

LAW AND FINANCE MEETING  
Wednesday, January 11, 2012  
1:00 P.M.  
Council Chambers

The Law and Finance Committee met on Wednesday, January 11, 2012, at 1:00 P.M., in the Council Chambers at City Hall. The following people were present:

Law and Finance Committee:

Mayor Pro Tem Sam Gaskins	Council Member Walter McNeil, Jr.
Council Member L.I. (Poly) Cohen	Council Member James Williams
Council Member Jimmy Haire	Council Member Rebecca Wyhof
City Clerk Bonnie D. White	City Attorney Susan Patterson
City Manager Hal Hegwer	

Absent:

Mayor Cornelia Olive  
Council Member Charles Taylor

Mayor Pro Tem Sam Gaskins called the meeting to order.

Grady McCallie, Policy Director with the North Carolina Conservation Network to Speak on – (Exhibit A)

Grady McCallie, Policy Director with the North Carolina Conservation Network, presented a powerpoint presentation on fracking. Mr. McCallie advised that he will be out of the office for several weeks and he recognized Will Morgan in the audience who will be able to answer questions in the future.

Mr. McCallie said that they have been looking at the potential implications of shale gas development in North Carolina for the last nine months. He displayed a picture of a horizontal well that was drilled in the late 1990s that showed an indication of natural gas, not enough to ever be commercially viable as a vertical well. A couple of geologists from the North Carolina Geological Survey, over the last several years, have noted the national trend to combining the two technologies – the technology of putting water under pressure into rock and shattering it to release the gas which is called “fracking,” combined with horizontal drilling which allows you to reach a larger area of rock from a single well. Looking over North Carolina’s data, thought there might be a chance that given some of the information from the handful of wells there are, there might be a commercially viable shale gas deposit in North Carolina. He said that Sanford will be the city most affected by this, as best they can tell, if it comes to North Carolina.

He showed an aerial photo from Pennsylvania where a lot of fracking is begin done. In North Carolina, the reason shale gas development cannot happen yet, is based upon two accidents, legally there are two laws; one forbids horizontal drilling and the other forbids fracking. Our State Legislature is considering whether to change that. If it is changed, you will get an industry the way Pennsylvania has had an industry that is much larger than the question of the well. It includes the footprint, the ponds where water is stored that is put down into the

wells, the pipelines, compressor stations, and borrow pits to create the well pads. The second point is North Carolina is very small. He displayed a map of shale plays across the United States – fields where shale is being drilled. The most news you may see is from Marcellus, Pennsylvania, because it has been fairly controversial. One point is shale gas is going to be developed nationally, whether it is here or not. The question is not if shale gas is a good idea, but does it make sense as a part of our economy in North Carolina, given the benefits, costs, and risks associated with it. The other point to know is that because so much is happening across the country we are able to burn gas, whether we ever choose to drill for it if we have commercially viable quantities which we do not know. If it turns out that we do, we could choose never to cap them and we will still have as much gas as we want to use.

Mr. McCallie said that the third point is the price of gas is quite low now, and is as low as it is ever going to be probably, and it is not projected to rise very quickly. It is about \$4.50 per thousand cubic feet or lower, when the final numbers come in for 2011. The U.S. government agency that tracks these numbers, which is the Energy Information Administration, does not believe that this price will get up to \$7 per thousand cubic feet until about 2035. The significance of that is these numbers are hard to come by because industry does not generally share their internal cost numbers, but in independent industry, analysts believe that the cost of breaking even on a new well in one of the existing plays is about \$7 or \$8 per thousand cubic feet, which means it is not economical to drill new wells, particularly in a place where there is no infrastructure for this industry as there is none here. It is quite unlikely that this industry would find it financially viable to come in and drill for shale gas and that is if we have decent quantities in the ground.

He displayed a map of the exposed North Carolina Triassic Rift Basins in North Carolina. All the information they have in the state comes from the Sanford sub-basin. He displayed a map showing where leases have been signed by landowners in Lee County. There are about 9,000 acres for which leases have been signed; about 7,000 of those leases are to one company – Whitmore Exploration out of Colorado. He noted that a company that signs a lease can then transfer that lease and sell it to pretty much anybody. There is no requirement in North Carolina law that landowners be notified of that assignment or transfer.

Mr. McCallie spoke on environmental impacts. The industry has said that regarding fracking, there is no proven case of fracking causing contamination of drinking-water wells. There is a case in Pavilion, Wyoming, where the U.S. Environmental Protection Agency believes they have found chemicals that are used in fracking now in drinking water wells. That whole question sidesteps the bigger issue. When industry says that, folks are speaking very narrowly of the specific practice of putting water down into the shale to break it up and claiming that it has not been proven to cause groundwater contamination. What is quite clear around the country and in multiple locations is that people with drinking water wells have had methane in their wells. Whether it is coming from the fracking or from cracks in the well casings or some other way, it is quite clear from a 2011 Duke University study, they found a very high correlation between the well owners who are close to a fracking well and well owners that have methane in their wells. They tested the fingerprint of that methane. It is pretty clear that it is the methane from underground.

Mr. McCallie said that it takes a fair amount of water to do the fracking. Right now, that water would come out of the Deep River; it would have to come from somewhere and this is a fairly dry region of the state. He stated that North Carolina does not have any kind of water withdrawal state law. At this point, a company could just drop a pipe in the Deep River and take what they need. He referenced a letter in council's packet that was mailed to the chair of the Environmental Management Commission in North Carolina. The reason they sent the letter to him and the chair of a subcommittee of the water allocation committee, is to ask them to look at the question of whether if shale gas comes to North Carolina, a capacity use area will be needed to regulate water withdrawals in this area to make sure no existing users are hurt and there is still plenty of water for them. He added it is not that they think a capacity use area is desirable; it can be very controversial and it takes a long time to set one up.

He spoke about the air emissions from the trucks; wells require 1,000 trucks per well carrying water back and forth. The trucks have diesel emissions which are poorly controlled by state programs. He did not think Sanford or Lee County is in particular danger of violating federal air quality standards right now.

Mr. McCallie said that the wastewater has to be disposed of; it is often stored in lined pits or increasingly in tanks. Ultimately, this water has to be disposed of and it can be disposed in a wastewater treatment plant but we do not have any plants in North Carolina set up to deal with this, or it can be pumped deep underground in injection wells. This is illegal in North Carolina because we made a policy decision a long time ago that we were not going to allow waste to be disposed of in that way; this can be changed. In other states where wastewater is being injected in deep wells (in Ohio recently), it has caused minor earthquakes. The problem of seismicity of earthquakes is much more associated with this injection of wastewater, as best they can tell, than it is with fracking.

Council Member Haire verified that 70 percent of the water stays underground. Mr. McCallie replied that the figures he has seen is that between 30 to 70 percent stays underground. Mr. Haire asked if each well has a reservoir as shown on the powerpoint presentation. Mr. McCallie replied that it depends on whether the fracking water is going to be reused. In some places, they are taking the water using it to frac a well; they bring it back up and after a while they take it off to a different well, and that takes truck traffic to do. At some point and depending on who you talk to in industry, you will get a comment that we can deal with the water quantity demands by the industry by reusing that water more and we are pushing technological boundaries as to how many times we can reuse it. But at some point, there are some things that cannot be reused and will have to be disposed of.

Dr. Parker McConville to Speak Regarding the Bike Criterium (Exhibit B and Exhibit C-Petition)

Dr. Parker McConville stated that there is a four person executive committee for the bike race. The members are himself, Dr. McConville's wife - Glenda McConville, Shannon Gurwitch, and Brandon Atkins. He mentioned that Brandon Atkins is present in the audience.

He presented council members with information regarding the events to be held and information regarding last year's event. The proposed event is to be held April 29. In the past,

they have had a window of 7 A.M. to 6 P.M. They usually finish around 4 P.M. and do their best to get out of downtown as quickly as possible. The latest they have been there in recent years has been about 4:15 P.M. to 4:30 P.M. The events are the same as last year with the addition of the Cross Fit Competition; it is a weight-lifting/aerobic event. They will have the Spring Festival in Depot Park again. Last year, they had 40 vendors and that did not include the bouncy houses and the National Guard brought their rock-climbing wall.

Everybody that participates in the Brick City 5K, 10K and Kids Fun Run, will be given \$5 worth of Chamber bucks with the hopes that they and their families will spend that money in Downtown. Every year they have donated money back to Sanford in some form. This year will not be any different. They plan to donate money to the Lee County Public Schools, the Temple Theatre, and Wounded the Warriors Foundation; they have not determined the amount yet or if they are going to give to another entity.

Dr. McConville said that some of the improvements they plan to make are more signage and traffic flow. They plan to meet with Major Gray and Magda Holloway to put some of their volunteers to help with the flow. The main issue last year was where Hawkins Avenue meets Charlotte Avenue for the runners and the cars and to make sure the people going to church on Hawkins Avenue will not be inconvenienced. They hope to have some golf carts for people at two different locations to get them across the road safely - (one at Wenger's Restaurant and the corner where the Heins Building is located).

He gave a recap of the attendance and events last year. They donated \$2,000 in merit scholarships last year; \$500 to the Wounded Warriors Foundation; \$1,000 to Lee County Ministries; and \$5,000 in gift cards to Tramway Elementary School. Dr. McConville added that they were awarded the Best of Criterium In The Piedmont by *Endurance Magazine*. They will have a website for the event this year.

He presented Council with a petition (Exhibit C) of the businesses and the owner's signature if they support the event or not and if they plan to be open or not. There are twelve businesses that support it. He is putting on this event because he has a passion for it and the town he lives in. He wants to promote Downtown Sanford.

#### Jenks Youngblood to Speak Regarding the Bike Criterium – (Exhibit D)

Mr. Youngblood, one of the owners of the Sanford Antique Mall, and the Carolina Artist Colony, said he is not against the bike race being downtown. He has asked Dr. McConville to compromise on the hours of the event. He said when all the streets are closed downtown and there is no parking, it affects his business. The people who visit his business are from out of town; they bring in a ton of money from out of town. They get to Downtown Sanford and see the streets closed and they mostly likely leave frustrated because they do not know where to park. Cutting off all of their parking for an entire business day is not fair. Mr. Youngblood said you would not do this to Wal-Mart or Riverbirch, just to have a bike race. He asked Dr. McConville to stop it at 2 P.M. instead of 4 P.M. and to start two hours earlier. Mr. Youngblood said that Dr. McConville said that was not possible. Mr. Youngblood stated that the Susan B. Koman Race for the Cure in Raleigh starts at 7 A.M. in the morning and there are about 20,000 people. Mr. McConville has had four years to get this right and how many years are you going

to give him. It has not helped his business. Mr. Youngblood said that Dr. McConville keeps bringing up businesses on Steele Street and they are not open on Sunday. The only businesses open on Sunday are the businesses he is part owner of on his side of the tracks. His business is there 52 weeks and open every Sunday. It is his business that is being hurt.

Mr. Youngblood said that at the DSI meeting, Peggy Taphorn with the Temple Theatre stated that she has some complaints about the streets being closed but she does not say anything about it because they give the Temple money. Dr. McConville tried to give him \$1,500 for him to drop his opposition to the bike race. Mr. Youngblood said that Dr. McConville thinks that handing out money will convince Council.

Mr. Youngblood stated that in the past twelve years, they have paid over \$80,000 in property taxes on those buildings downtown and \$125,000 in advertising to get people downtown every day of the week. They have given space to Temple Theater to build sets; space to CARA to store dog food after the tornado; and space to Flat Springs Baptist Church for a Hispanic Outreach. He encouraged council members to drive the race route. He said Buffalo Street is one small block and it has no curb and gutter and he has been told it is too narrow for the race. He stated that he is not a city engineer but quite possibly another strip of asphalt could be added to Buffalo Street to make it wide enough so that the whole race could be shifted one block north and he would not have this problem.

Caren Stuart, a Sanford resident and a small business person spoke regarding the bike race. She is a professional artist and craftsperson and sells her goods at shows and festivals all around in North Carolina and Virginia. She is not present as a bike festival hater. She loves festivals and they are good for the City and businesses. She said that there could be a compromise to make it not so detrimental for the vendors at the Sanford Antique Mall and the Carolina Artist Colony. She is one of the 70 small business people who are selling their wares at the Carolina Artist Colony. She said it is not about a discrepancy between two men. The Antique Mall has more than 40 small business people in their establishment and more than 70 artists/craftspersons at the Carolina Artists' Colony. Sunday is their second to third biggest business day of the week. They have only been open since September. She was one of the craft vendors at the first bike festival. You get a lot of bicyclists but do not get the people that shop. She had one buying customer the day she was a part of the festival. The streets are deserted and they do not buy. She came back last year to the festival as a person just to enjoy the festival and to talk to the other vendors. They were having the same experience she had the first day; no sales and no people shopping. It is a nice event and it is not drawing spending people and it definitely has a negative impact on the people who have businesses downtown. She asked council members to consider the people who are being impacted when people cannot get to their businesses.

Mr. Youngblood reiterated that he is asking that the bike race end at 2 P.M.

David Montgomery, Downtown Development Manager II, referenced a letter (Exhibit E) from Chairman Dana Atkins of Downtown Sanford, Inc., that the consensus of the majority of the board that they are in support of the bike race. They have supported it the last four years through sponsorships and their volunteer time. Last year, DSI paid for public transportation

from the Civic Center to Downtown during the pottery festival weekend. The board has demonstrated its support of the event and one of the board members is present in the audience. He said one of the things you need to think about regarding events in general is people do not necessarily buy that day; a lot of it is about recognition and realizing that there are certain businesses Downtown that they did not know where there. This brings an awareness of the businesses. Not every event is going to benefit everyone. We put on a Fall Festival JubiLee, which is very successful and he would say that Mr. Youngblood is very pleased by that event. However, that siphons off businesses on Steele Street and Wicker Street. So, there is always going to be some differences. This is the perspective that Downtown Sanford is thinking in long term, not on that particular day.

Mayor Pro Tem Sam Gaskins reminded Council to keep in mind that we are not a negotiating body; we are here to decide whether or not we are going to close the streets.

Mr. Haire asked Dr. McConville why they could not end the race at 2 P.M. Mr. McConville replied that the 5K and 10K start at 8 A.M. and it starts on the Downtown Sanford Bike loop. Then the bike race starts promptly at 9 A.M. The issue with the bike race is this is not a road event like the Tour De France. There are several different categories. In the mens' category, there is a professional Category 1, 2, 3, 4, 5; in the womens' category, there is a professional 4, 3, 2, 1; there is a juniors' category, there is also a masters' category, 30+, 40+, 50+, 60+, and also a kids race. There are some links of some local criteriums that happen in North Carolina. The majority of those happen on Saturday and Sunday in small towns just like Sanford; Asheboro; Wilkesboro; Wake Forest; Greenville, North Carolina; and Greenville, South Carolina. They typically start at 9 A.M. in the morning and some go to 7 P.M. and sometimes on Saturday. The issue is we have truncated our event to have the least number of races and the shortage amount of time when you compare them to those other events. They have cut out categories, and have taken races that are an hour and 20 minutes long and made them an hour long. They have tried to have the kid's race which brings out local people. He would really like to have a race where you had people from the hospital competing against the Coca-Cola plant, etc.; however, you cannot do this without extending the hours. They have made a strong effort to be finished and out by 4 P.M. They had the chief judge from the United States Cycling Association come and look at Buffalo Street and they will not permit the event because of the width of the road.

Mr. Youngblood said he is asking him to start the races at 7 A.M. and end at 2 P.M.

Mayor Pro Tem Gaskins recessed the meeting at 2:10 for a five-minute break.

Consider Ordinance Amending the Annual Operating Budget of the City of Sanford FY 2011-2012 – (Exhibit F)

General Manager Tim Shaw stated that this amends the budget to appropriate \$15,000 for renovations in the Police Department. There is a proposal from Mullins Sherman to serve as the project manager on this renovation project. The purpose of it is to soundproof two existing interrogation rooms. Through these renovations, we can enhance the security of the two facilities and improve the recording of information because now the walls are thin enough that you get bleed-over from other rooms to that recording. Of the \$15,000, \$3,000 is the amount

that will be paid to Mullins-Sherman for their drawings, for their handling of taking the quotes, checking the invoices, ensuring the project is done right, and follows all building code requirements; \$12,000 is for the construction and this is just an estimate.

Mr. Hegwer added that over the course of several years, there has been more and more of a need for interviews involving taping for certain crimes and those interview rooms are in close proximity to where all the work is taking place. We do not have individual offices for the detective division; it is all together. Over time, there are numerous crimes now that requires this and it is critical that we do not want anything to compromise a case. We need good, quality videos.

Council Member Wyhof questioned how Mullins-Sherman was selected. Mr. Shaw responded that we chose Mullins-Sherman because they have done renovations for the facility in the past. Mullins was one of the original designers of this facility when it was built and they are local.

Attorney Patterson added that for the general rule, professional services are not bid because you are trying to find a professional who will do the best job. There is a state statute that has criteria to follow for the selection of architects and engineers, etc. The City can exempt itself from the requirements of having to advertise a proposal that you will select a professional for jobs under \$30,000 and there are other reasons for which you would select. This is not exactly architectural services that will be done; it is more project management. This firm has dealt with this building for the past 30 years and has experience with how it is laid out and how best to deal with the removal walls. The City can exempt itself whenever it is in the best interest of the City to do so.

Consider Ordinance Amending the Annual Operating Budget of the City of Sanford FY 2011-2012 – (Exhibit G)

Financial Services Director Melissa Cardinali explained that this ordinance amendment appropriates \$40,000 to the Finance Department to budget expenditures related to the use of temporary employees for an on-going project.

Consider Recommendation for Design Firm for Downtown Streetscape and Parking Lot

This item was removed from the agenda.

Consider Entering Into Agreement with Department of Transportation for the Inspection of City Bridges – (Exhibit H)

Street Superintendent Magda Holloway explained that this is a ten-year contractual agreement with the North Carolina Department of Transportation and they have provided this service in the past. Every two years, they inspect two bridges in Sanford – one on Winterlocken which joins to West Landing and one on Hill Avenue. The City pays only 20 percent of the cost which is \$520 for each bridge. The funds have already been budgeted because we anticipate this cost every two years.

Discussion About Local Match Funds for FY 2012 Urgent Repair Project Application Through NC Housing Finance Agency – (Exhibit F)

Community Development Manager Karen Kennedy informed Council that it is time to apply for one of the most utilized and well received funding opportunities from the Housing Finance Agency. She said that is the Urgent Repair Program. The Fiscal Year 2012 cycle is open. We have been very well received with those funds in the past. It is a very competitive process and we have been told this year will be even more competitive. In the past, Council has allocated \$2,000 as a local match. We have been given the heads up that we might not be very competitive with that amount this year. So, they have had some conversations with Lee County Manager John Crumpton about splitting a local match for this coming year. We would like to contribute \$7,500 with \$3,750 coming from the City and \$3,750 coming from the County. Mr. Crumpton has emailed her that if the City is willing to contribute, the County is willing.

Mrs. Kennedy explained the program to the new council members. Mr. Haire asked if you have to own the home. Mrs. Kennedy replied it is not a landlord; it is the homeowner and they have to provide a copy of their deed.

Council Member Williams asked that with the \$2,000 contribution the City has been making, if the County shared in that figure at all. Mrs. Kennedy replied no; they did not ask them to contribute in the past.

Update on Shops QA

IT Director John Clayton explained the new Shops QA program on the website. It is called Shop Local on the website. Citizens and businesses can click on it and find local businesses within a six-mile radius. It is a free service to the businesses. We are asking all businesses in Sanford to register where they can post job opportunities, etc. Once registered, you can add your business to different categories. You can enter information about your business such as hours of operation, phone number, job openings, specials, coupons, etc. Citizens can apply for notifications when a local business has a job available; they can receive an email about this and any specials. Mr. Hegwer said this is a good way to market Sanford.

Update on North Carolina Certified Retirement Community

Community Development Director Bob Bridwell said that a couple of months ago, they became aware of a very significant opportunity with notification to municipalities about the North Carolina Certified Retirement Community. This is a program of the Department of Commerce which avails the opportunity to municipalities only to be part of a consortium of state cities to certify themselves as retired communities nationwide. Mayor Olive and he attended a meeting in September 2011 to discuss this effort and received some of the criteria. There were also a number of people from Lee County - Lee County, the community college, representatives from Carolina Trace and the Enrichment Center. In order to do this, a study committee has to be in existence for six months and a plan put together and an application completed. Mayor Olive and he decided that this is a doable program. The application fee is about \$10,000 which will probably be done next fiscal year which will help pay for part of the advertising costs from the statewide promotion. If the City of Sanford were approved, we would be listed as a certified retirement community and be part of the process. This program was piloted in Robeson County.

They have put together a context of a committee. He will be making invitations over the next several days and get a small group together in January to meet the first criteria, which is to have the committee together for six months. This is a continuing effort to market Sanford.

OTHER BUSINESS

Mayor Pro Tem Gaskins stated that they will be appointing a member to the Sanford Housing Authority on Tuesday.

Mr. McNeil stated that we have received our National Night Out plaque.

Mr. Hegwer reminded Council that he will be placing the budget amendment for the sewer study with Chatham County and Pittsboro on the agenda for Tuesday night.

Mr. Hegwer stated that he has three dates picked out for the retreat and asked that they review the dates and let him know if they have any conflicts. It will be one-half day sessions. The dates are February 8, 22, and possibly the 29<sup>th</sup> if needed.

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

ADJOURNMENT

Having no further business to come before the Law & Finance Committee, the meeting was adjourned upon the motion of Council Member L. I. "Poly" Cohen; seconded by Council Member Rebecca Wyhof, the motion passed unanimously.

Respectfully submitted,

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Sam Gaskins, Mayor Pro Tem

ATTEST:

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Bonnie D. White, City Clerk