



# City of Eden

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June 27, 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 \$31,623,200. This approval is requested in order to proceed with two major water and sewer projects for our public utilities services.

The first major project is to complete a Sewer 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 agendas to proceed with the funding of these projects.

The second major project is the expansion of our water distribution system with improvements and upsizing of lines both inside and outside of the city limits. The inside the city limits portion of this project will be to provide redundancy and replace feeder lines to older sections of the City needing updated water supply lines. The City of Danville and Pittsylvania County, Virginia, have entered into a partnership agreement with the City of Eden to supply wholesale water and sewer services in the outside the city limits portion of this project to the Pittsylvania County Service Authority (PCSA) for the new Mega Industrial Park (Mega Park) being built just over the Virginia-North Carolina state line. Due to Eden's close proximity to the new Mega Park (4 miles), Eden is in a better position logistically to supply these services to the Mega Park for less cost. The estimated cost of the improvements to Eden's water system to reinforce aging distribution lines within the city limits and to construct supply lines to move up to 10 million gallons per day to the Mega Park will be \$18,509,900. The debt service for this project will be \$16,623,200 in loans after subtracting a \$1,886,700 State Reserve Project Grant. Additional grant funding is being sought through the Federal Economic Development and the Golden Leaf Foundation to further reduce the \$16,623,200 debt service for this project.

These projects are proposed to be financed with funding through Water Infrastructure Finance Section with a Clean Water State Revolving Fund zero interest loan, a low interest loan, and a grant; Economic Development Grant Funding; Golden Leaf Foundation; and city funding supported by revenue from water sales.

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 and needed water system improvement 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. In addition to the zero loan the City of Eden expects to receive up to \$16,660,000 in Connect NC grant funding. 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.

The water and sewer rate increases and new revenue through wholesale water and sewer sales to the PCSA serving the new Mega Park customers are projected to produce the revenue to sustain the debt service on the new proposed water improvements. The city is taking a guarded approach to encumbering the debt service on the proposed water

improvements until new Mega Park customers make contractual commitments of water demand in order to sustain our future debt service on these water improvements. The City of Eden is still in negotiating regarding the final agreement for water sales with the PCSA.

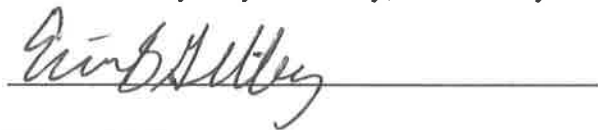
If you need any additional information on these debt requests, please contact Tammie McMichael, Finance Director, at 336-623-2110 option 1.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brad Corcoran', written over a horizontal line.

Brad Corcoran, City Manager

Reviewed by City Attorney, Erin Gilley

A handwritten signature in black ink, appearing to read 'Erin Gilley', written over a horizontal line.

CC: Phillip Anderson

CC: Vance Holloman