clear to me that we have not grossly misdirected program income. And, that in fact ECNC doesn't owe us just

$47,000, they owe us $46,000 from the original loan plus the $47,000 for the other property plus who knows what else or what other properties because we don't know what our numbers are.

A motion was made by Councilman J. A. Stimatz to table this until our next regular meeting. Councilwoman V. C. Watts seconded the motion. Those voting in favor of the motion were: Stimatz, Watts and Baker. Against: King, Hummer and Meggs.

Mr. Stimatz said well I guess the question is what you want to do folks.

Mr. Olson said as a point of giving staff directions what does the City Council wants staff to do on this matter.

Mr. Stimatz said that I would like to wait until the Mayor gets back. I think it is precipitous to act without him and it may require a Special Meeting.

Mayor Pro Tem Baker advised that this item will come back at the next meeting.

5} HUGH CALE OIC LEASE AGREEMENT:

Mayor Pro Tem Baker called upon Mr. Olson for comments.

Mr. Olson advised that included in the Council's agenda packet is a memo from City Staff concerning the outstanding issue of OIC and the audits and the sub-recipient agreement. The City Attorney in Closed Session has given you some of his opinions concerning this issue. City Staff can answer any questions. We have provided you a chronological sequence of events to the best of our ability. It does not include any phone calls that were made between us and OIC but letters that were sent from November 2nd, 2007 to March 20th, 2008 concerning this matter. City Staff just needs some direction. The last memo that we sent OIC on March 20th basically said that we have ceased negotiations with them and the City Council would go ahead and terminate the sub-recipient agreement with OIC. No official termination has actually taken place. It needs to be done at a meeting.

Mayor Pro Tem Baker called for discussion or action.

Mr. Stimatz said my understanding is that you sent a letter and told OIC that they had until five o'clock on the afternoon of what, March 11th.

Mr. Olson replied March 14th.

Mr. Stimatz said March 14th to make a decision and if they didn't make a decision about the audit and who the auditor would be that they would be terminated. There was no time for the termination laid out. So, I guess the point, the question that we have to deal with now is how much time should we give them before we ask them to vacate the building. A couple of questions that come to mind from Mr. Olson's memo I am assuming that we have a letter to OIC that says we are still operating under the old agreement. So, in essence we have a sub-recipient. So, until we don't have a sub-recipient we can negotiate however we want and secondly DCA is saying somewhere between thirty and ninety days after that sub-recipient leaves the building that they would like to see somebody in there. You asked the question to Council of how do you want staff to secure a non-profit, RFP or negotiated. And, I think the question there will be first of all does DCA have a preference because they drove this process last time. If they don't have a preference then my preference would be to negotiate for a short term for somebody to come in and fill a program objective that meets DCA requirements for a sub-recipient which would give us time to put out a RFP in time to create a whole new and finalized sub-recipient agreement that we have been working on and put a RFP with that draft sub-recipient agreement in it and have somebody come back and bid on doing it then. So, I guess I will make a motion. I guess. Let me make another point here. I think that we need to leave the services in place through the school year. People have already got a pattern, kids are showing up or not showing up, it is not one of the primary reasons to have the facility but it is a service that is currently being provided at the facility. In deference to those parents and children that are receiving these services I would suggest that we not, I will move that we terminate the lease agreement and occupancy effected 30 June.

Councilwoman V. C. Watts seconded.

Mr. Stimatz said well let me finish. Thank you. We can do this in parts if you want and that we negotiate for an interim sub-recipient. I guess it is going to be interesting if that when we negotiate for interim sub-recipient to meet the demands of the overall grant objectives for six months and/or someone who will carry out the five required elements in the sub-recipient agreement and any other ones that they care too. Did you get that Dianne?

A motion was made by Councilman J. A. Stimatz to terminate the lease agreement and occupancy effective 30 June; and that we negotiate for an interim sub-recipient to meet the demands of the overall grant objectives for six months and/or someone who will carry out the five required elements in the sub-recipient agreement and any other ones that they care too. Councilwoman V. C. Watts seconded the motion.

Mayor Pro Tem Baker asked Mr. Olson to repeat that motion.

Mr. Olson said that basically what the motion was to terminate the lease with OIC effective June 30th 2008; authorize staff to negotiate an interim sub-recipient agreement with a non-profit to meet the national objectives as called for in the original grant agreement; and then negotiate a long term agreement utilizing the five required elements that are in our existing agreement that we have with OIC.

Mr. Stimatz said oh I would say probably say compete that one. Compete that one. Compete the longer term. Open it up, make it fair.

Mr. Olson said a RFP.

Mr. Stimatz said yes.

Councilman E. K. Rivers said that he can't believe that when we are talking about terminating a program that serves the needs of the low to moderate income that provide assistance to the school system by taking students who may be on long term suspension and working with them. We are looking at just ceasing their program. Telling them that they will be out on June 30th when they have been in there for eighteen months providing a service that they were one of the key instruments in terms of writing the Grant. They are doing something in a community that first of all when we look and look at the programs that are being offered that people talk a good game but don't want to go into the neighborhoods to do what needs to be done in certain neighborhoods or certain communities or certain cities. Yet we are talking about terminating the lease when we don't even know and it could cost us $672,000. We are looking at $672,000 to repay if we cannot find a sub-recipient or then what do we do if we can't find a sub-recipient. We would have to go back to OIC and ask them to come back into a building and run a program that we just terminated their lease because they would not agree with one of the six auditors that were selected here from the City of Elizabeth City. All they asked was that you go and pick someone from the outside to come back in where there is no bias or any type of things that could have been said or whatever people have read or whatever that may be just from a neutral ground. Now we are talking about making a motion to put someone out and it could eventually cost the City $672,000 over a $2,000 audit. Then we are going to tell them that they have to be out by June 30th. His question to OIC is if you know that you are getting ready to be kicked out, why are you going to finish the program. We sit around this table and think that it is all peaches and cream out in the community or the people might not need these services. Maybe he was blessed that he was able to not need those services but someone uses those services and he volunteered and did his community service there. He has seen how it affects and how it helps our community but yet we

want to just sit here and be high and mighty and put somebody out after they wrote a letter saying that they agreed to the audit but I guess we just want to show that we have the upper hand and we have personal vendettas and we want to be petty in terms and look pass the youth or the ones that are using the services on what this grant was written for. To do whatever objective we may have underlined. He cannot by any means vote to put anything out and he heard that people have been coming up to City Council talking about that they want the building. Mr. Olson has anyone come up to you that has a program already in place just like what the grant is asking for.

Mr. Olson replied not as comprehensive as what is in there. Some of them have certain elements of the program but none of them have all five of the required elements at this time.

Mr. Rivers continued by saying that we have one organization that has five elements that are affecting five areas of the community but to settle a $2,000 audit we want to kick them out because we place $2,000 more than what they area doing to better serve our community. He cannot go with that. We don't have anyone else to put in the center and then they have said yes you can have an audit. We are on cost reimbursement. On cost reimbursement they submit invoices before they get paid by the City. Let's just go ahead and say that you either want to get them out or you want to keep them in. Let's just get to the meat of it and stop trying to be pretty. If it is a personal vendetta lets go ahead and vote and get it over with and stop wasting everybody's time.

Councilwoman Meggs said that she agrees with a lot that Councilman Rivers has said, but she also wants us to think about our Council that we did give six names for the audit. She is not saying the one that they wanted to audit was bad but she knows of one that she has think they have said that she has heard some detrimental things about. Now, if there is someway that OIC and the City can come together. If maybe these six are not what they want maybe we can find another one. Let's try to come to a consensus on it. That is what she would like to see.

Councilwoman Hummer said she has tried to look at the legal aspect and it seems to me that there are several legal avenues open to OIC. She hesitates to place the City in that position and one of those is we have gotten legal advice from our Attorney that we can terminate that least on 30-days notice with cause, at the moment we don't have cause, or 180 days with no reason or justification given. Well we just had a motion to remove them in 90 days. That is far from 180 days, so she is not willing to go there either. They have indicated in a letter documented February 5th to the City Manager that they would agree to an audit and based on that the City Manager authorized staff to release the funds to OIC which the City received from DCA for Year Five of the Hugh Cale Revitalization

Strategies Grant. That release of that $12,500 closed out the Year Five Grant. How can we do all these things and yet say we need to terminate the lease. It is a ten year lease and it is separate from the Sub-Recipient Lease. In her mind a lot of questions have not been answered. She will go back to some concerns that she has stated before. The City has received $25,000 each year to monitor this grant for the last three years at least. If we were being paid to monitor this grant, how did we get into this position?

Mayor Pro Tem Baker said that she would like to make some comments. Yesterday you sent us a letter at some point agreeing to the audit but that wasn't using our choice of auditors. They have since sent us another letter saying that they couldn't meet the terms of the letter that gave them the five o'clock deadline and they have referred the matter to an attorney who has yet to contact us. Enough choices and enough chances and I agree with Councilman Stimatz.

Councilman King said that we have been advised by our Counselor what to do and he is going to go with his advice. The last paragraph of his memo he thinks that we should follow. That way he thinks that we would be safe in terminating OIC's lease if we have to go that way. Right now he sees that somewhere down the line OIC is going to say no. He feels somewhat like Councilman Rivers. If he knew that you were going to throw me out on the 30th then he would leave tomorrow. That is the way that he feels and he wants them to have all the opportunity that they can possibly have before we say you are gone. He doesn't want to set here and say you are gone when we could have done this or that. We have got to look at the kids that they are serving. They are serving a lot of kids. His recommendation is that he is going to stay with listening to the attorney's advice.

Councilwoman Watts said well, I want to address what Mr. Kirk Rivers had to say and I want to say this is that you spoke of personal vendettas against someone and I am kind of offended by that in this regard that we are officials of the City and all of us have to do as a group what we feel is best for the whole. And, I don't know anybody to my knowledge at OIC, ECNC or any other non-profit organizations that the City is affiliated with on a personal level. Not even you. I have just met you and truly really just met on a regular basis your parents. I am seeing them a little bit more. We have always just kind of brush one another by in passing. So, I have no personal vendetta against anybody but I run a business like many of us up here and I have a non-profit organization like many of you out there and it is not the way to do things as I see them being done. So, my point is this, after being told over and over and over we need an audit and we are talking from 2007 and that is just when I am coming in and I am not even sure if you asked or requested audits prior to that. Ok and have you got them? And I am talking about more than a 1040 or tax return whatever the

proper forms are for a non-profit organization. I believe they are 990's. A true audit by a reputable company. And, as I hear it even from the City Manager and Mr. Olson you can correct me if I am wrong, I believe that your best judgment was to not ask for, what is the name of the company, out of Georgia?

Mr. Olson said that he would prefer not to use that auditor's name.

Ms. Watts said that this is the particular auditor that this company, this organization would wish to use again. Now, you know we have to make a decision here that's best for the City and let me tell you something and I don't mean this bad, ECNC, OIC excuse me it is not ECNC right at the moment it is OIC is not the only non-profit organization in this town. They have been there two years. Ok, there main wonderful program that they have is for the children. I've been in there and I didn't see any business under any incubator while I was there. As a matter of fact I believe they had to leave as Ms. Simpson said because they had to pay so much money a month and it is very difficult for them to pay that amount. I believe it was $400 a month. Now, we know that there are other organizations out there and why not give them a try. You know, we can all make mistakes. I've made them myself. It doesn't mean that I am going to continue making the mistake forever and ever. Give somebody else a chance. Come back if you want too. It is not a closed door. Alright, now I am finally but not least I will say this. I do believe that ECNC, OIC they work good together. We have seen the different programs that they have done but there are some discrepancies in those organizations. Let us not continue to make the same mistakes over and over and over again. That's the point. So, please think about it when we make a motion.

Mayor Pro Tem Baker advised that we have a motion on the floor.

Mr. Stimatz asked to make one last comment. It has been noted that city policy is that we don't give money to non-profits without an audit. City Manager has said that. Ms. Hummer has said that in minutes. How many chances does somebody need to get. In the RFP for the operation of the Hugh Cale Resource Center the City Council specifically had a requirement to provide the last three years audits. That was ignored by OIC not only that it was ignored by the City Manager when he recommended them. He should have defaulted and said, they are not responsive to the RFP and we should have only looked at one group and that was the ECSU group. That didn't happen. I will use this word and I use it in particular. A cabal of people with a vested interest made sure that OIC got this building. They waited until a council member was absent, shoved the vote through and got what they wanted. That is a fact. We lived with OIC for the last eighteen months. We have been asking for audits. We have been asking for audits since we started. And, in addition, we have been asked by DCA and now HUD for the audits. The pressure is coming from the federal government. We

have given OIC, now think about this one Rickey, they had a chance when they applied for the RFP they didn't do it. They had four letters in the interim. They haven't bothered to respond. We finally tell them line in the sand, it is time to put up or shut up, will you agree to the audits. You talk about the attorney's memo. In his memo he says there are two, a two prong test. One, they agree to the sub-recipient agreement. Second, they agree to audits. How many times do we have to ask them that? How many times do you have to tell your child you are not going to the movies unless you pick up your room? How many times do you want to keep asking him to pick up his room? At some point you as a parent have to say that is enough. You are not being accountable, you are not being responsible. In addition, I, like Ms. Watts, find it abhorrent that certain council members choose to turn everything into either a race or personal attack. And, they raise the flag that we are not caring about the kids. I specifically said in my motion that we wait until the end of June so that the kids can be accounted for and oh by the way if you haven't been paying attention, that is not a primary program of this center. It is a job training resource facility. But, we are sensitive enough to those parents who have children going to those programs and understand their need that we pick the end of June. That doesn't disenfranchise anybody, any after school program, any at-risk kids that are going there or whatever. So, when you start waving the flag of you are hurting the kids, you are just waving a flag for no good reason. You are running around like Chicken Little the sky is falling. The facts are we need to move on as Ms. Watts said.

Mayor Pro Tem Baker said that we have motion on the floor and she would like a vote on that motion.

Councilman Rivers asked Mr. Olson what is the rule for non-profits in terms of funding that would have to have an audit on their own or when 990's will suffice.

Mr. Olson replied that up until two years ago all non-profits were required to have an audit. Two years ago the City Council changed the policy for those that have gross receipts under $500,000, a financial statement or 990 would have been acceptable.

Mr. Rivers said if he understands that correctly, if you are receiving a grant and your income is less than $500,000 most of the time you provide 990's to the IRS or whatever agency that your funding sources are coming from.

Mr. Olson that is the change made two years ago by the City Council.

Mr. Rivers said the City Council set a rule that said 990's. Now discrepancies you have to do a full audit but yet two years ago the City Council said, 990's will suffice. They abided by what the City Council set and now all of a sudden City

Council changes, decided that we want an audit. Now, he read the letter and they say they have no problem with the audit. They just asked that the six that was supplied that they meet and you listen and get them to give some of the auditors firms to be able to come back and provide the information. What is the problem with that? When you sit here and say that well I throw up red flags about children, he has no problem with that. He has no problem with that and he will raise up the red flag because that is what he stands for. So, anytime we have an issue that is going to benefit or is going to help communities then yes he is going to bring that to your attention because that is very important. He represents communities and so he has no problem with bringing up that in order to make a point. He can't understand why we want to sit here and put a six months termination clause talking about we are giving them a way out but yet you are telling them to get out on June 30th but we are going to allow you to stay six months. Where is the hospitality? We need them and everyone sitting here saying it is a mutual respect. We need them because if that program does not affect we have to pay DCA $675,000. If another organization does not come into play we have to pay back $675,000. But, yet we are talking about being responsible. Let's just say no one signs up to run the job training center. That is $675,000 that we have to pay back, where right now we have to pay back DCA nothing. All we have to do is give the resources the mutual respect to work with OIC to carry out the program and then the letter that he reads from it specifically says that they have no problem with selecting an audit firm.

Mayor Pro Tem Baker said that we are running into our regular meeting and she is calling the question.

Mr. Rivers said that you cannot do that. Point of order. He has the floor. Robert's Rule of Order says and if we need to refer to Robert's Rule of Order we can pull that out. But you cannot cut across him to call for the question.

Mayor Pro Tem Baker said yes she believes that she can. What procedure do we have? We don't go by Robert's Rule or any rules that we have adopted in this Council.

City Clerk Pierce-Tamplen stated that since our meeting is scheduled to start at seven o'clock you can table this item for further discussion in your next meeting.

A motion was made by Councilman E. K. Rivers to table the motion on the floor as well as the continuance of discussion to our 7:00 p. m. meeting. Councilwoman L. A. Hummer seconded the motion. Those voting in favor of the motion were: Rivers, Hummer, Baker, King, Meggs, Stimatz and Watts. Against: None. Motion carried.

6} ADJOURNMENT:

Mayor Pro Tem J. M. Baker adjourned the meeting at 7:08 p.m.

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Dianne S. Pierce-Tamplen, MMC
City Clerk

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Jean M. Baker
Mayor Pro Tem