

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 15, 2008, at 7:00 P.M. The following people were present:

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

Mayor Olive called the meeting to order. Council Member Mike Stone delivered the invocation.

APPROVAL OF AGENDA

City Manager Hal Hegwer requested to add three items to the regular agenda. They were Item #1 - Consider Voluntary Annexation Petition Submitted by Stewart-James LLC-Located Approximately 800 Linear Feet Southwest of the Intersection of Stone Brook Drive and Carbonton Road:

- Consider Resolution Directing the Clerk to Investigate a Petition Received Under G.S. 160A-31
- Receive the Certificate of Sufficiency
- Consider Resolution Fixing Date of Public Hearing on Question of Annexation Pursuant to G.S. 160A-31;

Item #2 - Consider Resolution Temporarily Closing Several Streets in Support of National Night Out; and Item #3 - Consider Appointment to the Fire Committee.

On motion of Council Member Mike Stone, seconded by Council Member Charles Taylor, the amended agenda was approved.

CONSENT AGENDA

Approval of May 6, 2008, Closed Session Council Minutes – (Filed in Closed Session Minute Book #1)

Approval of May 14, 2008, Closed Session Council Minutes – (Filed in Closed Session Minute Book #1)

Approval of May 20, 2008, Closed Session Council Minutes - (Item #4) – (Filed in Closed Session Minute Book #1)

Approval of June 11, 2008, Law and Finance Committee Minutes – (Filed in the City Clerk’s Office)

Approval of Interlocal Agreement with Triangle J for Cape Fear River Flow Losses Study – (Exhibit A)

Interlocal Agreement with Triangle J for the Cape Fear River Flow Losses Study was approved. The purpose of the study is to identify a water loss between the Jordan Lake Dam and Lillington of about 50 million gallons per day (MGD). The agreement identifies the cost to each participant and the role of Triangle J. As proposed the total cost of the study is not to exceed \$543,680 and Sanford’s cost over the next three-year period is \$7,886. The first year is \$2,824; the second year - \$3,979; and the third year \$1,083.

Approval of Ordinance Amending the Annual Operating Budget of the City of Sanford FY 2008-2009 - (Exhibit B)

Ordinance was approved to amend the budget to appropriate funds for the Triangle J Cape Fear River Flow Losses study.

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

SPECIAL AGENDA

Mayor Olive read the proclamation proclaiming August 5, 2008, as National Night Out in Sanford. – (Exhibit C)

CASE FOR PUBLIC HEARING: held jointly with the Planning Board.

Petition by Steve M. Malloy of Adcock & Associates, Ltd on behalf of S&S Associates Family Ltd Partnership and Cam-L Properties, Inc. - to Rezone from LI, Light Industrial District to C-2, General Commercial District 0.50+/- Acres Located in the Northeastern Quadrant of the Intersection of S. Horner Blvd and Grimm Street. The Property is the same as Depicted on Tax Map 9652.20, Tax Parcel 9652-80-3808-00 and a Portion of 9652-81-3113-00 Lee County Land Records Office. – (Exhibit D)

Planner II Amy McNeil advised that the property is located in the 2700 block of South Horner Boulevard. It has access to public water and sewer and is not located in an established watershed area, a designated 100-year floodplain, or a Historic District. There are architectural overlay standards which would apply to commercial development at this location.

The (LI) Light Industrial Zoning District is established to provide for areas that contain a mix of light manufacturing uses, office park, and limited retail and services uses. The request is to rezone to C-2, General Commercial District. This district is established to provide areas for general commercial activities designed to serve the community such as shopping centers, repair shops, wholesale businesses, and retail sales with limited outdoor display of goods and limited outdoor operations. Ms. McNeil stated that she is currently reviewing a site plan for a dental office at this location, but it is important to keep in mind that any of the uses listed on the permitted use list for this zoning district would be permitted.

The 2020 Land Use Plan Map recognizes this area as “highway overlay.” This is an area with a high level of design and development standards along a major transportation corridor or major highway. When considering the zoning of this property, current development trends and the surrounding zoning of the neighborhood should also be considered.

Ms. McNeil stated that staff recommends the Planning Board and City Council support the petition based on the fact that the subject property is located on a major corridor where C-2, General Commercial, is the predominant zoning district. Staff finds that this rezoning is reasonable and in the public interest because it provides for planned orderly growth, by attempting to protect the integrity of the existing commercial development along S. Horner Blvd. However, information as presented at the public hearing may provide additional information that should be considered regarding a final decision on the requested zoning map amendment.

Mayor Olive opened the public hearing. Steve Malloy, representing Cam-L Corporation and S&S Associates, spoke in favor. The entire purpose of the rezoning is because the buyer plans to put an affordable dentures office there which will be a good addition for Sanford’s citizens. The difference between (LI) Light Industrial and (C-2) General Commercial on offices is medical and dental offices are allowed.

Linda Barber, residing at 804 Grimm Street, spoke in favor of any positive improvements that can be made on the northeast side of Grimm Street where it connects to Horner Boulevard. She said presently, most of the area is overgrown with tall grass and weeds. There is a former tobacco warehouse nearby which is now a flea market and it is very unsightly. She felt this area along with the area across Horner Boulevard can and should be greatly improved with good commercial business neighbors who are concerned about the appearance their business presents. Mrs. Barber asked where would the entrance and exit be for the business that is planned for this area. She said she is concerned for her safety as well as for others if there is another entrance and exit on Horner Boulevard that will be close to Grimm Street. Mrs. Barber stated that you take your own life in your own hands when you enter or exit Grimm Street. There is always traffic pulling out from the Save More Store, Centura Bank, and the other commercial businesses along Horner Boulevard. She asked if there are any plans to improve Grimm Street along with this developed area. For a dead-end street, there is a lot of traffic. There are garbage collectors, leaf and limb trucks and delivery vehicles that have to go to her driveway to turn around. She expressed concern over the heavy traffic and safety issues. Ms. McNeil replied that the site plan she has seen illustrates the main entrance to the dental office to be off South Horner Boulevard. It has been reviewed by the Technical Review Committee and the N.C. Department of Transportation is a part of that committee. The D.O.T. is requiring that a turn lane that will taper from Grimm Street into this project and she is not aware of any plans to upgrade Grimm Street.

Council Member Stone asked if Light Industrial (1) is a lot more lenient than Commercial (C-2). Assistant Community Development Director Marshall Downey replied that is correct. Typically, Light Industrial is going to additional uses. When the UDO was adopted, it still kept a lot of the former Euclidean style where anything was allowed in commercial typically gets allowed also in industrial but you typically add more uses when you get into Light Industrial. Typically, Light Industrial would allow more uses than you would have in the C-2 General

Commercial. As Mr. Malloy indicated, we did look at certain things and we did remove some things because staff did not feel they were compatible in Light Industrial such as medical offices. Mr. Stone asked if they have submitted a plan for a medical office. Mr. Downey replied yes and the plan has been approved one time but there are some minor changes to be made.

Mr. Malloy stated that there will not be an entrance or exit from this property onto Grimm Street. It will strictly be on Horner Boulevard. Ms. McNeil advised that the entrance and exit will be in the middle of the northern most part of the property.

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

The Planning Board retired to the West End Conference Room.

REGULAR AGENDA

Consider Waiver of the Bidding Procedure for a Fire Pumper – (Exhibit E)

Fire Chief Wayne Barber explained that in the 2008-2009 budget, Council approved the purchase of an additional pumper and currently we have a pumper under contract on order that has not been delivered at this time. Staff contacted the manufacturer and they have agreed to provide the City an identical pumper for the same price with the same conditions. That contract was bid under all the necessary bidding rules. Mr. Barber requested that Council waive the bidding procedure and allow staff to purchase the pumper under the current contract that we already have.

Council Member Steve Brewer made the motion to waive the bidding procedure and purchase the additional pumper under the current contract. Seconded by Council Member Mike Stone, the motion carried unanimously.

Consider Voluntary Annexation Petition Submitted by Stewart-James LLC-Located Approximately 800 Linear Feet Southwest of the Intersection of Stone Brook Drive and Carbonton Road

City Attorney Susan Patterson advised that this is a voluntary annexation that has been received for property that is contiguous to the city limits off of Carbonton Road. It consists of approximately 34.51 acres of property owned by Stewart-James, LLC. They wish to develop a new subdivision on the property. They are requesting annexation into the city limits.

- **Consider Resolution Directing the Clerk to Investigate a Petition Received Under G.S. 160A-31 – (Exhibit F)**
Council Member Steve Brewer made the motion to adopt the resolution. Seconded by Council Member Walter McNeil, Jr., the motion carried unanimously.
- **Receive the Certificate of Sufficiency – (Exhibit G)**
Council members received the Certificate of Sufficiency verifying that the petition is sufficient.

- Consider Resolution Fixing Date of Public Hearing on Question of Annexation Pursuant to G.S. 160A-31 – (Exhibit H)
Attorney Patterson advised that the resolution sets the date of the public hearing for annexation on August 5, 2008, at 1:00 P.M., in the Council Chambers.

Mayor Pro Tem Martin made the motion to adopt the resolution fixing the date of the public hearing. Seconded by Council Member McNeil, the motion carried unanimously.

Consider Resolution Temporarily Closing Several Streets in Support of National Night Out – (Exhibit I)

City Manager Hal Hegwer advised that the resolution temporarily closes several streets for National Night Out on August 5. Council Member Walter McNeil made the motion to adopt the Resolution Temporarily Closing Several Streets in Support of National Night Out. Seconded by Council Member Mike Stone, the motion carried unanimously.

Consider Appointment to the Fire Committee

City Manager Hegwer stated that this position was vacated when former Council Member Dan Harrington left the City Council. This position serves on the Board of Trustees of the Local Firemen's Relief Fund. It is an appointed position by the Council to that committee. Council Member Williams also serves on this board whose term will expire June 30, 2009.

Mayor Pro Tem Martin nominated Charles Taylor. Council Member Brewer seconded the appointment. Council Member Taylor nominated Joe Martin. Mr. Martin withdrew his name. Mr. Taylor expressed concern about his workload on committees. Fire Chief Wayne Barber explained that the Board of Trustees does not meet unless there is a situation that arises from a hardship to disperse funds. The treasurer is responsible for investing the monies and writing a check to the supplemental pension fund once a year. Mr. Martin stated that this committee is not time consuming and he would be an asset on this board.

Council Member Stone made the motion to table this issue until the next meeting. The motion died for the lack of a second. Mr. Martin said that there is a report that has to be sent in by July 31 so someone needs to be appointed. Council Member Taylor withdrew his name as a nominee. Council Member Stone made the motion to nominate Steve Brewer to the committee. Seconded by Council Member Charles Taylor, the motion carried unanimously.

Consider Discussion of Water & Sewer Rate Study - (Exhibit J)

City Engineer Vic Czar introduced Lex Warmath with Raftelis Financial Consultants, Inc., to continue his presentation on the water and sewer rate study. Mr. Warmath made a presentation on June 30 explaining the methodology for their study and recommendations.

Mr. Warmath explained that he wanted to bring Council additional information they asked about particularly in terms of how Sanford's rates compare to local surrounding competitors. Mr. Warmath stated that he worked with staff to identify the objectives for Sanford. One of the big drivers is revenue sufficiency; this would address a fairly significant capital campaign for the city, very specifically the wastewater treatment plant that needs to be

expanded. The primary objective was to guaranteeing the revenue sufficiency and looking at what type of rate adjustments the city would need to be able to afford the improvements. They built a financial planning and rate model to help do this and they focused on a five-year planning horizon. They tried to come up with a program of rates that gets you where you are today to where you need to be in the terms of total revenue generating potential in five years.

They focused on ensuring to the greatest possible extent that the recovery of this revenue was equitable across different customer classes, particularly, looking at inside city rates, outside city rates, and what the district customers are paying out in the county. They looked at options to adjustment not just the level of rates but the structure of the city's rates – how much is recovered from volume charges versus monthly minimum charges. They also tried to move toward a rate structure that promoted conservation and encouraged efficient water use, driven by the drought and the Governor's directive to move to pricing signals that would encourage people to use water more efficiently. Their bottom line recommendation was that the rate structure in place now, with a few small adjustments, gets you to these objectives as long as you can raise the rates to meet the revenue needs.

Mr. Warmath said that they squeezed out some of the blocks of discounts that the larger volume customers get to try and encourage conservation but very slowly. They are passing most of the impact across the board to all customers since everyone would benefit from the sewer plant being built. They targeted a larger rate adjustment in the first year of the program because that gives you flexibility moving forward. Once the rates are up and the revenue stream is in place, then that generates more flexibility later on in case things do not turn out as planned. There would be smaller rate increases going forward. Water rates would go up five percent and sewer rates 12 percent, then dropping down to two percent on water rates and sewer rates at 6 percent, 4 percent and three percent. Mr. Warmath went over the recommended rates for FY 2009 as listed in the Exhibit J. Mr. Warmath displayed how the rate adjustment would affect a 4 ccf customer and a 7 ccf customer for the first year. A 4ccf customer would pay an increase of approximately \$.77 more per month for water and \$1.78 more on sewer. A 7ccf customer would pay an increase of approximately \$1.31 more per month for water and \$3.11 more per month for sewer. He showed the impact on a customer for a five-year impact.

Council Member Stone asked if he had any comparisons for larger water users and who is paying for the majority of the share for the wastewater treatment plant. Everyone is paying a share but if you look at the large amount of users, some people are getting a discounted rate versus others are paying more than a fair-share rate. Twenty thousand dollars to a medium-income family is a whole lot less than what the user rate would be on a multi-million dollar company. Mr. Raftelis replied that the rates are proportional to usage. We are trying to increase the third-tier on the water rates more than the first and second tier meaning the minimum charge up to 8ccf. They are getting a larger rate increase passed on to the large volume users because the discount they have been getting historically is unfair. There is no cost justification for that large a discount.

Council Member Taylor asked a question referring to the five-year sliding scale of 2008 to 2013, if there are any guarantees that we won't come back in 2011 and say we need to increase our water and sewer rates, or is this locked in for five years. Mr. Warmath

recommended taking it one year at a time because things do change. He has seen communities lock in rates for three and five year increments and they turn out to be insufficient. Mr. Warmath said this is the best plan based on what they know today and based on certain assumptions of about how this expansion is to be financed. He recommended updating the rate schedule every year depending on fast the city grows; how much costs go up; how much energy costs go up; what the final cost of the wastewater treatment plant expansion is and how you finance it; and how quickly the debt service hits the system. This is a dynamic process and the planning model has been built to provide a tool to assess when things do happen whether or not there are alternatives for adjusting rates versus other options. Council Member Steve Brewer stated that the economy could close one of our big water and sewer users and then the whole plan changes.

Council Member Stone's said the only thing that makes him weary of it is that you are looking at a 31 percent increase and you have to remind yourself some of the things that make you competitive in the market. Mr. Stone said that we do the incentives for the industries and incentives on the water and somebody has to pick up the bill – that being the citizens. He stated that the people in Moore County that buy the water from Sanford gets it cheaper than we do. We need to be aware of who is paying the bill; he citizens of Sanford and Lee County are paying the bill. We have a 31 percent increase; incentives go to the industrial base; Moore County gets the water cheaper; and we are trying to stay competitive with Harnett County. It is a lot to consider and there are a lot of new ideas out there.

Mr. Warmath said if you lose a big industrial customer it does impact the rate and you have to make up that revenue, but it would allow you to push out the need for that wastewater plant and defer that. In which case, you would not need to continue with the same level of rate increases maybe because the debt service might get pushed out three to five years. You would hold your position until you recovered some of that usage. The other side of the coin is wonder if you get a new customer and you have to accelerate that plant. This is the reason he encourages Council to look at this plan and revisit the issues and make sure the plan is still working.

Council Member Brewer stated that the state has given us a window to expand our wastewater treatment plant and we need to take advantage of this opportunity. Mayor Pro Tem Martin said he thinks back to our forefathers before us and he was thankful that they looked out to the future. Council has done the same thing with the airport, the golf course; we went through some volatile situations that are very positive now. Mr. Martin said we cannot sit back and wait; we need to take advantage of expanding our plant or it will cost us more when we decide to do it. Council Member Brewer added that if we don't expand now, we will not be in the position for the companies that are looking at our city now. One of the intriguing issues is our capacity at the wastewater plant and the fact that we are looking at expanding, along with the water we have. He said we are one of the few counties that does not have any available industrial sites/open buildings now vacant like other cities do. We have been very fortunate to retain most of our industries. To say a 31 percent increase; it is only \$2.55 per month increase and this is not a huge increase. Mr. Brewer said we need to seize the opportunity to expand with a fair rate structure.

Mr. Hegwer said that declining box structure is benefiting everyone; it is not just benefiting businesses; the more you use the less expensive it is. Mr. Stone said it applies to everyone realizing only the industrial base is going to use it who is already getting the tax incentives. Homeowners are not getting tax incentives so let's be fair. Mr. Stone said the real question is, "Why is it that our neighboring county – Harnett County, spend \$87 million to build a wastewater treatment plant and they have a lower rate than we have now?" Why is their water rate cheaper? The real answer is because they have sold capacity to Angier and Cumberland County. They asked them to be part of the wastewater treatment plant and water plant. Those communities share part of the responsibility, part of the up-fit, and part of the infrastructure from now to ever.

Mr. Martin said they got a tremendous amount of federal money because of BRAC. City Manager Hegwer said there are a lot of things available to Harnett County because they are a county; they can receive rural development financing where as the City of Sanford cannot receive rural development financing. You are looking at forty year financing at 4.5 percent; this is something that is not available to cities. There are a lot of variables. Mr. Hegwer said we could sell capacity if we had someone to buy it.

City Engineer Czar said we would be willing to look at any of those options. Chatham County has talked it a little bit; Goldston has talked about it some. Harnett County took any option they had to get that worked into their planning; we would to. They were uniquely placed where they could get some of those things; everybody is unique and has their own set of circumstances to deal with to come up with the best situation for their customer base. If we get the opportunity to buy into capacity, we certainly would talk to them. It will cost you more than double to go to the Cape Fear River than expanding where we are. We need to walk through the door that is open for us. It takes a much longer time to site a new discharge than to expand in the existing discharge. So if you use the Bristol Myers for example, and we are not allowed to expand where we are, we have a fifteen-year project to get a new plant sited, constructed, and permitted on the Cape Fear River. There is going to be a period of time in there when we may not have capacity to offer for growth and that is not where we want to be. Mr. Czar stated that Raftelis took the best information they had based on a lot of assumptions; the cost of the plant is a big assumption. We would be willing to talk with anyone that wants to buy into it. This is the reason we need to look at it every year; you may add users or lose users.

Council Member Stone asked Mr. Czar if we have ever sent one contract to neighboring communities to buy capacity. Mr. Czar replied that we have talked to them about contracts and about buying capacity; we have not sent them a contract saying this is what we will do. It usually starts with a conversation and staff has had those conversations.

Council Member Brewer stated that Mr. McNeil, Mr. Williams, Mr. Hegwer and he have spoken with Representative Jimmy Love about speaking to other counties about selling capacity and regionalizing sewer, so this is not an issue that is dead and nobody has spoken of. It has been mentioned many times. Mr. Hegwer said that we have engaged Chatham and Pittsboro; however, they are looking at siting their own facilities. It is a good distance from Sanford to Pittsboro and Chatham. For Sanford, if we had a partner we would embrace it. Council Member Mike Stone said that if you find a way to partnership with people and show it will work

for several communities, the federal and state governments are more willing to work with you and that is what we have failed to.

Council Member Brewer said that there has been a lot of discussion regarding grants, federal and state money, partnerships, and selling capacity. Council met with our federal and state representatives at Renaulds about this issue. We got grants to help with take our Little Buffalo Lift Station

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

PUBLIC COMMENT

OTHER BUSINESS

ADJOURNMENT

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

Respectfully submitted,

CORNELIA P. OLIVE, MAYOR

ATTEST:

BONNIE D. WHITE, CITY CLERK