



City of Eden

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September 19, 2017

Joint Legislative Committee on Local Government
Committee Chair and Committee Assistant
North Carolina General Assembly
16 West Jones Street
Raleigh, North Carolina 27601

And

Fiscal Research Division
North Carolina General Assembly
Suite 619
Legislative Office Building
300 North Salisbury Street
Raleigh, North Carolina 27603-5925

To Whom It May Concern:

This letter is to notify you that the City of Eden in Rockingham County requests approval of debt up to the amount of \$15,000,270. This approval is requested in order to proceed with a major sewer project to satisfy an EPA –Administrative Order on Consent to stop Sanitary Sewer Overflow in the City of Eden. Total cost of this project will be \$33,175,690 with \$16,600,000 in grant money and \$15,000,000 in a zero interest loan both from Connect NC Bond funding and the City will pay the remaining \$1,575,690 as grant match from Water and Sewer Fund Reserves.

This project is proposed to complete a Wastewater Collection and Transmission System Remediation Plan that is part of the second US EPA Administrative Order on Consent (AOC) to be completed in a five-year period that will end on or about April 22, 2022. The EPA AOC is an order to cease all Sewer System Overflows and therefore is a mandatory requirement, the City is compelled to make this mandatory requirement its priority. This project includes rehabilitation of our collection system piping, pump stations and work at the wastewater treatment plant at an estimated total cost of \$33,175,960. These projects are part of ongoing projects designed to replace failing sewer lines and infrastructure to reduce inflow and infiltration in our collection system to comply with the original EPA Administrative Order issued

five years ago and the new AOC that was issued in April 2017. Sources of funding will be discussed in this letter. It is our desire to seek approval from the Local Government Commission and the Fiscal Research Division on the first available agenda to proceed with the funding of these projects.

These projects are proposed to be financed with funding through Water Infrastructure Finance Section with Connect NC Bonds proceeds funding a large grant, a zero interest loan, and city funding from Water and Sewer Fund Reserves and revenue from water and sewer services.

Repayment of this loan will be through revenue generated from the operation of the city owned water and sewer utilities. The Eden City Council approved significant water and sewer rate increases recently on 1/1/2014, 7/1/2014, 1/1/2016, and 9/1/2016 to support repayment of this debt service of the EPA mandated sewer projects. The debt service of most of these water and sewer improvements is anticipated to begin in the calendar years 2021 and 2022 and possibly into 2023. The City of Eden will retire current water and sewer fund debt beginning in the 17-18 budget through the 22-23 budget equal to \$14,656,160. We will continue to budget this debt service in future budgets to repay the \$15,000,000 zero interest loan from the Connect NC bond funding we will receive for the EPA AOC projects we are currently undertaking. The City will provide match funding for the grant and an origination fee for the loan and grant of \$2,115,960. A thorough rate analysis was conducted by Raftelis to project where rates needed to be to repay the debt service on these projects in coordination with the existing debt service we are funding in our annual budgets to be retired by 2023. Our City Council has raised our water and sewer rates to a sufficient level to make the Water and Sewer Enterprise Fund self-supporting to fund these projects, other continuing capital equipment replacement needs, and the operational needs anticipated in the decade going forward.

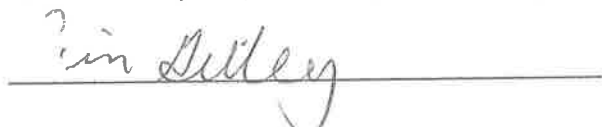
If you need any additional information on these debt requests, please contact Terry Shelton, Public Utilities Director, at 336-612-8055.

Sincerely,



Brad Corcoran, City Manager

Reviewed by City Attorney, Erin Gilley



CC: Phillip Anderson

CC: Greg Gaskins

The City of Eden has been notified of the intent to fund three Water and Sewer Project by Water Infrastructure and Federal Economic Development
 The following identifies these three project with cost and source of funding.
 ADDENDUM A

Project A - Wastewater Collection and Transmission System Rehabilitation - September 2016 Application Cycle Project Number E-SRP-W-17-0026	
Funding Breakdown	\$16,600,000.00 ** Grant Maximum Funding \$15,000,000.00 Loan Zero Interest - Will serve as part of match funding for grant <u>\$1,575,690.00</u> City of Eden matching grant Remainder from Water and Sewer Fund Reserves \$33,175,960.00 Total Project Cost \$15,000,270.00 Debt service on this project
Project B - Water Line Extension Improvements -In Town September 2016 Application Cycle Project Number WIF-1927	
Funding Breakdown	\$9,342,800.00 Loan - Low Interest Capped at 1.53% <u>\$1,156,106.00</u> City of Eden matching grant Remainder from Water and Sewer Fund Reserves \$10,498,906.00 Total Project Cost \$10,498,906.00 Debt service on this project
Project B - Water Line Extension Improvements -Out of Town September 2016 Application Cycle Project Number H-SRP-D-17-0015	
Funding Breakdown	\$1,886,700.00 Grant Maximum Funding \$2,000,000.00 Federal Economic Development Grant (learned of this Award in August 2017) \$3,000,000.00 Loan Zero Interest <u>\$1,124,294.00</u> Loan - Low Interest Capped at 1.53% (Award was \$2,660,100, not of it will be needed now) \$8,010,994.00 Total Project Cost \$4,124,294.00 Debt service on this project
*** \$29,623,470.00 Total Project Debt Service Approval Requested	

The Original Letter of Intent to Fund shows only \$15,100,000 of the expected \$16,600,000 of grant funding. Water Infrastructure within held \$1,500,000 of grant for our rehab of our Wastewater Plant Digester. This part of the project is in our EPA-AOC Remediation Plan and as such will qualify for the grant funding. Water Infrastructure has stated they will restore this part of the funding from the original application request.
 *** Grant funded and Self funded portions of the project costs has been subtracted from the total Debt Service approval requested