

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 Tuesday, July 3, 2007, at 1:00 P.M. The following people were present:

Mayor Pro Tem Walter H. McNeil, Jr.	Council Member James G. Williams
Council Member Linwood S. Mann, Sr.	Council Member Steve Brewer
Council Member Dan Harrington	Council Member Joseph Martin
Council Member Mike Stone	City Attorney Susan C. Patterson
City Manager Hal Hegwer	
City Clerk Bonnie D. White	

Absent:

Mayor Cornelia P. Olive

Mayor Pro Tem Walter McNeil called the meeting to order. Council Member James Williams delivered the invocation.

APPROVAL OF AGENDA

On motion of Council Member Joseph Martin, seconded by Council Member Linwood Mann, the agenda was approved.

CONSENT AGENDA

Approval of May 17, 2007, City Council Minutes - (Filed in Minute Book 67)

Approval of June 5, 2007, City Council Minutes - (Filed in Minute Book 67)

Approval of June 19, 2007, City Council Minutes - (Filed in Minute Book 67)

The consent agenda items were approved upon motion of Council Member Steve Brewer. Seconded by Council Member James Williams, the motion carried unanimously.

CASE FOR PUBLIC HEARING

Public Hearing - Economic Development Incentives – Frontier Spinning, LLC- Request by Lee County Economic Development Corporation

Lee County Economic Development Director Bob Heuts stated that the public hearing is regarding a proposed expansion by Frontier Spinning. They are operating in about 600,000 square feet and employ in excess of 350 people today. Frontier Spinning is a textile spinning mill where they take cotton bales and turn them into yarn, 100 percent cotton, and a combination of cotton/polyester products as well. The company has approached the Lee County Economic Development Corporation through a consultant and has requested this community to take a look at the possibility of incentivizing this company to be here as opposed to a couple of other locations such as Rockingham County and Elmore County, Alabama. They have been operating

in Sanford since 1996 and have continued to grow on an annual basis in terms of their output and the number of people that they hire. Sanford is the administrative headquarters for that company and they operate facilities in Alabama and Rockingham County from here.

The project they are considering will cost \$20 million -- \$4 million to be spent on improving real estate and \$16 million on machinery. The Lee County Economic Development Corporation has discussed this project and is coming before Council to see if the City would agree to incentives valued at \$238,854 to be paid over a five-year period.

Mr. Heuts advised that Council has two contracts in front of them – one is the contract between Frontier Spinning and the Lee County Economic Development Corporation (LCEDC) and one between the Lee County Economic Development Corporation and the City of Sanford. Included in the contract between the LCEDC and the City of Sanford are calculations for the City's portion of incentives which is \$238,854. The calculations are based on the \$4 million in real estate and the \$16 million in machinery. The incentives are paid out over a five-year period. As the improvements go on the books, taxes are collected and then incentive payments are made. The company has to pay at or above the average manufacturing wage (\$14.53) in order to receive incentives.

Council Member Stone reminded Mr. Heuts that he is new to the incentive program. He said that Mr. Heuts explained to him the rules that the state provides to play by; some he liked and some he did not like. He noted in the resolution that it stated that the City will recover its costs within ten years. His concern is that there is nothing in it that protects the City if the company decides to sell out. He asked Mr. Heuts if there is anything in it that protects the City if they decide to sell out, or move out after the five years. Mr. Stone said he would like to recapture that tax before they would decide to leave and if there is any penalty because that is government money. He also felt that if they do, there should be a six percent penalty. Mr. Heuts replied that the ten years he mentioned is part of the general statute that allows cities and counties to participate in projects like this. In Sanford, the LCEDC has only given a five-year payout and the payout never occurs before the taxes are actually paid. Nowhere do the incentives ever exceed the taxes that are paid by the company. Typically, it has been 50 percent of the taxes paid by the company; however, in this case, they are requesting 70 percent.

Attorney Patterson stated that there is a claw back provision in the agreement which says that if the company does not meet the targeted goal of paying the taxes to the City up front, then they would have to either pay back the difference of the incentive they received or they would not receive the incentive and pay back it all back. This applies during the term of the agreement. Past the five years, we do not have anything that says they have to do business in this town for a period longer than the five years. However, this company is headquarters and is a hometown company that started here and we do not anticipate that they will go anywhere else, but you do not know what the market will drive. Although there is no requirement that they stay in business for ten years or more, we lack the ability to make that requirement of a company. Council Member Stone stated that after the five years, there is no guarantee that we will get our money back. Mr. Heuts stated that after five years, the company has met the obligations of the agreement. If anything happens in the second year of the agreement and the company goes somewhere else, the payment for incentives stops.

Mayor Pro Tem McNeil opened the public hearing. Lee County Economic Development Director Bob Heuts stated he wanted to go on record speaking in favor of the project. It has been a great company in Sanford and they always seem to set the bar a little bit higher in anything they do. They participate in many different ways in the community and give back to the community.

Council Member Stone asked if the forty people from the expansion are in addition to the existing 350 people. Mr. Heuts replied that the company needs forty more people to run this expansion. He stated that the incentive program does not pay for the jobs. The only thing that relates to the jobs is the salary standard that is set. In this case, the company has said they will add forty more jobs as a result of the expansion, and this opens up opportunities for other things to happen such as new grant programs that might be available because of the job creation. There is no mechanism that says they have to create forty more jobs.

Council Member Stone questioned what the verbiage pertains to in the contract that states that in no event shall the refund exceed the incentives paid. Mr. Heuts replied that this is the claw back. It is between the company and the Lee County Economic Development Corporation which is funded by the City and County. It basically states that the company will perform at this level and if it does not perform at this level, we will reduce the amount of incentive available to the company. Attorney Patterson commented that once they perform to this level and pay their taxes, they qualify to receive the incentive. In the event they do not perform to that level, they do not receive that incentive and may have to pay back some incentive or some portion that they had. This section says the refund paid back to the City will not exceed the amount of incentive we gave them. They are not going to have to give us more than they received.

Attorney Patterson pointed out that typographical errors and an inadvertent clause were found in the agreement that was sent to Council and that a new agreement was placed at Council's seat tonight. It is basically the same agreement with some minor revisions.

John Daniel, Chairman of the Lee County Economic Development Corporation, spoke in favor. He stated that he did not like economic incentives, but the truth of the matter is unless we offer incentives, such as everyone else in the country is able to do, we are truly playing on an unlevel playing field. We need these investments and the jobs. One big misconception is that the large amounts of monies that are talked about in newspapers and magazines are very intimidating and confusing. He wanted to clear up a couple of issues. The LCEDC Board of Directors review a lot of items that come before them about the company, about the process of what they will do, and the benefits they think the company will extend to the community, the county, and the city. He stated that the taxpayers are never at risk because the company only gets back a portion of the taxes paid. Mr. Daniel stated that if they pay no taxes, it needs nothing in return. At the end of the incentive period, the company then pays 100 percent and what a great way to increase our tax base and the much needed items that we are going to need in the future for our community. This also provides us jobs, salaries, and this in turn goes to housing, groceries, and to the businesses that this community tries to support. Council Member Stone stated that he wished he knew there was more to protect the city taxpayers at the end of the day with a provision that says if they do not comply, we are coming after you and we want our money and our interest; this makes people obligated to hold up and respond and do what they

need to do. He stated there is no finer individual in town than Mr. Perkins, but at the end of the day you cannot put personalities in it; you have to look at the paperwork and do what is right. Mr. Daniel replied that Mr. Perkins has nothing to do with it. Mr. Daniel added that he would be making this plea to Council if it was someone he did not know that was from Cincinnati. He had rather get the 30 percent now and after the five years, you get 100 percent. They are trying to do the best they can to provide the jobs they think Sanford deserves.

Council Member Martin stated we are truly fortunate to have Mr. Perkins and his management staff that have taken so much pride in the City of Sanford and have built such a reputable company worldwide. There are a lot of communities that would be jumping up and down to get this company to locate in their area. Council Member Brewer stated that we need more industries inside the city limits. He felt it was better to get 30 percent of something than 100 percent of nothing. Council Member Harrington stated that there are a lot of towns and cities in this country that are drying up, and we are fortunate to have a company like this in our backyard, and we need to support them.

City Manager Hegwer stated that just recently, the North Carolina General Assembly created a commission to look into some of the incentives that have been happening recently. The Dell and Google projects in the cities and counties have brought this to light. This commission will be looking into how some things can be reformed and how incentives could be handled in the future. One of the big points is that they will be looking and seeing if they can protect cities in making sure that incentives are not given recklessly. He pointed out that the state is very favorable in terms of job creation. The state has given grant opportunities for job creation.

No one spoke in opposition. The public hearing was closed.

- Consider Adoption of Resolution Authorizing the Expenditure of Funds for an Economic Development Project and Approving an Agreement with Lee County Economic Development Corporation – (Exhibit A)
Council Member Steve Brewer made the motion to adopt the Resolution Authorizing the Expenditure of Funds for an Economic Development Project and Approving an Agreement with Lee County Economic Development Corporation. Seconded by Council Member James Williams, the motion carried unanimously.

DECISIONS ON PUBLIC HEARINGS

Petition by W. E. Byrd - to rezone from Residential Mixed (R-12) district to Office & Institutional (O&I) district 0.49 +/- acre of land addressed as 2302 Woodland Ave. The property is the same as depicted on Tax Map 9652.18, Tax Parcel 9652-31-5006-00 Lee County Land Records Office – (Exhibit B)

Assistant Community Development Director Marshall Downey advised that the Planning Board discussed this item after the public hearing held on June 19 and unanimously recommended that the City Council approve this petition.

- Consider Ordinance Amending the Official Zoning Map of the City of Sanford, North Carolina – (Exhibit C)
Council Member Joseph Martin made the motion to go along with the Planning Board's recommendation and approve this petition. Seconded by Council Member Linwood Mann, the motion carried unanimously.

Petition by Stephen M. Brewer - to rezone from Residential Mixed (R-12) district to General Commercial (C-2) district 0.26 +/- acre of land addressed as 110 Park Avenue and a portion of 111 Carbondon Road. The property is the same as depicted on Tax Map 9642.01, being all of Tax Parcel 9642-38-8078-00 and a portion of 9642-38-9266-00 Lee County Land Records Office.- (Exhibit D)

Council Member Stephen Brewer asked to be excused from voting on this item as he owns this property. Council Member Joseph Martin made the motion to excuse Council Member Brewer from this item. Seconded by Council Member Mike Stone, the motion carried unanimously.

Assistant Community Development Director Marshall Downey advised that the Planning Board discussed this item after the public hearing held on June 19 and unanimously recommended that the City Council approve this petition.

- Consider Ordinance Amending the Official Zoning Map of the City of Sanford, North Carolina – (Exhibit E)
Council Member Dan Harrington made the motion to adopt the Ordinance Amending the Official Zoning Map of the City of Sanford, North Carolina. Seconded by Council Member James Williams, the motion carried unanimously.

REGULAR AGENDA

Consider Ordinance Amending FY 2007-2008 Annual Operating Budget – Reappropriations – (Exhibit F)

Assistant Financial Services Director Beth Kelly advised that this ordinance amends the annual operating budget. These expenditures or projects listed in the ordinance were budgeted by Council to be spent in last year's budget; however, they were not completed or expended as of June 30, 2007. This ordinance reappropriates these funds to be paid in the current year.

Council Member Steve Brewer made the motion to adopt the Ordinance Amending FY 2007-2008 Annual Operating Budget – Reappropriations. Seconded by Council Member Dan Harrington, the motion carried unanimously.

Consider Ordinance Amending FY 2007-2008 Annual Operating Budget – Drug Forfeiture – (Exhibit G)

Assistant Financial Services Director Beth Kelly advised that this ordinance amends the annual operating budget to appropriate available drug forfeiture funds in the amount of \$84,100 for expenditures such as training, uniforms, miscellaneous, and capital outlay mandated within the drug program. Mrs. Kelly advised that this is money that has been received from federal

and state agencies for drug forfeitures and it has a specific purpose; it cannot be spent on operating expenditures.

Council Member Dan Harrington made the motion to adopt the Ordinance Amending FY 2007-2008 Annual Operating Budget – Drug Forfeiture. Seconded by Council Member Joseph Martin, the motion carried unanimously.

Consider Ordinance Amending FY 2007-2008 Annual Operating Budget – Capital Project – (Exhibit H)

Assistant Financial Services Director Beth Kelly advised that this ordinance amends the annual operating budget to appropriate \$200,000 in retained earnings to transfer to a capital project for the engineering cost of the clearwell rehabilitation and baffling. Once the financing is approved by the Local Government Commission, the utility fund will reimburse itself from the debt proceeds for the \$200,000.

Council Member Steve Brewer made the motion to approve the Ordinance Amending FY 2007-2008 Annual Operating Budget – Capital Project. Seconded by Council Member Dan Harrington, the motion carried unanimously.

Consider Water Capital Project Ordinance – Clearwell Rehabilitation – (Exhibit I)

Assistant Financial Services Director Beth Kelly advised that this ordinance sets up the clearwell rehabilitation capital project on the books.

Council Member Steve Brewer made the motion to approve the Water Capital Project Ordinance – Clearwell Rehabilitation. Seconded by Council Member Dan Harrington, the motion carried unanimously.

Consider Reimbursement Resolution – Water Capital Project - Clearwell Rehabilitation – (Exhibit J)

Assistant Financial Services Director Beth Kelly advised that the reimbursement resolution allows the utility fund to reimburse itself once the loan is approved for the clearwell rehabilitation project.

Council Member Steve Brewer made the motion to approve the Reimbursement Resolution – Water Capital Project. Seconded by Council Member Dan Harrington, the motion carried unanimously.

Consider Resolution Authorizing the Advertisement of an Offer to Purchase Timber on Valley Road and Approving Sale to Edwards Wood Products – (Exhibit K)

City Attorney Susan Patterson explained that our consulting forester, Hales and Associates, has received bids to purchase the timber on a portion of the 84.13-acre tract located off of Valley Road. The high bid was Edwards Wood Products with a bid of \$103,830. In order to comply with the statutes required to sell this timber, staff requests that Council approve the resolution authorizing the advertisement for upset bids. In the resolution, it would state that if there are no upset bids within the ten days, then staff could go ahead and close with Edwards Wood Products.

Council Member Stone stated that the bids varied from \$68,000 to \$103,000, which is a big discrepancy among the companies and asked if there is anything the City can do to hold them to their bid. Attorney Patterson replied they are bound by their bid. They have to pay us that much for the timber and comply with all the conditions required to keep the site in a certain condition, repairing any ruts they may make and a portion of it would be for reforestation. This is a complete bid.

Council Member Steve Brewer made the motion to adopt the Resolution Authorizing the Advertisement of an Offer to Purchase Timber on Valley Road and Approving Sale to Edwards Wood Products. Seconded by Council Member James Williams, the motion carried unanimously.

OTHER BUSINESS

Council Member Stone stated that this is the first day of the new budget year and he will be counting the dollars every day.

Council Member Brewer stated that he went to the Lee County Centennial event at Depot Park last night and it was a wonderful event. At the event, a lady approached him and stated that the mayor told her that the city was not going to plant trees on the corners of Carthage Street and Wicker Street. Mr. Brewer asked if something happened that he did not know about. City Engineer Vic Czar replied that to the best of his knowledge, it is still in the budget. They are still intending on doing this project; staff is doing some designs to forward to the Department of Transportation because some of it will be an encroachment on some of their right-of-way.

PUBLIC COMMENT

No one signed up to speak.

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

ADJOURNMENT

With no further business to come before the council, the meeting was adjourned on motion of Council Member Steve Brewer; seconded by Council Member James Williams, the motion carried unanimously.

Respectfully submitted,

WALTER H. MCNEIL, JR., MAYOR PRO TEM

ATTEST:

BONNIE D. WHITE, CITY CLERK

