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, January 5, 2016, at 7 P.M., in the Council Chambers. The following people were present:

Mayor T. Chet Mann
Mayor Pro Tem Sam Gaskins
Council Member Jimmy Haire
Council Member Charles Taylor
Council Member Byron Buckels
City Clerk Bonnie Davis
Council Member James Williams
Council Member Rebecca Wyhof
Council Member Norman Charles Post, III
City Manager Hal Hegwer
City Attorney Susan Patterson

Mayor Mann called the meeting to order. Council Member Buckels delivered the invocation. The Pledge of Allegiance was recited.

PUBLIC COMMENT

No citizens signed up to speak during public comment.

APPROVAL OF AGENDA

Council Member Post requested to be recused from Item 9A on the Regular Agenda - Application by ACA/PJA, LLC to rezone a vacant .073 acre +/- tract of land addressed as 2111 Dalrymple Street due to a conflict of interest. Council Member Wyhof made the motion to recuse Council Member Post for discussion and vote on Item 9A. Seconded by Council Member Buckels, the motion carried unanimously.

Mayor Pro Tem Gaskins made the motion to approve the agenda. Seconded by Council Member Wyhof, the motion carried unanimously.

CONSENT AGENDA

Approval of City Council Meeting Minutes Dated December 1, 2015 – (Filed in Minute Book 85)

Approval of Law and Finance Committee Meeting Minutes Dated December 8, 2015 – (Filed in Minute Book 85)

Mayor Pro Tem Gaskins made the motion to approve the consent agenda. Seconded by Council Member Buckels, the motion carried unanimously.

CASES FOR PUBLIC HEARING

Public Hearing – Economic Development Incentives - Core-Mark Distributors, Inc. – (Exhibit A)

Mayor Mann opened the public hearing. Economic Development Executive Director Bob Joyce explained that Core-Mark Distributors is formerly J. T. Davenport Wholesale Company. They are considering expanding a facility here in Sanford. If Sanford is chosen, this project will add equipment and new products to be distributed from our facility to increase customer demand. The total investment in equipment is $1.5 million. The completed project will add about 25 jobs at an average annual wage of $31,800. If Sanford is chosen, the expansion will begin in the second quarter of this year and take place

over a twelve-month period to be completed in 2017. The investment will add value to the local facility and makes it more likely that we will get future investment at this facility. There is internal competition in the Core-Mark Corporation for this project. The company expects to make a decision by mid-January. They will ask for state assistance. No community college training is proposed at this time. They are asking for a local incentive grant from the City and the County. He took this project before the County last night and this project was approved. This project was reviewed by the SAGA Economic Development Corporation and they recommend this project.

No one spoke in favor or 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 Core-Mark Distributors, Inc. - (Exhibit B)
  Council Member Post made the motion to adopt the resolution authorizing the expenditure of funds for an Economic Development Project with Core-Mark Distributors, Inc. Seconded by Mayor Pro Tem Gaskins, the motion carried in favor six to one with Council Member Taylor casting the dissenting vote.

- Consider Adoption of Economic Development Incentive Grant Agreement with Core-Mark Distributors, Inc. - (Exhibit C)
  Council Member Post made the motion to adopt the economic development incentive grant agreement with Core-Mark Distributors, Inc. Seconded by Mayor Pro Tem Gaskins, the motion carried in favor six to one with Council Member Taylor casting the dissenting vote.

Public Hearing – Economic Development Incentives - Project Winter – (Exhibit D)

Mayor Mann opened the public hearing. Economic Development Executive Director Bob Joyce explained that this is a large project. This is an expansion of an existing company and the facility in Sanford is being considered and we are in competition with at least two other states. This project is confidential with the code name of "Project Winter." Normally by the time of the public hearing, the name of the company is disclosed. If Sanford is chosen, this project will modernize manufacturing equipment with new technology and will relocate a product line to our facility in Sanford. The total investment in machinery and improvements in real estate is $30,200,000. The completed project will add 25 jobs at an average annual wage of $45,000. This project will be a longer term expansion; it will take place over a six-year period, beginning the second half of 2016. It is likely that the bulk of the purchases for machinery will take place in 2017 and 2018. The investment keeps our facility viable and makes us more likely to receive future investment. There is internal corporate competition for this product line. Our offer will be transmitted, along with the state's incentive package, to the company next week and the company will make a decision by February 1 and notify us of their decision. State assistance will be requested by the company and the community college has been approached about training for these jobs. A local incentive grant is being sought from the City and the County.

No one spoke in favor or 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 for Project Winter – (Exhibit E)
  Council Member Post made the motion to adopt the resolution authorizing the expenditure of funds for Project Winter. Seconded by Council Member Buckels, the motion carried in favor six to one with Council Member Taylor casting the dissenting vote.

- Consider Adoption of Economic Development Incentive Grant Agreement for Project Winter - (Exhibit F)
  Council Member Williams made the motion to adopt the economic development incentive grant agreement for Project Winter. Seconded by Council Member Post, the motion carried in favor six to one with Council Member Taylor casting the dissenting vote.

DECISIONS ON PUBLIC HEARINGS

Application by ACA/PJA, LLC - to rezone a vacant 0.73 acre +/- tract of land addressed as 2111 Dalrymple Street from Residential-Mixed (R-6) to General Commercial (C-2). The property is the same as depicted on Lee County Tax Maps 9552.14 and 9652.15 as Tax Parcel 9652-53-0151-00 Lee County Land Records. – (Exhibit G)

Design Review Coordinator Amy McNeill explained that this is a request to rezone a vacant tract of land on Dalrymple Street from Residential-Mixed (R-6) to General Commercial (C-2). A public hearing was held on this request last month and the Sanford Planning Board recommends that the Sanford City Council support the request to rezone from Residential-Mixed (R-6) to General Commercial (C-2) as it appears to be reasonable and in the public interest, since it is in close proximity to commercially zoned and developed properties; it has access to public water & public sanitary sewer. The property is located on a busy public street in close proximity to S. Horner Blvd and it generally seems to be an ideal location for a business.

The 2020 Land Use Plan Map recommendation of the subject property as Mid/High Density Residential-Office was taken into consideration; however, given the proximity of the site to South Horner Boulevard, the volume of traffic, and the adjoining General Commercial (C-2) zoning, it was decided that the General Commercial (C-2) zoning district was appropriate for this location. The Council may recall that staff recommended Neighborhood Commercial for this site but the Planning Board did feel that the request of General Commercial (C-2) was appropriate.

- Consider Ordinance Amending the Official Zoning Map of the City of Sanford, North Carolina - (Rezone from Residential-Mixed (R-6) to General Commercial (C-2) – (Exhibit H)
  Council Member Wyhof made the motion to rezone the property from Residential-Mixed (R-6) to General Commercial (C-2). Seconded by Council Member Taylor, the motion carried unanimously. Council Member Post was excused from voting.

Application by Ryders Downs, LLC - to rezone 50.11 acres +/- from the current zoning of Ryder Downs Apartments & Lakeview Townhomes MF-12 Multi-family Residential Conditional Zoning District (Revision #1) to Ryder Downs Apartments & Lakeview Townhomes MF-12 Multi-family Residential Conditional Zoning District (Revision #2) to allow for the development of a multi-family apartment and townhome community with revisions to the design as originally approved in October of 2006 and as approved with revisions in January of 2015. The subject property is located along the west side of

Pendergrass Road, just north of the intersection of Belford Drive and includes property formerly addressed as 1718 and 1726 Pendergrass Road and currently addressed as 500-583 Ryder Lake Drive, 100-328 Saddlebrook Drive and 400-479 Trotter Drive. The subject property is the same as depicted on Tax Map 9631.01, Tax Parcel 9631-36-3857-00, Lee County Land Records.- (Exhibit I)

Design Review Coordinator Amy McNeill explained that a public hearing was held on this request in December and it is a revision to the conditional zoning district; it is site plan specific. The developer is changing the type of site lighting and changing the design of Phase III – the townhome section from a single road with a loop design to a single road with a cul-de-sac design. The Sanford Planning Board reviewed this information and recommended that the Sanford City Council vote to approve the rezoning request as presented, as it is consistent with the 2020 Land Use Plan because, even though the plan does not identify a specific land use for the subject property, the recommendation takes the original 2006 rezoning approval, current development trends of the neighborhood and the surrounding zoning districts into consideration. Further, the board finds that the rezoning request is reasonable and in the public interest based on the information/conditions as presented in the petition and attachments (the changes do not appear to adversely affect the character or integrity of the overall design of the project associated with this conditional zoning district), the availability of public utilities, the surrounding lands uses and zoning patterns in the area.

- Consider Ordinance Amending the Official Zoning Map of the City of Sanford, North Carolina – (Exhibit J)
  Mayor Pro Tem Gaskins made the motion to approve the Ordinance Amending the Official Zoning Map of the City of Sanford, North Carolina. Seconded by Council Member Wyhof, the motion carried unanimously.

REGULAR AGENDA

Consideration of a preliminary major subdivision plat for a 52 lot townhome community that is part of the Ryder Downs Apartments & Lakeview Townhomes project. This community will be served by public water, public sanitary sewer and public streets (all City maintained) with a proposed connection to Belford Drive. The subject property is a portion of a 50.11 acre tract, located within the corporate limits of the City of Sanford and owned by Ryder Downs, LLC. – (Exhibit K)
This item to be considered only if the revised rezoning request for this project is approved.

Design Review Coordinator Amy McNeill explained that since Council just approved the revision to the rezoning request and the site design, the next step is to approve the actual creation of the lots for Phase IV, which is the townhome section of the project. This does not require a public hearing but it does require that the Planning Board and City Council review and approve the subdivision plat. This is a preliminary plat for the 52-lot townhome community; it will be served by public water, sewer, and public streets – all city maintained with a proposed connection to Belford Drive. The property is a portion of the 50.11acre tract that encompasses the total project. The Planning Board recommended approval of the preliminary plat, as is proposed, as it appears to correspond with the site plan specific conditional zoning district for the multi-family project which Council just approved.

Mayor Pro Tem Gaskins made the motion to approve the preliminary plat. Seconded by Council Member Byron Buckels, the motion carried unanimously.

Consider Presentation of Financial Summary Overview for FY Ending June 30, 2015 – (Exhibit L & M)

Financial Services Director Beth Kelly introduced Keith Joyce, a partner with Joyce and Company LLC, who performed the City's audit for June 30, 2015. Mr. Joyce gave a summary (Exhibit L) of the City's revenue and expenditures of each fund. They found two deficiencies – one being a management issue. He noted that there are several levels of findings in an audit. Material weakness is the most severe item. The item they noted was a significant sufficiency which is a step below that. It was significant in dollar amounts; there was no fraud or anything with the items involved. The management item is just a suggestion they think would save staff time and money and improve operations down the road. The two items of significant deficiencies are (on page 129 of the CAFR document) Schedule of Findings Responses and Questionable Costs. The finding was the value of capital assets, net appreciation was materially misstated. In addition, current capital outlay in both operating and capital project funds was not shown at the appropriate amounts due to recording capital expenditures and non-capital outlay accounts, as well as, recorded a non-capital amount within the capital outlay. This means that there was two different issues that occurred with it to cause the misstatement. There was an error in computing depreciation in the general fixed asset account. You are using some software that had to have manual adjustments made to it each year in order to depreciate correctly, and the number was not changed from a prior year; that caused the vast majority of this misstatement that the adjustment was roughly $4 million from the prior year. It was an increase to the City's fixed assets. The second part of that statement is just misclassifications. You have capital outlay accounts that you used in the chart of accounts and these are designed to account for all capital additions as you go through the year. There were items that were classified as capital outlay that were not: they were typical expenditures. There were some items in the expenditure accounts that were capital outlay items-just misclassification.

Mr. Joyce stated that the management item is something that can improve the internal controls and help in operations. In their testing of open vendor purchases, they noted instances where there were no signatures or indication of actually who received the invoiced item or the purpose. They recommended that signatures be required on all receipts even if vendors do not require a signature and notations on receipts in which the items or purpose for which the purchases were made are not readily determinable. If you have an open vendor charge accounts, you have a dozen different people going to pick up for town projects but you look back at it a month later and there is no signature on those receipts, you have no way to track it to make sure it was used for a town project.

Mr. Haire asked if the receipts tend to be lower in cost? Mr. Joyce replied very much lower in cost. There may have been one over $1,000 out of the total sample but most of them were in the $100 range.

Mayor Mann clarified that most of them were supply room type items. Mr. Joyce replied that most of them were building supplies, auto parts, etc.

Mr. Taylor asked if it was more one department versus another. Mr. Joyce replied two to three separate departments. The policy, as he understands it, does not require that you sign it but you would be better served to do this. Credit cards don't require you to sign anymore; you just swipe it. You need signatures to backtrack to the individual who purchased it and for what reason.

Financial Services Director Beth Kelly explained that individual receipts are matched back by each department to the invoice the City receives. It is just he noted that there is not always a signature on the receipt or invoice copy; so it is still being looked at and matched back to the invoice and approved by each department, as well as, our purchasing side. It is just an easier way to track back to who made the purchase. Mrs. Kelly also stated that it works the same way with the credit card.

Mr. Taylor added that it would validate that quantity on the receipt and would hold the employee accountable for what is being purchased and delivered. Mrs. Kelly said the receipt is there; it is just lack of a legible signature.

Mayor Mann asked that it appears that the audit is in good shape and healthy, but is it typical to call a significant deficiency something that is not materially weak? In otherwords, it is a strong term for something that is just a misclassification.

Mr. Joyce replied that a significant deficiency sounds more dramatic that a material weakness, but in accounting standards it is not. The reason it is a significant deficiency is the dollar amount; that is the driving force behind it. Most of it goes back to the depreciation software or chart of account usage that he spoke about.

Mayor Mann did not want the public to think that phrase is terribly negative in this case. Mr. Joyce said that the City did not have any findings last year as he understands and that is a good thing. He noted that it is very unusual for them to not have findings in a municipal audit. The City has a huge number of transactions.

Mrs. Kelly said that when they looked at reconciling the fixed assets, especially the General Fund fixed assets, that is when the difference was noted. When the City converted its software in 2007 to the Munis System, there were some things that were miskeyed at that point. At that time, it was determined that we needed to manually calculate several fixed assets within the General Fund; and when we looked at it this year, we noted that the calculations have been wrong on the depreciation for five years or so. Staff made adjustments to make June 30, 2015 what it should be, based on the correct accurate calculation.

Mrs. Kelly said that based on comments from the citizens' academy and with all of the bond projects this past fiscal year and upcoming fiscal year that are impacting the City financially, staff decided to issue a popular annual financial report to aid in providing information to the public and other potential interested parties without a public financial background. It takes a 130 page CAFR that you will see on line and condenses it down to laymen's terms (Exhibit M). Copies will be available in the lobby area of City Hall, the Buggy Factory, Sanford Area Growth Alliance and Chamber of Commerce.

Consider URP 2016 Local Match for January Application

City Manager Hal Hegwer advised that every year the Urgent Repair Program provides state funds for housing rehab. We apply on behalf of the City and County together. Both entities have committed $5,000 as a local match in prior years. He wanted to make sure Council is okay with it so that staff can submit an application for year 2016. The match is $5,000 from the City and $5,000 from the County.

Mayor Pro Tem Gaskins made the motion to pursue the application. Council Member Buckels seconded the motion and it carried unanimously.

Consider Report on GovDeals Auction Results

Fleet Maintenance Superintendent Randy Paschal updated Council on the results of the GovDeals Auction. Surplus property was sold to individuals in Canada, New York, Florida, Arizona, Missouri, Texas, Louisiana, Oklahoma, Georgia, Ohio and Virginia. A majority was sold in North Carolina. Seven Dodge Charger police cars, that were two years old with 100,000 miles on them, were sold for $67,158. He was impressed with what the cars sold for. The total sale, without the fee that GovDeals is paid, was $497,695. A breakdown by funds was $290,933 in the General Fund and $206,762 in the Utility Fund. The City has been selling on GovDeals since November 2006. He gave the number of hits by visitors on the website. Burlington bought the leaf-vac for $50,005 and there were several towns wanting to purchase it.

OTHER BUSINESS

Council Member Haire stated that he gave City Attorney Susan Patterson an article from the Fayetteville paper where they have enacted a rule regarding houses that have been boarded up. The Joe Lazarus house on Hillcrest Street was burned and has been boarded up for ten years and Fayetteville has a rule they can only do it for three years. He is hoping Attorney Patterson can looked into this possibility because we have several houses where they are boarded up and stay that way forever.

Council Member Taylor read in the newspaper about the Sister City presentation. We sent a delegation to China on October 17 and he thought a presentation would be made to Council before we present somewhere else. It is taxpayer's money and we should show City Council how we are going to gain from the trip before other independent agencies.

Mayor Mann said that a presentation could be made at the Law and Finance meeting next week.

Mr. Hegwer announced that the Citizens Academy program will begin on February 2 and run through March 29 with graduation on April 5. It is nine Tuesday sessions that will begin at 9 A.M. and end at noon. If anyone is interested, please contact City Clerk Bonnie Davis or Public Information Officer Kelly Miller.

Mayor Mann referenced a NC Metropolitan Mayors' Coalition newsletter (Exhibit N). We are a member and the basic reason for this coalition is to lobby and advocate for cities. The reason for the newsletter at Councils' seats is there is a 2015 Advocacy Report Card. These were the items the coalition lobbied and advocated for, and all of them were checked off, except for one item. They will be meeting again in March before the next legislative session to come up with our next report card.

Mayor Mann mentioned that all council members have turned in their evaluation cards for the city manager and we will add his review to the agenda for the next meeting. A workshop will be held next Tuesday, January 12, 2016, at 6 P.M., in the West End Conference Room to continue our retreat and study session of our Wastewater Master Use Plan and how we can use that to encourage growth. We will then hold a Law and Finance Committee meeting that night at 7 P.M.

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

ADJOURNMENT

Mayor Pro Tem Gaskins made the motion to adjourn the meeting; seconded by Council Member Wyhof, the motion carried unanimously.

Respectfully Submitted,

T. CHET MANN, MAYOR

ATTEST:

BONNIE DAVIS, CITY CLERK