

MINUTES OF MEETING OF THE
CITY COUNCIL OF THE CITY OF SANFORD
SANFORD, NORTH CAROLINA

The City Council met at the Sanford Municipal Center, 225 E. Weatherspoon Street, on Thursday, February 19, 2004, at 1:00 P.M. The following people were present:

Mayor Winston C. Hester	Council Member Linwood S. Mann, Sr.
Mayor Pro Tem Joseph E. Martin	Council Member James G. Williams
Council Member Clawson Ellis	Council Member Walter H. McNeil, Jr.
Council Member Cornelia P. Olive	Council Member Philip E. Dusenbury
City Manager Leonard Barefoot	City Attorney Susan C. Patterson
City Clerk Bonnie D. White	

Mayor Hester called the meeting to order. Council Member Clawson Ellis delivered the invocation.

APPROVAL OF AGENDA

On motion of Council Member James Williams, seconded by Council Member Walter McNeil, Jr., the amended agenda was approved.

CONSENT AGENDA

Approval of January 28, 2004, City Council Minutes- Filed in Minute Book 61

Approval of Ordinance Amending the Annual Operating Budget of the City of Sanford FY 2003-2004 - (Exhibit A)

Ordinance was approved appropriating \$35,419 within the General Fund for the purchase of 911 surcharge equipment to implement the Emergency Medical Dispatch program. These funds will come from the 911 surcharge funds.

The consent agenda items were approved upon motion of Council Member Phil Dusenbury. Seconded by Mayor Pro Tem Joseph Martin, the motion carried unanimously.

REGULAR AGENDA

Consider Matters Relating to the Lee County Farmer's Home District – (Exhibit B)

City Manager Leonard Barefoot stated that this item was discussed at length regarding the operation of the Farmer's Home Water District at the Law and Finance Committee meeting on Wednesday, February 11, 2004. Since 1996, the City of Sanford has provided water to Lee County and to the Farmer's Home District. At the time, the County chose to expand its service by creating a water and sewer district wherein they would borrow sums of money from Farmer's Home and get some grant money, and they looked at a couple of alternatives to providing that water. One was that they considered buying water from Harnett County for a portion of the area that needed to be served, and they considered buying water from the City as well. The City believes that its water system is the most efficient way to provide all of Lee County with water. In the late '80s, the City sold bonds to expand its water and sewer plants. The sizing of lines at

that time was for the ultimate purpose of providing water to all the citizens of Lee County; so, when the Farmer's Home program came about, the City was able to serve them water. In looking at the ways to provide the water, we came up with an idea that we thought was a little different but more cost beneficial to both entities and particularly the County. The traditional method is to install master meters and charge for all the water that flows through the meters. Within that arrangement, every gallon that goes through those master meters is charged. In Lee County and Sanford, we were fortunate that the City had expanded its system well out into the County, such as Lemon Springs, Carolina Trace, Chatham County in two directions and to Deep River School and beyond. We offered Lee County and the District a second plan. Rather than install master meters which would require the County to have a limited number of sources of water from the City to go out in the district and would require fairly expensive larger lines to get the pressure needed, the City allowed the County to go out anywhere on our system and connect onto those lines even in the far ends of the County. The bulk charges would be calculated by taking the sum of the water that flowed through individual customer meters and add them together. This would be the bulk charge to the County and District each month. The advantages to the District were that they could tie-on to these lines anywhere; were allowed to build more lines because they had less infrastructure costs; would not have to pay for annual flushing which the City does once a year to clean the lines; and would not have to pay for water loss from breakages and for fighting fires. The City charged a higher rate (about 15 percent) for the bulk charges to allow for the extra water loss and then a second charge was based on the same volume to provide maintenance to the County. This maintenance was to repair lines, read meters, service meters, install meters, and anything the County was doing in the past. The City thought it was the most effective way to have a single water system in Lee County. Over time, the City has learned there are some issues that have occurred due to the way the system operates. Mr. Barefoot stated that he is not laying blame on the County or the way the arrangement was constructed, but it has proven to have some major problems. One issue is ownership of the lines - determining which lines belongs to which entity.

In the contract, we created a municipal service district which spells out whether the City or the County owns lines that are built by contractors or otherwise connected onto the system within that area. It was important to the City that if we allowed the County to tie onto our lines at a cost savings, then the City needed to be protected in the areas that we intend to grow and expand our sewer, etc. The City and County have had disagreements over this issue.

Mr. Barefoot stated that the most notable problem that has occurred is the flushing of the lines. For a variety of reasons relative to the number of customers and the size of the system, (which is over 200 miles), there is not enough water being used throughout the system which has created a problem in water quality. It has caused the City, who is on record with the State as the supplier of the water, to have to flush the lines. We flush manually for long periods of time opening hydrants, which damage the life expectancy of the hydrants. The City installed 66 meters (59 are the County's) at strategic locations in the County. A committee of two council members and two county commissioners met and agreed after some debate that the City would pay 25 percent of the flushing and the County would pay 75 percent. Since that time, due to the volume of the water being flushed, which the City feels is necessary, the County decided to hire a consultant to look and decide if the flushing is necessary or if there are alternatives to the flushing. It was not a decision of the committee for the County not to pay

the flushing charges; however, they have not paid for the flushing. Mr. Barefoot felt that we could not keep waiting for the payment of the flushing and that something needed to be done.

Mr. Barefoot stated that he was asking for Council's approval to mail two letters he has written to Commissioner Herb Hincks (one to the Lee County Board of Commissioners and one to the Lee County Water & Sewer District #1) and one letter to County Manager Bill Cowan informing them that the City will cease its maintenance contract as of August 20, 2004, to Lee County and Lee County Water & Sewer District #1. He explained that there are two contracts - a maintenance contract and a 40-year agreement with Farmer's Home that states we will provide water to the district. The City will continue its 40-year agreement to provide water; however, if approved by Council, the maintenance agreement will terminate on August 20, 2004. Thereafter, the County would be responsible for water quality within the District. Mr. Barefoot added that the City has been told that the County has had conversations with Harnett County to purchase water from them.

Mr. Barefoot noted that we have had conversations about the possibility of the City taking over the assets of the Farmer's Home Water & Sewer District system through some contractual arrangement, and that is a possibility. The 1996 maintenance contract is flawed. It is based on the fact that the County encouraged dry taps which are customers who signed up and chose not to use the water. They have a tap but no water flows through that meter. The City is required to read that meter, bill the customer a minimum charge, and required to pass that money on to the Farmer's Home District. The City, who expends the resources to maintain those lines, gets no money off of a dry tap. Customers who have dry taps are not using water which does not help to improve the quality of water.

Council Member Ellis asked Mr. Barefoot if he is asking for permission to mail the proposed letters. Mr. Barefoot replied he is asking authorization to forward the two letters under Mayor Hester's signature to Mr. Hincks giving the County notice that the City will no longer maintain the system after August 20, 2004.

Council Member Olive asked Mr. Barefoot if he thought that the consideration of Harnett County is a real offer or a threat? Mr. Barefoot replied that he is certain that Harnett County would like to provide water to Lee County, but in his opinion the citizens of Lee County would be better served by the City. If Harnett County took over the system and a waterline break occurred, Harnett County would have to send someone to repair the break. Council Member Olive asked if logistically, Harnett County could provide service to northern Lee County. Public Works Director Larry Thomas replied that they would have to run a parallel line to connect those lines together, and it would be very expensive because they would have to install several tanks to feed off of. It would be very difficult. It takes a day for water to come from Harnett County. They would have to have some way of delivering it because that is water, in addition to what they normally use in the western part, so it would have to be the size of a 10-inch line bringing water all they way. There would have to be a lot of capital outlay to make that happen.

Council Member Joseph Martin stated that Mr. Hincks expressed concern to him about the quality of the City's water when it got into the County line. If this is a concern, then how

can Harnett County's water come to Lee County and be cleaner than the City's water? Mr. Thomas replied that the City's water meets the state drinking water standards and the City does all the required tests; it would take an extra day to get the water to Sanford from Harnett County. That is just one more day longer that the water quality could deteriorate. The real problem is once the water gets into the middle of the County's system, it takes five to six days to a week, but after that, it takes months to get to the back side of the system and that is where the problem is. Mr. Thomas stated that it does not make any difference if they get their water from Harnett County, Lee County will still have this problem. Mr. Barefoot added that most of the places Harnett County sends water to has a subdivision at the end of the line, which draws more water through the system.

Mayor Pro Tem Joe Martin stated that Mr. Barefoot clarified a point to him that was in the City's 1996 letter to the County stating that the City would charge a bulk rate that includes maintenance. Mayor Pro Tem Martin asked Mr. Barefoot to explain it to the other Council Members. Mr. Barefoot explained that when the City set the fee for maintenance separate from the production of water, the City would charge a bulk rate for providing maintenance to the system which was billing, reading meters, anything that is routinely called maintenance to the system. The City kept up with what it was costing to provide that maintenance because the contract states that future increases will be based on demonstrable charges. The only way to recognize those charges was to monitor what was spent; the City did this. There are other kinds of maintenance the City provided to the County called special maintenance. When the City saw there was something that needed to be done, staff would call Lee County Public Works Director Kenny Cole, and we would get authorization to make that repair. Mr. Barefoot stated that Mr. Thomas could tell about situations where contractors had installed lines that have a year warranty on them and the County would ask the City to make repairs on the lines. Mr. Thomas stated that he spoke with Kenny Cole about this situation, and the County was going to get the contractor to make repairs; however, the contractor would wait two to three weeks while the City's water was pouring on the ground. When Mr. Cole would get in touch with the contractor, the contractor would request the City to make repairs because they did not have time to get there. The City would make the repairs, and Mr. Cole told Mr. Thomas he would get the money back from the contractor. This was not part of the maintenance contract.

Council Member Williams asked Mr. Thomas if Harnett County provided the water, would they have to flush the lines like the City because of the dry tap situation. Mr. Thomas stated that it would be according to the contract between the two entities, and from his understanding, Harnett County is reluctant to take on the maintenance. Mr. Barefoot explained that Lee County could turn the system over to Harnett County, and Harnett County by State requirements, would have to monitor water quality and flush the lines. Harnett County could install master meters and charge for all the water that comes through those lines and Lee County would be responsible for testing its own water quality. Mr. Thomas explained that the State leaves it up to the entities to pick the locations to be tested, and they could test locations that are not at the dead ends; however, that it not what should be done because you want everyone to have good quality water.

Council Member Cornelia Olive asked if it would be legal to require County customers who have tapped on to use their water lines because we are flushing more than the customers are

using. Mr. Thomas replied that you could raise the minimum rate to pay for so much water whether you use it or not. You could make it where the water rates would encourage you to use it. Mr. Barefoot advised that Lee County recently adopted a policy that all new construction must tap onto the water system and not use wells. Mr. Barefoot stated that when the people in the District voted, they pledged the full faith and credit of their tax base to pay those loans off. If the revenues that are collected are lower than the expenses, there have been districts that will actually tax the people to pay that debt.

Council Member Cornelia Olive asked what is the point of hiring a consultant if we are going to terminate the maintenance contract now. She felt we would benefit from the consultant's report. Mr. Barefoot replied that the consultant was hired August of 2003, and now the consultant wants to wait until May to run more tests when it gets warmer, and the City has not been paid for any of the flushing charges the County agreed to pay. The City cannot keep waiting. Public Works Director Larry Thomas replied that the City has performed every test that the State requires, and the City has spent approximately \$25,000 to \$50,000 trying to see what the problem is. Everything points to the age of the water in the line; it is not getting to the back side of the County's system fast enough. The solution to the problem is for the customers to use the water or flush it out. The City has talked with its consultants, Hazen & Sawyer, and the County's consultant, and we all agree that what the City is doing now is appropriate. The County has asked us to look at a new, experimental test that the State does not even certify to see if there is any other reason that chlorine would be dissipating. The City asked the State about this test, and they told us they would not trust those tests. City ran the tests anyway, and the tests are coming up with the same conclusion. We do agree it may make a difference to wait until summertime, but we do not have any option but to flush until that time because we have to make sure customers get good quality water whether we get paid for it or not. The consultant has not performed any of the tests; the City has done all of the testing.

Council Member Clawson Ellis made the motion to mail the proposed letters to County Manager William Cowan and Chairman Herb Hincks of the County Commissioners putting them on notice that the City will terminate its maintenance contract with Lee County and the Lee County Water and Sewer District #1 effective August 20, 2004. The motion was seconded by Council Member Linwood Mann.

Mayor Pro Tem Joseph Martin stated that he is in favor of the issue moving forward and hopes this letter will get us off-center and the sooner the better. He stated he is fearful that it would be detrimental for Lee County to purchase water from Harnett County. He hoped in our negotiations that we do not push people in a negative fashion to go elsewhere to purchase water because of political powers, and we come to an understanding that it is in the best interest of the City and the County for the City to supply water to all of Lee County.

Council Member James Williams stated that he has been in conversation with Chairman Herb Hincks of the Lee County Board of Commissioners, and he knew exactly what the City was intending to do and wanted to get a head start on the issue before the letters were mailed. Mr. Williams spoke with Mr. Barefoot and felt it would be a courtesy to talk with Mr. Hincks before the County received the letters. He talked with Mr. Hincks at length about the City taking over the water system entirely and felt if he had a conversation with Mr. Barefoot prior to

receiving the letter, that Mr. Hincks could start working to get his board in agreement. Mayor Hester commented that Mr. Hincks has spoken with Mr. Barefoot.

Council Member Walter McNeil stated that talking is fine but what are we going to do about the flushing money that is due the City for the last three to four months?

Council Member Linwood Mann stated that we are trying to get Lee County to pay the City what they owe us, and in the future, if we find from some consulting firm that we do not need to flush as often, then we can look at it again. We need to get the money that is owed the City now and worry about the future when it gets here.

City Manager Barefoot stated that the County has alternatives to supplying water to the district. One is the contract we have now which is not working; however, we could fix the contract. In his opinion, it is not in the best interest of either entity to continue operation under the same contract. Mr. Barefoot added that our staff and County staff spend an extra ordinary amount of time checking behind each other. City staff has to monitor everything we do in the provision of water to create a record so we can justify our costs to Lee County, and the County is going behind us questioning what we have done. We are spending an extraordinary amount of time trying to figure out which customers belong to which entity.

A vote was taken, and the motion passed unanimously.

ALL EXHIBITS CONTAINED HEREIN ARE HEREBY INCORPORATED BY REFERENCE AND MADE A PART OF THESE MINUTES.

OTHER BUSINESS

Council Member Clawson Ellis reported that power is on at the new movie theater.

Sanford Herald reporter Tim Preston commented that in regards to City staff reading dry tap meters, he understood that some council members have had an option that would eliminate the costs of staff reading dry taps. Council members were not aware of any option.

ADJOURNMENT

With no further business to come before the Council, the meeting was adjourned on motion of Council Member Linwood Mann. Seconded by Council Member James Williams, the motion carried unanimously.

Respectfully submitted,

WINSTON C. HESTER, MAYOR

ATTEST:

BONNIE D. WHITE, CITY CLERK

