

CITY OF EDEN – MEMORANDUM

TO: HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THRU: BRAD CORCORAN, CITY MANAGER

FROM: TERRY SHELTON, DIRECTOR OF ENVIRONMENTAL SERVICES

DATE: AUGUST 14, 2012

SUBJECT: REQUEST FOR CONSIDERATION OF APPROVING A RESOLUTION FOR A STATE LOAN WITH PRINCIPAL FORGIVENESS FOR THE MATRIMONY CREEK SEWER OUTFALL REHABILITATION PROJECT

We are seeking approval to submit an application to the State Construction Grants and Loans in late September. The application is to request funding for continuing the sewer rehabilitation work on the Matrimony Creek Sewer Outfall as part of our overall effort to improve our sewer collection system. This outfall is in need of rehabilitation. These sewer lines are forty years old and have recently begun to be a source of numerous blockages and some overflows.

The estimate cost of this project will be \$2,750,000 and we will ask for a loan for this amount with principal forgiveness of \$1,000,000. If we were awarded a loan with principal forgiveness, the Council would have to formally accept it at that time.

One obligation the City would have to accept a loan with principal forgiveness is to continue to keep water/sewer rates so that they are equal to one and one half times the median household income for City of Eden. This is defined as High Unit Cost (HUC) and our water rates must be above this calculation. Based on data available today, we believe that our water rates are just slightly above this threshold and no rate increase would be required to accept the requested loan assistance from the Construction Grants and Loans. We will continue doing research to verify that our current water rate qualifies for accepting this loan before the Council Meeting.

Please contact me if you any questions regarding the Matrimony Creek Outfall Sewer Rehabilitation Project or this Resolution to Request a low interest loan with principle forgiveness.