



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 \$14,623,200 for two Water Extensions In and Out of Town referred to as Project A in the addendum. This approval is requested in order to proceed with two major water and sewer projects for our public utilities water services.

This second major project is the expansion of our water distribution system with improvements upsizing feeder lines and laying of new larger lines out of town from the City Limits to the North Carolina State Line. The City of Danville, Virginia; Pittsylvania County, Virginia; and the Pittsylvania County Service Authority have entered into a partnership with the City of Eden to supply wholesale water and sewer services via 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 cost of this portion of water line improvement project is \$8,010,994. The debt service for this project will be \$4,124,294 in loans after subtracting a \$1,886,700 State Reserve Project Grant and \$2,000,000 from a Federal Economic Development Grant. Additional grant funding is being sought through the Golden

Leaf Foundation to further reduce the debt service for this project. A sewer line has already been laid and completed for conveyance of up to 3 million gallons per day of wastewater.

The second portion of this project is inside the city limits (In Town per intent to fund letter) and will be to provide redundancy and replace feeder lines to older sections of the City that needed updating of water supply lines. 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 \$10,498,906. This portion of the project has not received any grant funding to date and the debt service will be \$10,498,906. **The total debt service for both portions of this project In Town and Out of Town will be \$14,623,200.**

These projects are to be financed with funding through Water Infrastructure Finance Section with a zero interest loan, low interest loans, and a state funded grant; a Federal Economic Development Grant; possibly a Grant from the 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. A thorough rate analysis was conducted by Raffelis 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 and potential water sales revenue to the Pittsylvania County Service Authority (PCSA) will provide sufficient revenue 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 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 these proposed water improvements until new Mega Park customers make contractual commitments of sufficient 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.

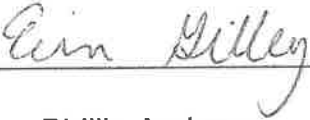
If you need any additional information on these debt requests, please contact Terry Shelton, Public Utilities Director, at 336-612-8055.

Sincerely,

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

Brad Corcoran, City Manager

Reviewed by City Attorney, Erin Gilley

A handwritten signature in cursive script, reading "Erin Gilley", is positioned above a horizontal line.

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