

CITY OF EDEN, N. C.

A special meeting of the City Council, City of Eden was held on Tuesday, February 4 at 5:30 p.m., in the Conference Room at City Hall, 308 East Stadium Drive. Those present for the meeting were as follows:

Mayor:	Wayne R. Tuggle, Sr.
Mayor Pro Tem:	Jim Burnette
Council Members:	Angela Hampton
	Donna Turner
	Darryl Carter
	Neville Hall
	Jerry Epps
	Jerry Ellis
City Manager:	Brad Corcoran
City Clerk:	Sheralene Thompson
City Attorney:	Erin Gilley
Deputy City Clerk:	Deanna Hunt
W.K. Dickson	Mark Fisher
Raftelis Financial Consultants	Lex Warmath
Finance:	Tammie McMichael, Amy Winn
News Media:	Katie Mann, Eden News

(absent)

MEETING CONVENED:

Mayor Tuggle called the special meeting of the City Council to order and welcomed those in attendance. He then recognized Mr. Mark Fisher, W.K. Dickson and Mr. Lex Warmath, of Raftelis Financial Consultants.

Mr. Mark Fisher of W.K. Dickson gave the following presentation: *(A copy of this presentation is located in the Office of the City Clerk).*

Eden CMOM Program Work Session

Mr. Fisher presented the following information:

- Background of EPA Administrative Order
- Status of CMOM Program Development
- Summary of Notable Deficiencies

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

- Draft Recommendations
- Draft Rough Order Estimated Costs
- Strategic Discussions for the funding of the Remediation Plan

Background

- EPA Collection System Audit
- >8 SSOs per 100 miles of sewer pipe
- Enforcement levied

Mr. Fisher explained that the EPA enforces the Clean Water Act and with that from time to time they will audit systems. So really with how they look at systems that are problematic, they look at things such as equivalent units. He explained that it really did not involve large, medium, or small cities as it basically levels the playing field so they were comparing apples to apples. He explained that they look at SSO's per one hundred miles of sewer pipe.

He explained that when Eden was audited about 3 or 4 years ago, the average was about 8 SSO's per 100 miles of sewer pipe annually. At that level that was where enforcement was generally levied. He explained that if you were between 6 and 8 then you were generally monitored and anything less than 4 you were in good health and anything less than 2 you were doing exceptionally well.

He noted that SSO's were going to occur, so really if you were on the low end you really do not have to worry about doing things in such a hurry but if you were on the high end where Eden was at, greater than 8, you have problems and he thought Eden was somewhere higher than eight.

Council Member Burnette asked for clarification as to this had nothing to do with quantity.

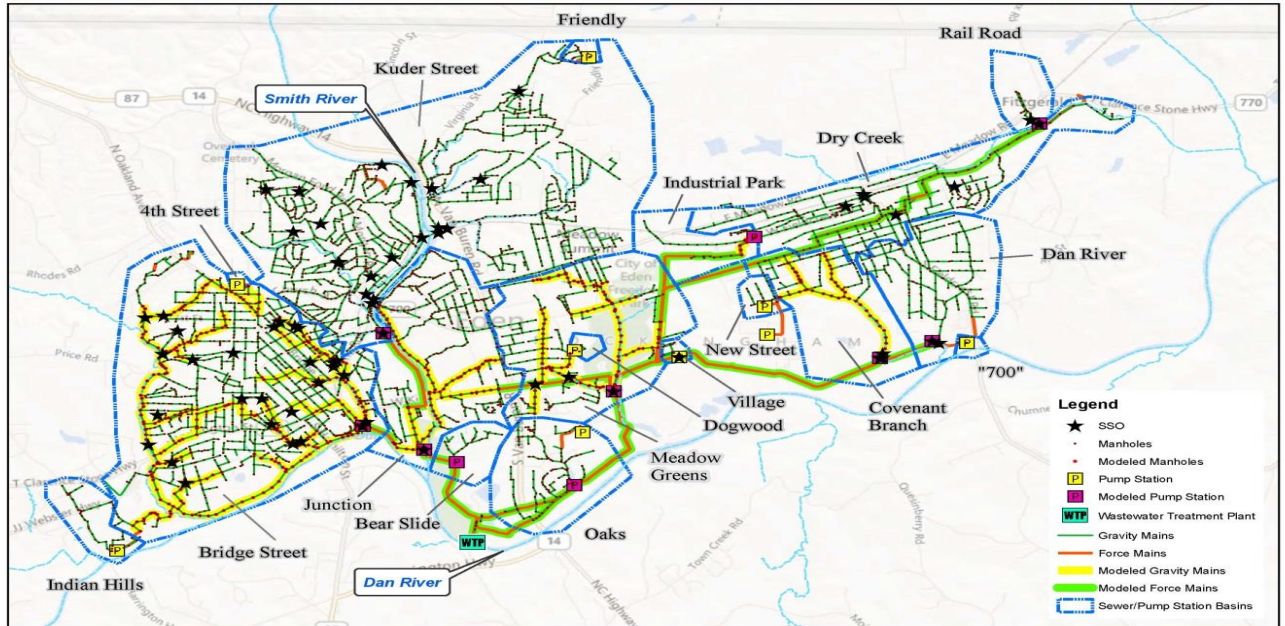
Mr. Fisher replied no to which Council Member Burnette added whether it was a couple hundred gallons or thousands of gallons...to which Mr. Fisher explained that volume comes into play in terms of remediation and how you prioritize things. Certainly if it was a gallon overflow versus a 50,000 gallon overflow, that needed immediate attention whereas if it was maybe a gallon that can be looked at and dealt with.

Council Member Burnette pointed out that EPA looks at it the same way.

Mr. Fisher then continued on with the following map that included Sanitary Sewer Overflows.

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:



Mr. Fisher explained that the stars indicate where there have been overflows within the last five years. So if you look at it, on this side of Eden you will notice few stars which indicate SSO's and Eden has done a significant amount of work, kind of moving counterclockwise across their green spaces, so that was good. He noted that things they did back when they had a consent order with DENR was effective. It was not addressing all the SSOs' and not addressing everything the EPA wants to address but it has been effective. He explained that the more problematic areas were on the west side especially the Bridge Street basin and really in that particular basin they have really not focused their efforts because they have been dealing with problems elsewhere.

Mayor Tuggle asked if the EPA had a higher standard than the NCDENR.

Mr. Fisher replied no, they were enforcing the Clean Water Act so when they say no SSO's they mean no SSO's.

Negotiations

- Operational Knowledge
- Completed and Scheduled Improvements
- SSO Analysis
- Reduction of Administrative Order from System Wide to Critical Basins

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

Mr. Fisher explained that as the administrative order emerged Eden negotiated and was able to minimize or to negotiate in a more acceptable manner that was not going to require the entire system to be evaluated or to be rehabbed. He explained that was through SSO Analysis and in some cases their sanitary sewer overflows were emerging from a very significant storm. With a 25 or 50 year storm, you will have SSO's when you have a storm of that magnitude and so that curtailed or eliminated some of the basins from being evaluated.

Mr. Fisher noted that operational knowledge was a big help and they have a lot of resources and staff that have a lot of information and that was taken into consideration and helped. They also did some improvements and scheduled improvements that also link problems with eliminating sanitary sewer overflows and ultimately that led the order from going system wide to just their critical basins.

Council Member Hall noted that they have greater than 8 SSO's and he had originally said they were 8 and then he had said they were a little over 8. He asked if they were 18 or 9.

Mr. Fisher replied that they could give them that information. It would be based on a certain time period so it varies from year to year.

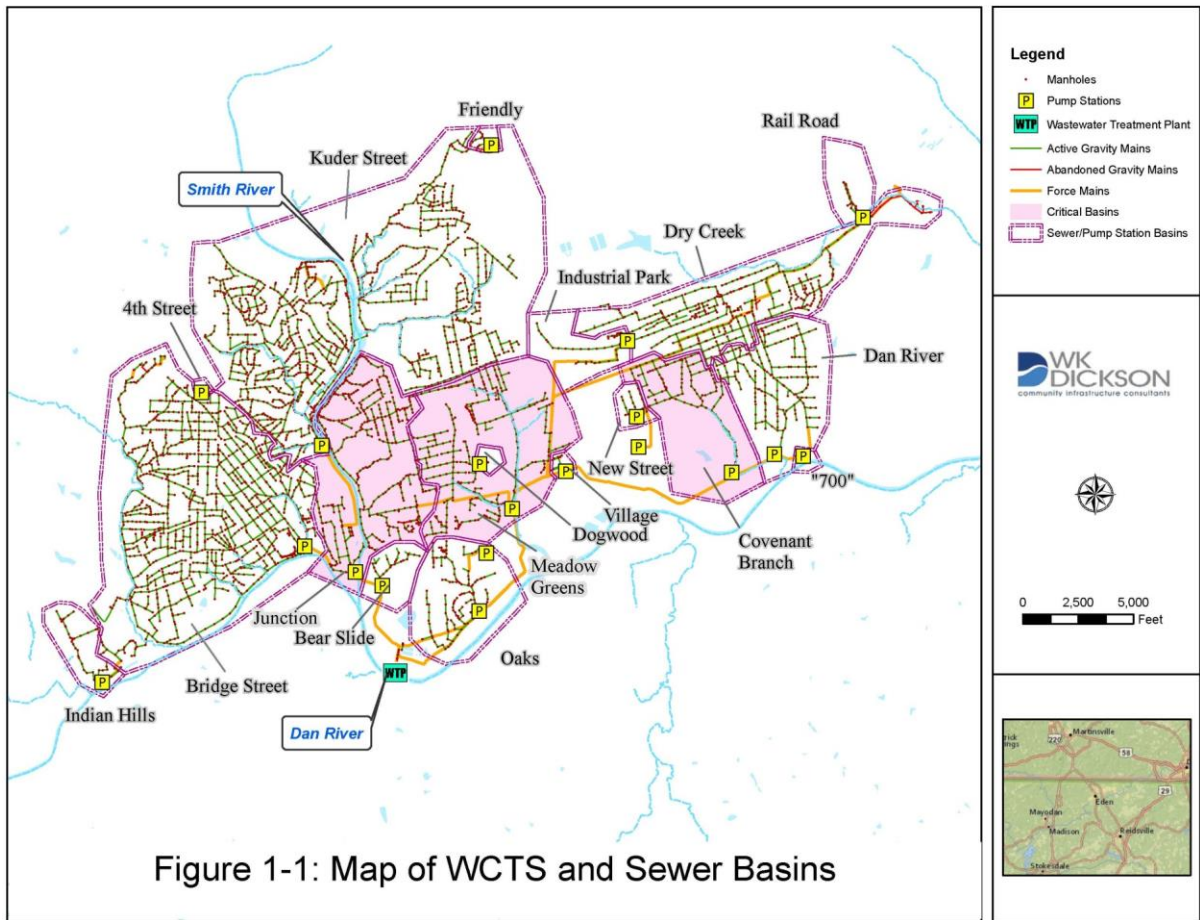
Council Member Hall stated that would be his next question. Could they be tested again? If they were at 8.1 and tested now at 7.9 would they be out of the range it required.

Mr. Fisher explained that once they were under the order they were under the order, and again if their sanitary sewer overflows were influenced by antecedent weather conditions if it was extremely wet or if you had a dry year, lo and behold if you had a drought it will distort that running average.

Council Member Hall stated that he would be curious as to how close they were to 8 at the time.

Mr. Fisher replied that they could provide that information to them. He then continued that once the order was negotiated, their critical basins Bridge Street, along with other 3 basins, was shaded in pink (see map).

He explained that had really been the focal group of the order and it included Covenant Branch, Meadow Greens and Bridge Street.



Initial Phase of Administrative Order

- Capacity Management Operation and Maintenance
SSES
Capacity Assessment
Remediation Plan
- Implementation

Mr. Fisher explained that the initial phase of the Administrative Order was a broad order and was basically a consent order saying that they agree to comply with this order. The purpose of the order was to improve Capacity Management Operation and Maintenance and he noted the acronym was “CMOM”.

He noted that it included three primary items, a Sanitation Sewer Evaluation Study that basically looked at their physical assets and evaluated their collection system in those basins.

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

He explained that capacity assessments involved looking at how much flow or how much sewer rainwater they could carry within their pipes that could or could not cause an overflow.

The final component was the remediation plan and the final phase was the implementation which was extremely important as what you put in the administrative order you were obligating the city to do that. So it was very important and right now that was where they were at.

They have to be comfortable with the remediation plan implementation because anything that the EPA does not agree with then it becomes a judiciary process and the EPA says “you will do this” and you may have options to say that you cannot as it creates economic hardships.

He explained that was where he thought the dialog could end up going but for the time being they were still evaluating and trying to put together a plan that the city was comfortable with.

Sanitary Sewer Evaluation Survey

Mr. Fisher explained that they were just giving them a high elevated overview with this presentation.

Sewer System Evaluation Survey

4 critical basins selected for inventory

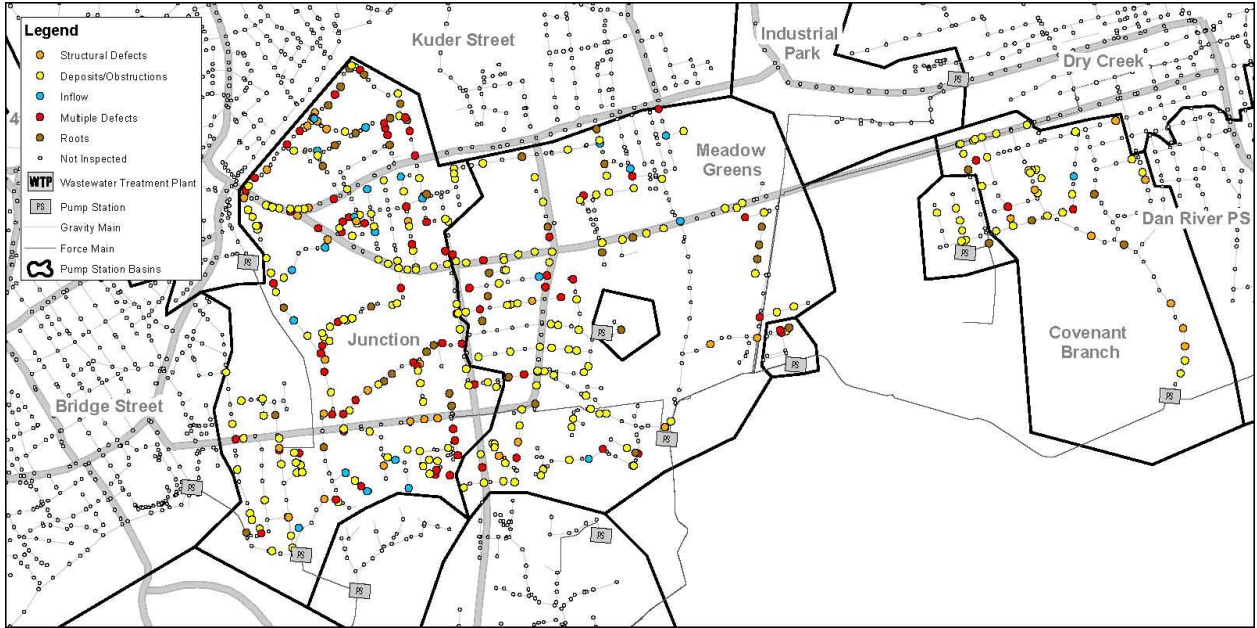
- Bridge Street
- Junction
- Meadow Greens
- Covenant Branch
- 860 manholes inventoried
- 422 manholes surveyed
- All captured data input into GIS database

Mr. Fisher noted that the 422 manholes surveyed obtained true elevations. They had to dump this into a dynamic sewer model to evaluate the capacity.

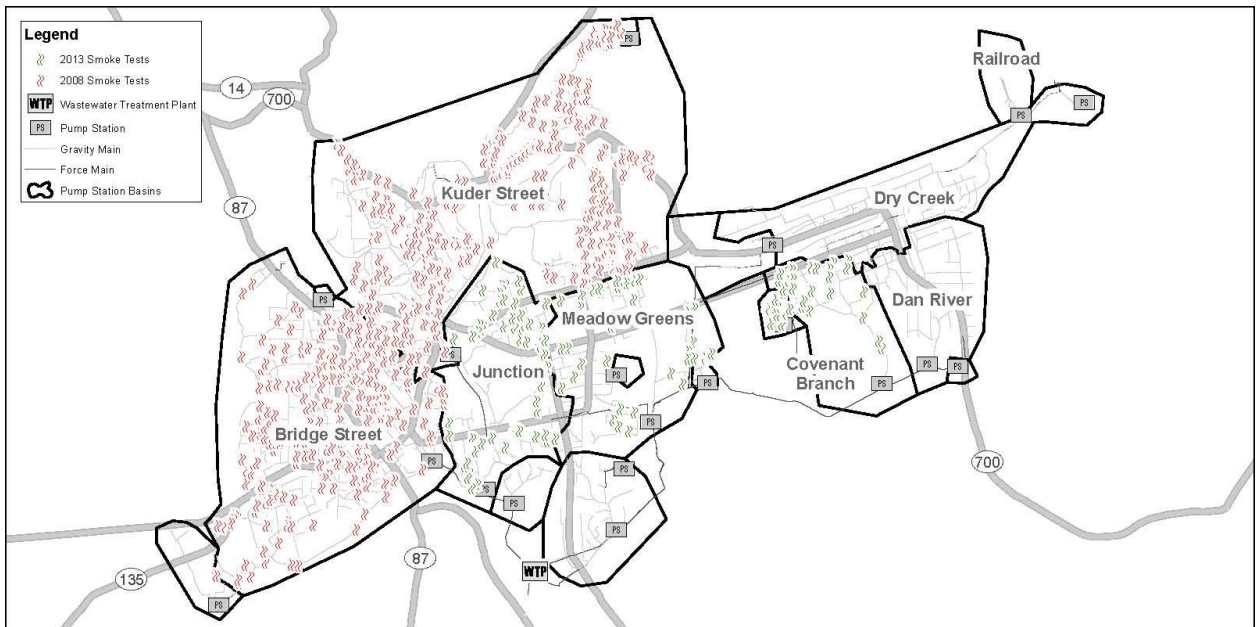
February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

Manhole Defects Identified During SSES



Defects identified during Smoke Testing



Mr. Fisher explained that they went out and dropped smoke bombs into manholes which identify inflow sources such as missing cleanout caps, cracked service laterals, things that were low hanging fruit to fix and that would ultimately help get rid of a lot of the inflow coming into their systems.

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

He noted that there was not a lot at Covenant Branch and Meadow Greens but when you look at Kuder Street and Bridge Street there were a lot of problems. He explained that a lot of them they had identified previously and they consist of private and public sources. He explained that they had to get them fixed.

He pointed out that part of it will involve some contribution from their customers, especially on the sources that are on private property. The city was responsible for correcting those that are public easements or right of ways but those outside of that was the customer's responsibility.

City Attorney, Ms. Erin Gilley, asked what those defects were caused by to which Mr. Fisher replied age or maybe poor construction. Ms. Gilley questioned those that were on the private properties.

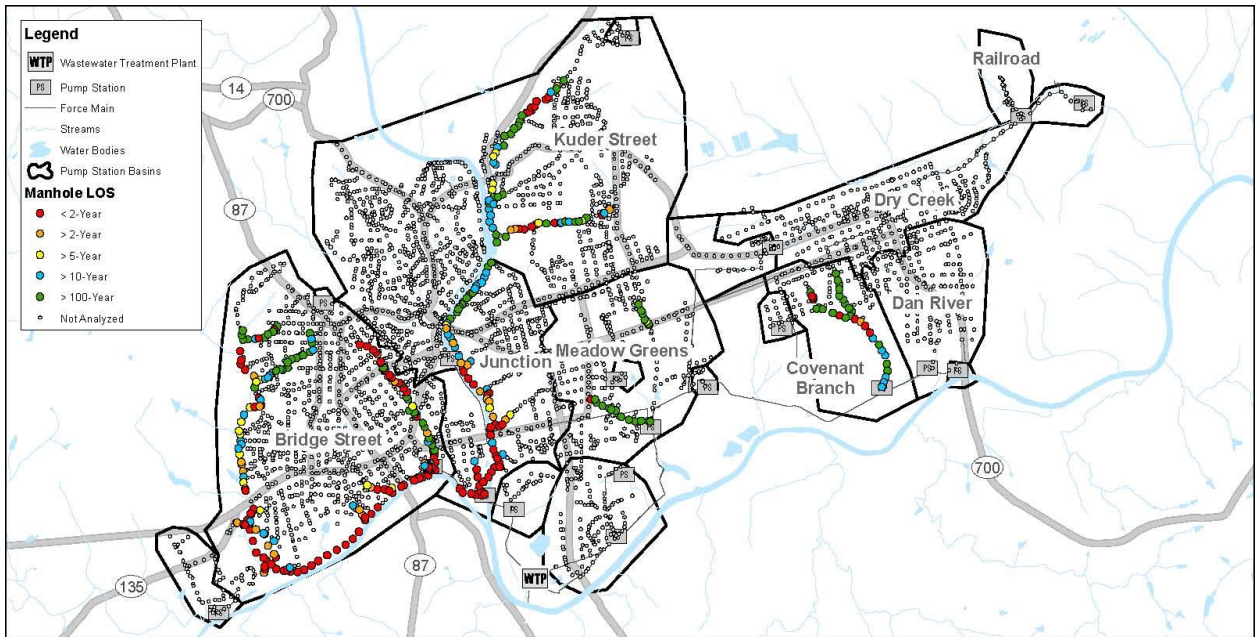
Mr. Fisher replied that you may have roof leaders tied into sewer laterals and that was an illicit connection or someone who maybe has hit a cleanout cap with their lawnmower and it's broken and they have not corrected it and runoff could be getting into it, just a litany of problems.

Manholes in Floodplain Analysis

Basin	Total Manholes	Below 100-Year Floodplain	Below 10-Year Floodplain	Below 5-year Floodplain	Below 2-year Floodplain
Bridge Street	174	141	119	107	87
Junction	81	69	49	46	36
Meadow Greens	23	2	2	1	1
Covenant Branch	35	16	9	9	8
Kuder Street	62	38	24	17	13
Total	375	266	203	180	145

Mr. Fisher explained that the table above shows a number of manholes that are below different levels of floods. He explained that the minimum criteria, you want to be above a 100-year flood plain so you have a significant amount that did not meet that criteria. He noted the more glaring problem was on the far right where they have a significant number below a 2-year flood and that will occur pretty frequent.

Manholes in Floodplain Analysis



Mr. Fisher noted that this map shows graphically where those locations are.

Pump Station Evaluation

Pump Station Evaluation Summary

- 5 pump stations selected for detailed inspection
 - Bridge Street
 - Junction
 - Industrial
 - Railroad
 - Bear Slide
- Minor Rehabilitation – Industrial and Railroad
- Replacement – Bear Slide, 4th Street and Dogwood
- Major Rehabilitation – Junction and Bridge Street

Mr. Fisher explained that these five were primarily their large regional pump stations. He noted that Bear Slide probably does not fall into that category as it was a small pump station but Bridge Street, Junction, Industrial, and Railroad were their largest pump stations. He noted that three pump stations were recently renovated in 2008-2009, Meadow Greens, Kuder Street and Covenant Branch so they really did not require the same scrutiny. They have corrected a lot of deficiencies there so they were not a part of that inspection.

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

He explained that Industrial and Railroad were in pretty good condition but there were some minor items that need to be addressed. The next 5 include Bear Slide, 4th Street, and Dogwood, they have pretty severe problems, they are very old and their service life is basically getting to the end and then Junction and Bridge Street needed major rehabilitation. They have a considerable investment in them with the way they are constructed but those 2 stations have seen very, very minimal improvements since they were put in in 1967.

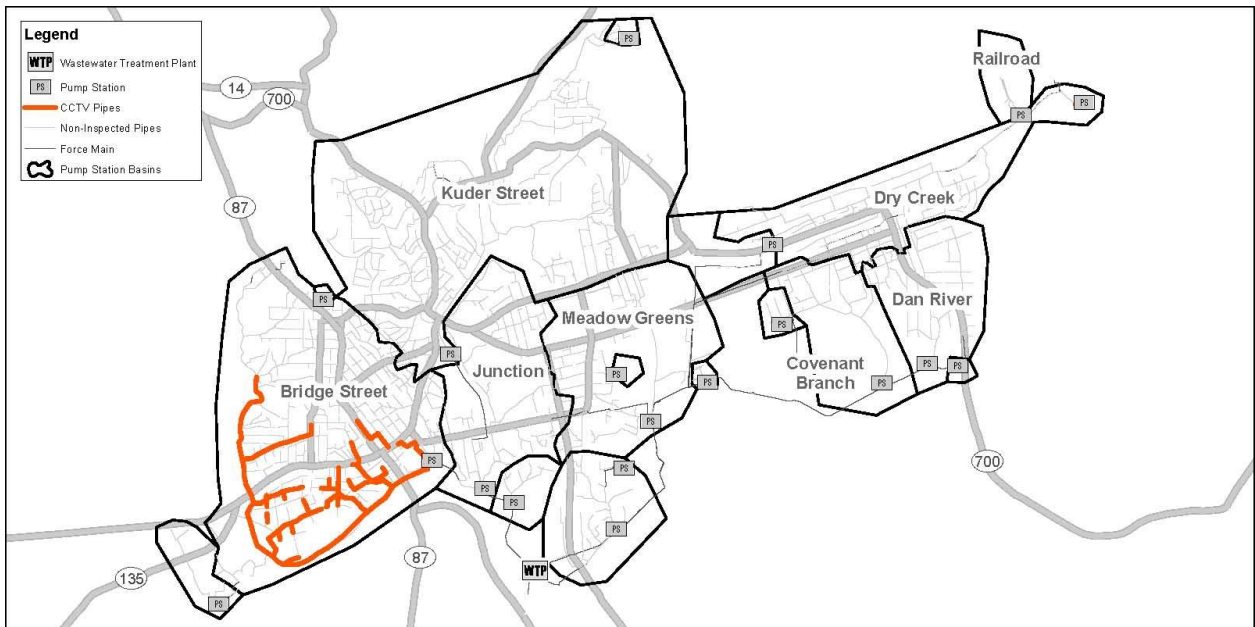
CCTV Inspection and Recommendations

CCTV Inspection Overview

- 43,700 linear feet of sewer inspected in Bridge Street
- 7,390 linear feet required heavy cleaning
- 3,571 defects found
- CCTV results were imported to GIS using InfoMaster

Mr. Fisher explained that they inspected 43,700 linear feet, almost about 5 miles of sewer line at Bridge Street. About 7400 feet of that required heavy cleaning, they removed heavy roots and in some cases pretty large boulders and found about 3600 defects that ranged from structural issues to heavy roots, obstructions, leaking service laterals, generally that was not unique. All this information was imported to GIS and there for them.

CCTV Inspection – Pipes Inspected/Defects Found



February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

CCTV Recommendations – Prioritization

Project Area	Prioritization Ranking	Project Budget	No. of SSOs for Each Project Area	No. Problems Identified in the 2008 SSES Report that will be corrected with the Rehab for each Project Area	RDII Reduction/In Mile Pipe (Gal) – Based on 10-Year Storm	Total RDII Reduction (Gal) – Based on 10-Year Storm
Lower Matrimony Creek Outfall (Lining Option)	1	\$1,147,353.65	1	8	8,301	180,556
Trogdon Outfall	2	\$1,189,459.36	2	2	23,482	181,518
Lower Matrimony Creek Outfall (Replacement Option)	3	\$1,764,256.03	1	8	8,301	180,556
Elm Street Easement Outfall	4	\$877,409.29	2	7	9,276	38,851
Henry Street Relocation	5	\$420,463.42	0	0	7,669	54,145
Robin Road Easement Outfall	6	\$745,537.55	1	1	8,245	44,686
Hamilton-Patrick Rehabilitation	7	\$846,867.75	0	0	7,669	54,145
Klyce Street Outfall	8	\$159,935.17	0	0	8,301	6,641
Mill Branch Outfall (Option 1)	9	\$1,982,713.41	8	6	7,669	54,145
Mill Branch Outfall (Option 2)	9	\$1,980,823.64	8	6	7,669	54,145
Dan River Outfall (Lining Option)	10	\$2,240,126.70	0	3	7,601	187,356
Dan River Outfall (Replacement Option)	11	\$3,369,274.49	0	3	7,601	187,356
Hampton Street Outfall	12	\$202,342.55	0	0	8,301	4,483
West Street Outfall	13	\$1,276,140.80	3	2	5,649	46,380

Mr. Fisher noted that it was a large amount of expense to pull off in one setting and that was really where a more programmatical element needed to occur in their Capital Improvement Plan and that will be part of the recommendations and hopefully can be negotiated.

Council Member Burnette questioned the criteria for prioritizing.

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

Mr. Fisher explained that it included the benefit you would get from reduction of rainfall derived with inflow and infiltration and that was determined by flow monitoring. The other criteria was the number of SSO's that have occurred within those reaches. The final criteria was the number of problems identified in smoke testing. The final component was just the overall rating of the defect.

Council Member Burnette asked so those with no overflows or problems identified in their report had a much higher evaluation in the other two criteria.

Mr. Fisher replied yes and asked them to look at Trogon Outfall where they were getting about 23,000 gallons per day for reduction and that was a significant reduction to get that out of that line so there obviously could be some adjustment there, owner or city preference, they could easily adjust that.

Mayor Tuggle noted that in looking at the total amount of money it took, \$51 million, he asked how much of this was prioritized as far as trying to make sure they meet the administrative orders and not just programmatic type of stuff that they feel like needs to be done and obviously if they would look back at their track record historically, he had looked back at the last 8 years, excluding 2013, and the city spent \$31 million and averaged about \$4 million a year and it was obvious they were trying to do the right thing and trying to do things long term but with this administrative order they were going to have to get the numbers down low enough that they did not bankrupt the city. He questioned how much they could prioritize and delete and put it at a later date over 15 years as opposed to these five years.

Mr. Fisher replied that this was one of the things they would get to in a later slide. He then asked if there were any other questions on pipe replacement to which he continued onto the Level of Service.

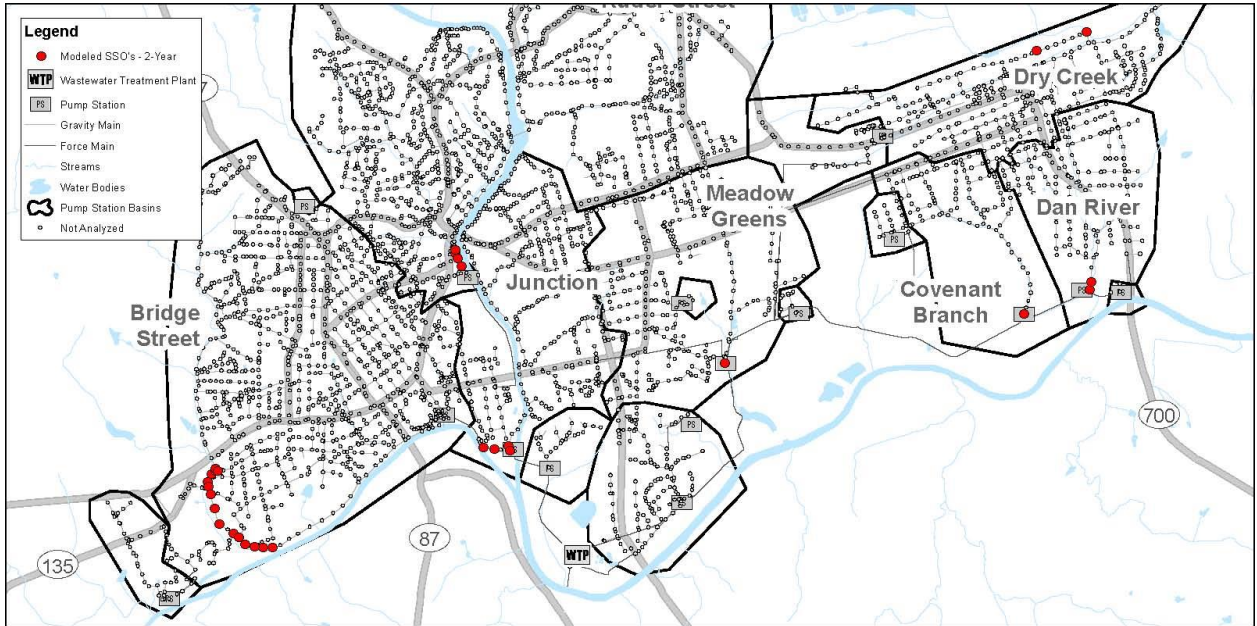
Level of Service

Basin	Level of Service	Recommended Alternative Level of Service
Bridge Street	< 2 Year	10 Year
Junction	< 2 Year	10 Year
Meadow Greens	< 2 Year	10 Year
Covenant Branch	< 2 Year	10 Year

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

2-Year 24-Hour Design Storm – Predicted SSOs

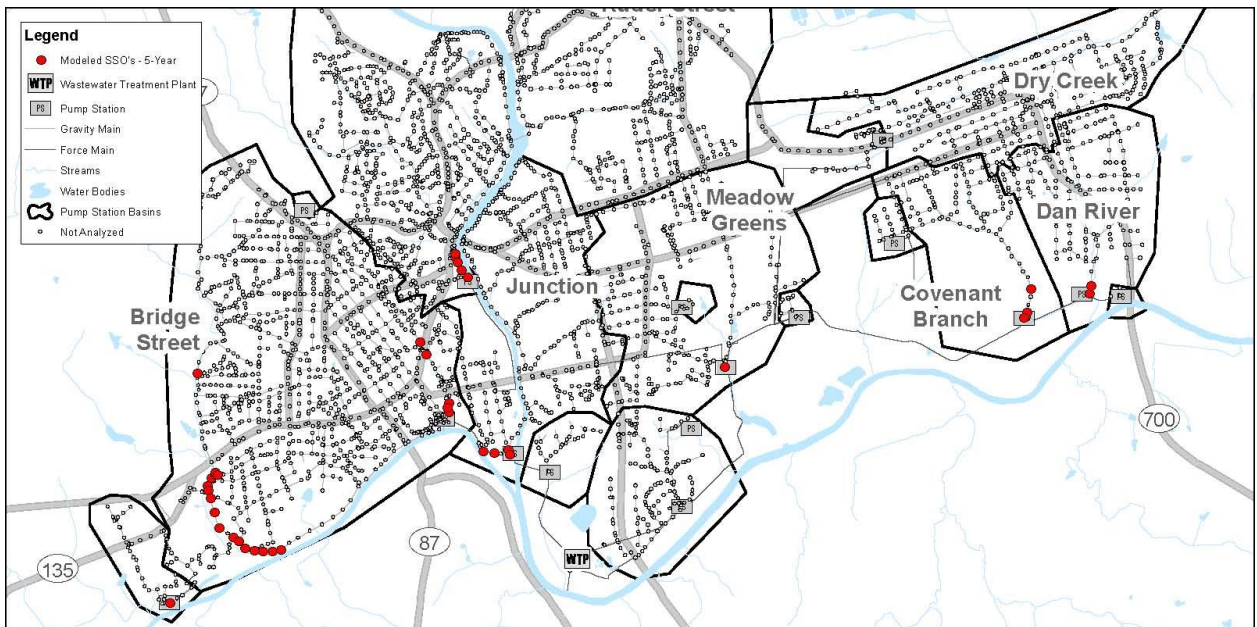


Dynamic model

Generally predicted overflows

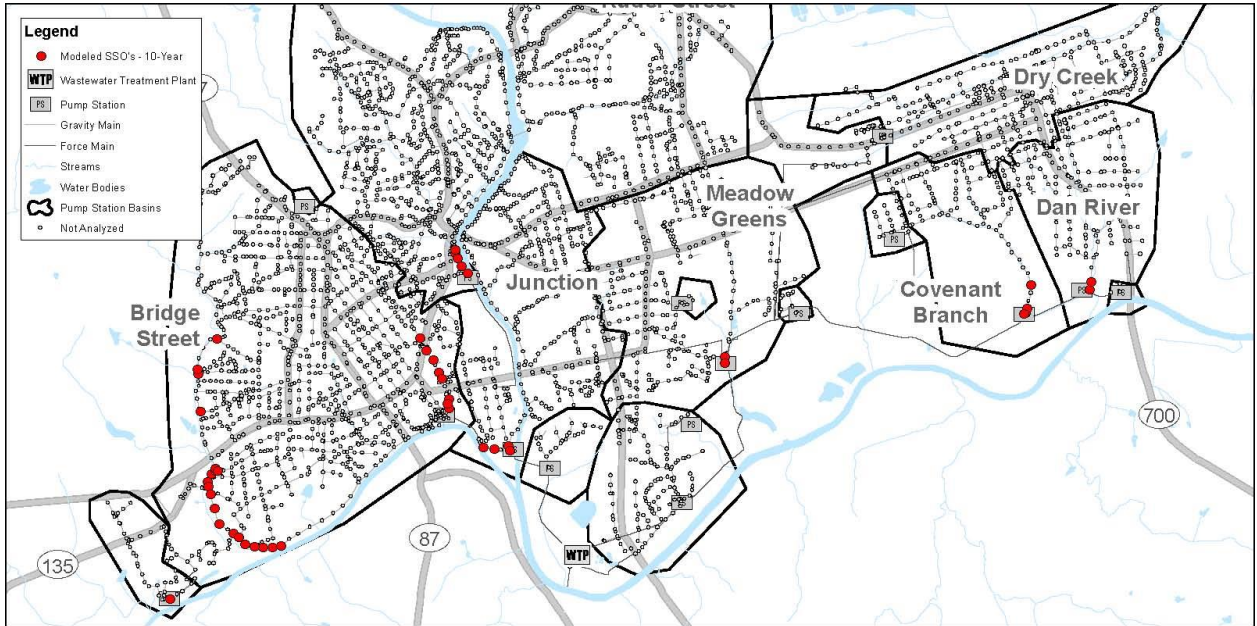
Allows us to do a tremendous amount of

5-Year 24-Hour Design Storm – Predicted SSOs



He noted that generally overflows are not changing that much.

10-Year 24-Hour Design Storm-Predicted SSOs



Draft Recommendations

Mr. Fisher commented that to answer the Mayor's question, there were capacity assessment improvements that you are probably not going to be able to negotiate out in a 5-year time frame with EPA. He explained that the order basically says 5 years for those projects. He explained that the programmatic element was where in their opinion, and that has the highest amount of cost because of the nature of those problems, you are having to replace many feet of pipe and so those projects they recommend approaching it in a programmatic element and do a certain amount each year and be consistent with that. You can probably dial that back some to what they have been doing, but he suggested leverage grants, no interest loans to make that more affordable and more for the amount of debt.

He explained that next this was just some of the requirements they will have to complete in the next five years.

Additional Evaluation in Junction

- Siphon and Main Outfall Condition Assessment
- Update Capacity Assessment and Remediation Plan (RP)
- Next 60-90 Days

Mr. Fisher explained that was one of the first things they need to get clarity on and that will help dial in where they need to be with some of the more programmatic elements.

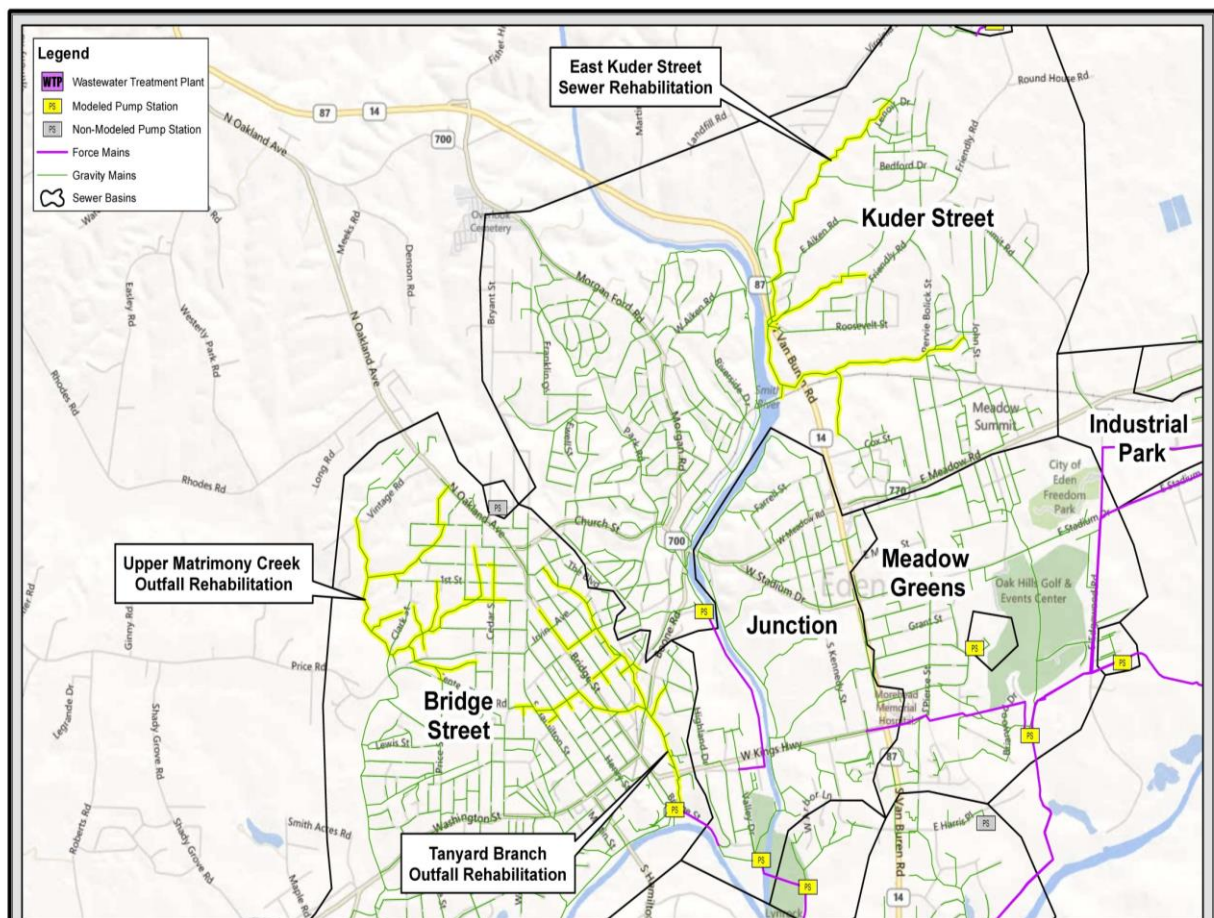
February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

Continue Active Projects

- **Kuder Street East Sanitary Sewer Improvements (CWSRF)**
Schedule - Construction Only (FY 13/14 into FY 14/15)
- **Tanyard Branch Sanitary Sewer Improvements (CWSRF, CWMTF & Local) & Upper Matrimony Creek Sanitary Sewer Improvements (CWSRF)**
Schedule – FY 13/14 (Complete Design/Permit and Bid/Award) and FY 14/15 into FY 15/16 (Construction)

Mr. Fisher noted that on these projects you have a considerable amount of grants. He pointed out that they had \$3 million in principal forgiveness which were loans you do not have to pay back and \$0.5 million from Clean Water Management Trust. He explained that lowered their overall debt and these projects will eliminate a significant amount of overflows.



Mayor Tuggle asked if he was saying those three were the priorities that have to be done.

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

Mr. Fisher replied that for these projects they were able to leverage the severity and get a good amount of grant money which was somewhat rare in today's climate.

Implement Phase 1 RP

- **Complete Evaluation of Critical Assets**
 - Remaining Condition Assessment of Primary Outfalls in Junction
 - Covenant Branch Force Main Condition Assessment
 - Dynamic Sewer Model Enhancement for Dry Creek and Kuder Street Basins
 - Force Main Air Release Valve Inspections
 - Bear Slide SSES

Mr. Fisher explained that they identified some aging lines in Junction so that they all know how to begin to budget and prioritize their programmatic element. They need to take a look at primary outfalls in Junction Basin. He noted that he believed that Covenant Branch Force Main was their second longest force main. He explained that it had a couple of overflows due to pipe breaks in the last five years and EPA was going to look at that and those overflows and say what is going on. He added that right now there was not really a clear answer so they need to determine if that was an anomaly or if there was some deterioration of that force main. So that was part of the first phase.

He noted that EPA also wanted to be sure that any upstream components were not problematic. He explained that they could quickly do that with enhancing the sewer model and that involves tweaking and enhancing the model to make sure that Dry Creek and Kuder Street Basins were healthy and performing at or above 10-year level of service.

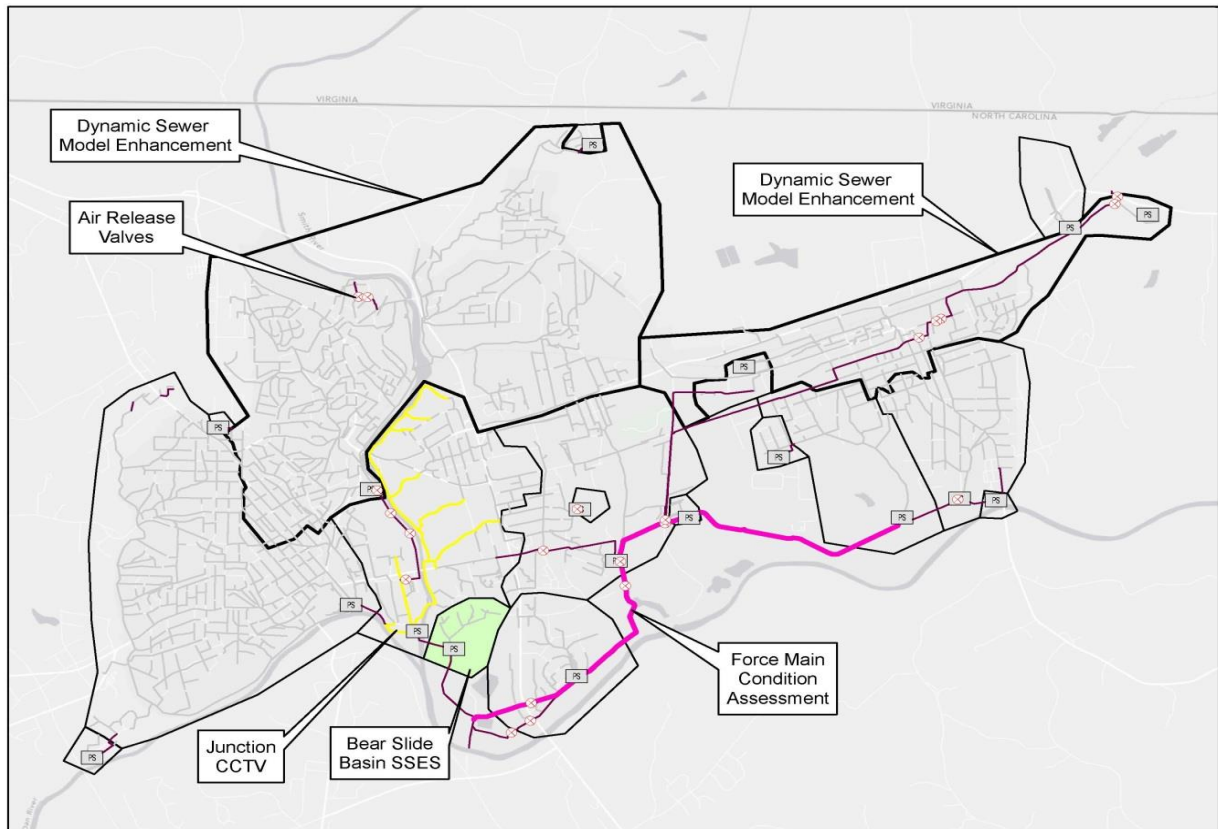
For the Force Main Air Release Valves, they have a number of force mains that were not functioning. They need to go out and determine which ones were not functioning and then determine what they need to do there.

He added that again, Bear Slide, the SSES, when they were looking at the pump station they noticed a number of sources of inflow. He pointed out that again any drop of water you can get out was low hanging fruit and this will improve the importance of their system.

Mr. Fisher then noted on the graph where some of the projects are located.

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:



Meadow Greens and Covenant Force Main release

Mr. Fisher pointed out that they did not recommend continuing to chase inflow and infiltration at Meadow Greens and Covenant Branch. He stated that they would never get it all but they did need to get some of that out. He also noted that connecting Covenant Branch and Meadow Greens to another force main had numerous benefits. He explained that the model shows that alone will eliminate their overflows. He added that the total project cost was \$0.5 million and the cost benefit was very reasonable.

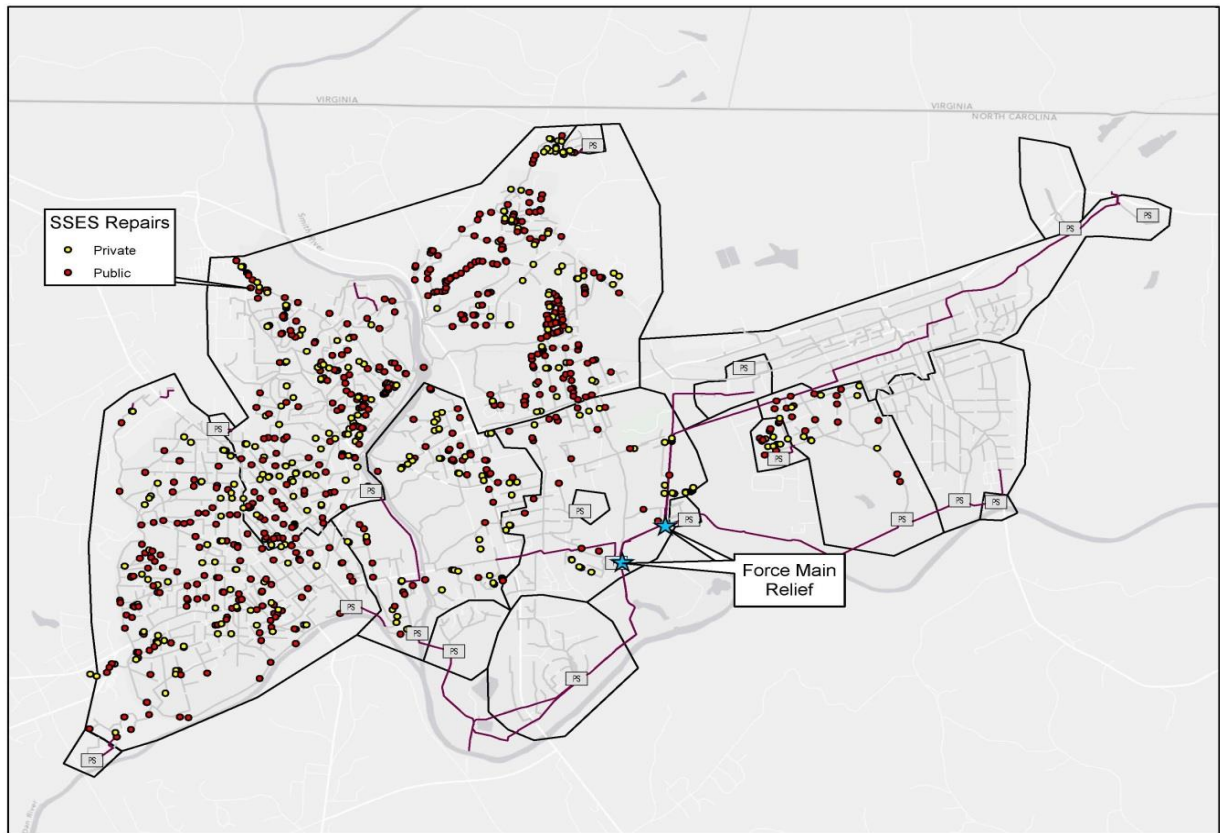
Implement Phase 1 RP

- Force Main Relief for Meadow Greens and Covenant Branch
- Validate Bridge Street and Kuder Street SSES Defects
- SSES Repairs (Public Sources)
- SSES Repairs (Private Sources) via Sewer Code Enforcement

Mr. Fisher continued with Bridge Street and Kuder Street and pointed out that the last time he looked at them they found over 2,000 defects. He was not sure which have been corrected by the city or the property owners. He explained this was just validating which defects have been corrected and then implement repairs.

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:



Implement Phase 2 RP

- Bridge Street and Junction Pump Station Rehabilitation
- Repair Replace Faulty Force Main Air Release Valves
- Covenant Branch Force Main Repairs
- Dan River Outfall Upsize

Mr. Fisher explained that the second phase was to upgrade Bridge Street and Junction Pump Station. This was capacity oriented and those pump stations were not pumping what they were supposed to be pumping and most of that was through wear and tear and some of it was because they need to pump a little bit more.

Mayor Tuggle asked the time period for implantation of Phase I and II.

Mr. Fisher replied that for capacity oriented issues, 5-years. For programmatic elements, they have addressed it in a minimalistic fashion or being very aggressive. He added that the last part of Phase II is Dan River Outfall Upsize and that was basically needed to have capacity.

Council Member Burnette noted that in the sanitary sewer evaluation there was a private and a public. He questioned if the private was in the Administrative Order.

February 4, 2014

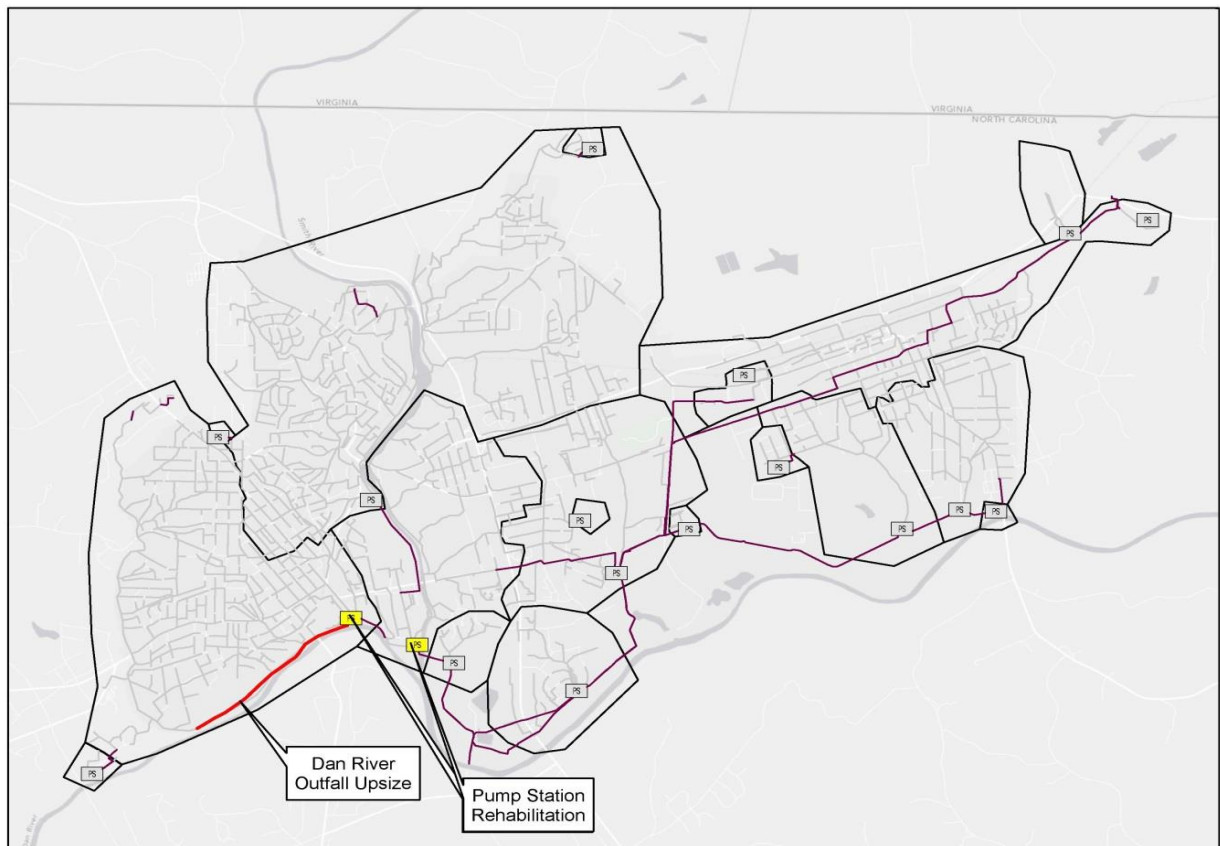
Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

Mr. Fisher replied that it would be as those were problems that are contributing to inflow and infiltration.

Council Member Burnette questioned how they hold the private accountable.

Ms. Gilley pointed out that they have a sewer use ordinance and she was not sure about every single situation but they could probably address most of the issues through the ordinance and that was what they would enforce.

Mr. Fisher added that he believed that they had done that under the Consent Order with DENR and Planning and Inspections was the primary conduit of sending that information to citizens where they have problems. He suggested that they identify the problem and that way the customer could engage a plumber or if they could, do it themselves.



Implement Phase 3 RP-Programmatic Elements

- Routine Condition Assessment
 - Gravity Sewer
 - Force Main
- Flow Monitoring

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

- Access and Easement Improvements

Mr. Fisher noted that all of the projects up to this point, the time frame was within five years.

Mayor Tuggle commented that it was obvious on the map that anything there at Bridge Street there was one problem after another.

Mr. Fisher stated that EPA could not commit to anything right now because they were still in the process of finalizing but their recommendation was to negotiate more programmatic elements, in fact one of the sanitary districts up in Washington, DC had a 20 year time frame on some of their line replacements and larger scale projects that involved a significant amount of expenditure.

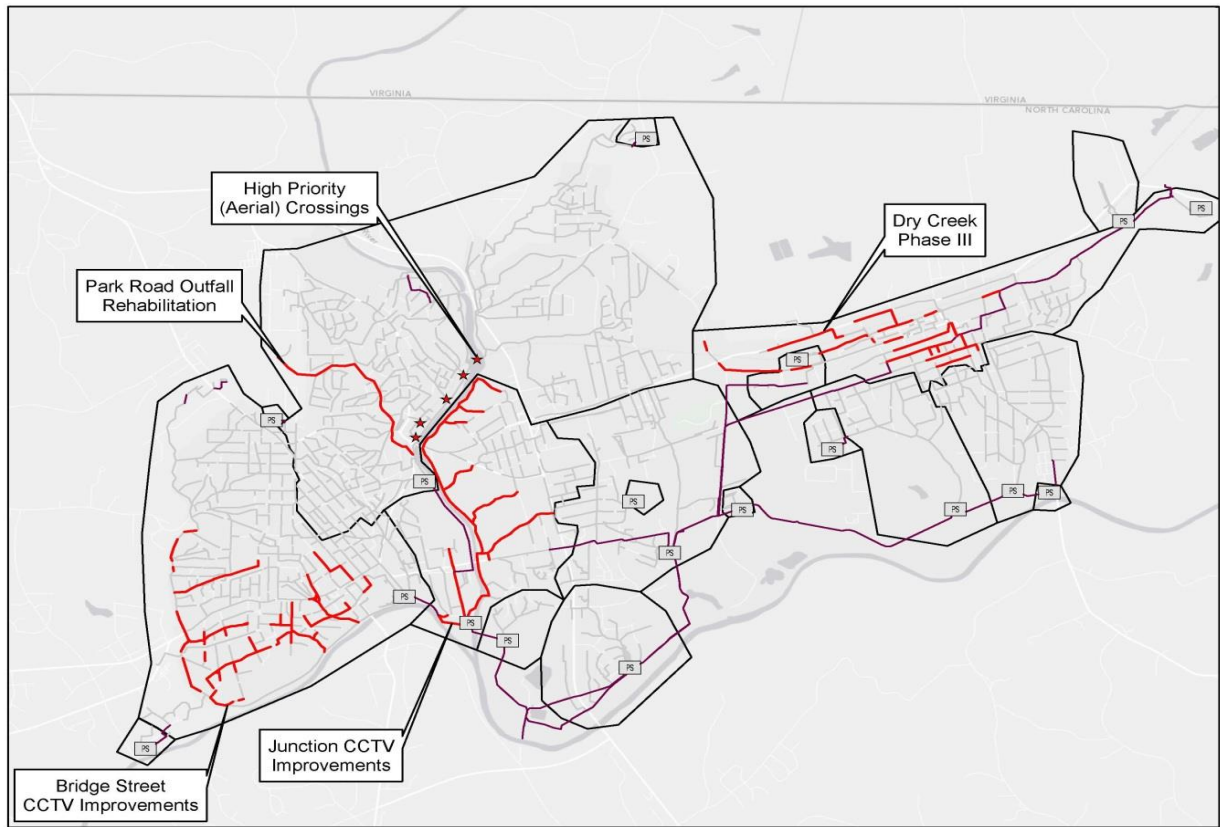
Mayor Tuggle asked if the EPA allowed them to do that 20 years to which Mr. Fisher replied in the affirmative.

Mr. Fisher explained that it really consists of some basis for preventative, doing more routine condition assessments so that way, there was always shifting priorities and you may find something that comes up that all of a sudden takes more priority than you thought another project did so again he thought it was just tweaking their condition assessment and some of that was going to be able to be done with operational changes that you all implement by adding additional crews.

Implement Phase 3 RP – Programmatic Elements

- **Prioritized Sewer Replacement/Rehabilitation**
 - Park Road Outfall (Kuder Street)
 - Dry Creek Phase 3
 - Bridge Street Basin
 - Junction Basin
 - High Priority (Aerial) Crossings

Mr. Fisher stated that they would be focusing on their prioritized sewer replacement/rehabilitation. He noted that there was a long list of needs there.



Mr. Fisher stated there was a long list of needs here and their recommendation was to look at that programmatically and the scenarios that they have used was taking that sum of money and looking at a 10 year or 20 year scenario and Mr. Warmath can share some of that impact to their rates.

Implement Phase 3 RP

- **Pump Station Rehabilitation/Replacements**
 - Regional (Large Stations) – Railroad and Industrial
 - Intermediate – Bear Slide
 - Small – 4th Street and Dogwood
 - Permanent Standby Power

Mr. Fisher explained that for the final component it would be more programmatic to address pump station needs. He stated that several pump stations do not have stand by power and again that was something that as you prepare or replace you are putting that provision in. He stated that they partnered with Raftelis who does a number of financial and rate assessments and they are one of the leading firms in that.

Mayor Tuggle commented that they had \$19 million worth of other needs in addition to these other priorities. He stated that he assumed that once they work with them on trying to find their priorities then Raftelis will plug in whatever numbers they come up with and that would show them where the rates need to be to get plugged according to what they decide they can pay.

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

Mr. Lex Warmath, Raftelis Financial Consultants, suggested that they could look at it two different ways. One was to say, what do we need to spend and then they see how much of an impact that has on their rate payers and then use that to help negotiate with the EPA and they can demonstrate that makes it unaffordable by certain criteria to get it back down to what they could afford to pay and what does that translate back to in terms of how many millions of dollars' worth of projects they could do over a five or ten year time frame.

Mayor Tuggle asked if they had found that the EPA would work with you on these recommendations more so than five years to ten or fifteen according to where...he added that he knew priorities have to be taken care of in the first five years but if the EPA saw that something was laid out, he asked if they would work with you as they try to find something that was reasonable for the public to be able to pay. He added that surely their history would show that they have spent a bunch of money over the last ten or fifteen years, especially since 2003-2004.

Mr. Fisher explained that review will be facilitated or reviewed from their regional office and had to go to a federal level and it involves some level of judicial review.

Mayor Tuggle commented that it should be in the city's favor because historically they have tried to do the right thing.

Mr. Fisher stated that if they look at their water, he believed it did note extenuating circumstances and he thought that was also an objective of the financial impact because that way you have documentation to go to the EPA and say you know we know we have more need than we have dollars and so that is why we need to look 20 years' time frame rather than trying to fix.....

Mr. Warmath added that they do not typically negotiate directly with the EPA because it comes down to a judiciary type of review and it goes to a higher level. He explained that their role was to help cities with their own planning once the decision has been made and to provide key metrics to help demonstrate that beyond a certain level it becomes unimportant, it does have some other impacts on the economy of a community and things like that. He pointed out that it was a very individualized negotiation process and if you look at some of the big cities that have had huge bills like Atlanta and now Nashville was facing a very large consent decree because of a very broad system of combined sewers that were really beginning to show their age.

Mayor Tuggle commented that Baltimore had something like \$2 billion dollars' worth.

Mr. Warmath agreed that Baltimore was huge, D.C. was huge and other than Atlanta, all of these were their clients and they have provided some financial backing to some of this. They have helped New Orleans negotiate some of its financial impacts with the EPA as they have looked at Katrina issues. He stated that it was everywhere and so they were not alone but the unfortunate part of it was they were a pretty small player on the grand scale of things when you look at people that have \$1.2 billion consent decrees, it was tough for Eden but it was.....

Mayor Tuggle pointed out that it was still relative to a certain extent as they have a very poor county.

Mr. Warmath agreed that it was relative and those were the metrics that were still evolving in terms of assessing affordability. They have always used median household income and they were starting to look at a broader range of metrics and you could make some more arguments but it was

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

going to be an evolving process and it was probably going to be a fairly lengthy process.

He explained that what they were going to talk about tonight was an approach where they can see how much they can jump into and bite off at the beginning because it was a demonstration of good faith on their part because they were willing to fix as much as they can, address the issue and if that gets them a good start and they get the problem where it was starting to become more manageable then the EPA would give them more time.

Mr. Warmath then discussed the following:

Rate Analysis and Financial Planning Model

Objectives for Rate Study

- Develop Rate and Financial Planning Model to provide a forecast of financial results
 - Projected rate increases
 - Debt levels and debt service coverage
 - Ability to maintain reserves and liquidity
- Assess capital planning options
- Assess affordability impacts of capital plans
- Rate model is a key deliverable for the project

Key Assumptions and Cost Drivers Used in the Model

- Capital improvement plans (CIP)
 - Bracketed between a Maximum and Minimum level of necessary capital investment
 - Driven by consent decree
 - Converted to debt service payments to support the CIP
 - Key Question: Will the current and proposed rate adjustment be sufficient to address the CIP?

Capital Costs Breakdown (FY 14/15 And Beyond)

- Existing WCTS Capital Improvements (\$6M)
 - \$3.5M of Grants/\$3M in 0% Interest Loans
- CMOM – Evaluation and Capacity (\$8M)
 - Less than 5 Years (Not Negotiable by Order)
- CMOM- Programmatic Elements (\$37M)
 - Greater than 5 Years (Likely Negotiable and may require Judicial Process)
- Other CIP Needs – (\$19.2M)
 - Cannot be Ignored

Council Member Burnette asked if he was correct that if he looked at the max and min, the first two items were going to be included in both of those to which Mr. Warmath replied

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

yes. Council Member Burnette asked if the programmatic, that \$37 million, was now going to shift to the max.

Mr. Warmath replied that the timing of it under the max, they were assuming they could do a good part of that within 10 years and the min they were assuming they could spread that out over 20 years. He added that some of it was still being done in the first 5 years but not as much.

Council Member Burnette questioned where the \$19 million would fall.

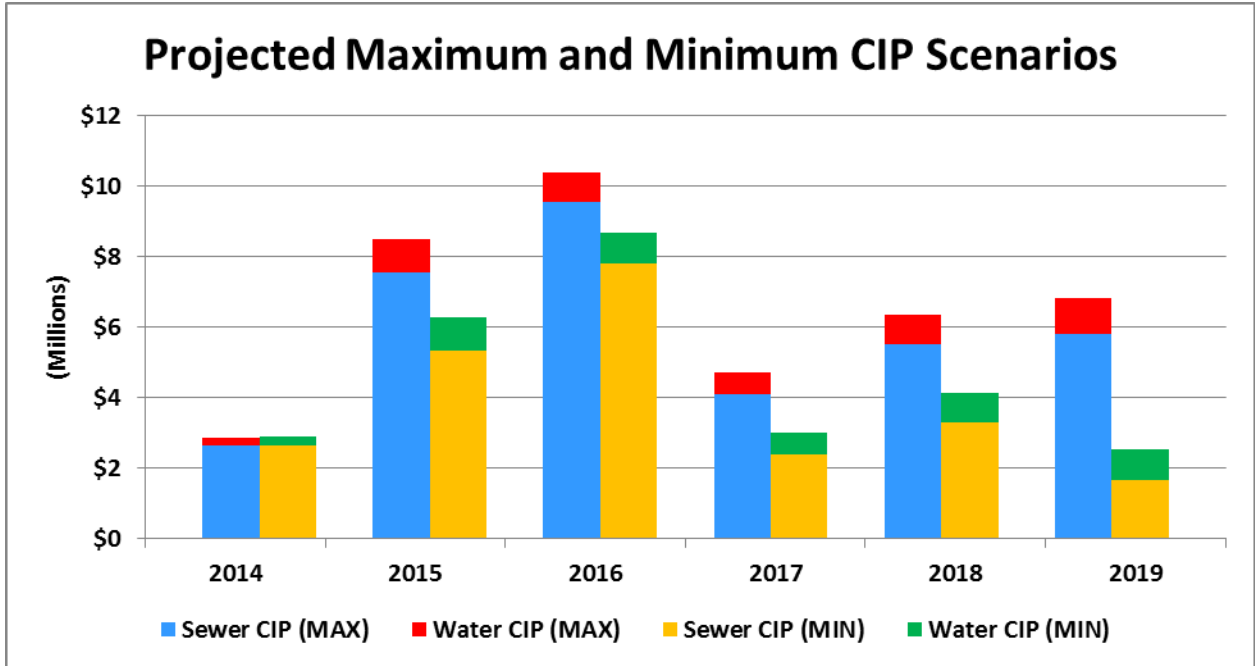
Mr. Warmath explained that it was kind of mixed in there, and this was where they were relying on W.K. Dickson as they have sort of assessed where it was and what makes sense. He explained that it was a real balancing act too between water and sewer because the water rates will actually support a little bit of cash funded capital and they did not have to borrow money and they could address some of those water problems, but of course the more you spend on that the less you can use the water revenues to pay for the sewer so it was all going in the same pot but he would have to let Mr. Fisher give them more details.

Mr. Fisher explained W K Dickson did a work session with the city and they had each department head come in from water filtration, wastewater, and water distribution. They basically looked at their 10 year CIP needs and some programmatical functions at their treatment plants. He explained that eventually sometime within the next 10 years they were going to have failing basins, concrete repairs, or facility improvements and for the most part city staff provided that data and they just layered it into it.

Council Member Burnette stated that was the basis of his question from minimum to maximum. He thought they need to see the bare bones. He asked if the minimum that he was showing them was the bare bones to which Mr. Fisher replied that it was.

Mr. Warmath added that they took that information and layered it into their model on a project by project basis so if staff decides, okay then that problem, it was not as serious as they thought then it can be pushed out a few years. The model allows them to shift those things around and they can regroup all the different years' worth of projects into different debt amounts and plug those into a bond calculation. It was not real simple or automated but it did give them that capability to go back through and do that. He added that was always the challenge in these models, the capital plan was a moving target, so you have to kind of land somewhere and then keep going.

Annual Maximum & Minimum CIP



Mr. Warmath explained that on the left side of the grouping was the maximum and this was what they need to spend in the first five years. This was what they were spending this year, 2014, so they were in the middle of the fiscal year for 2014. He noted that as they could see because some of these projects has to be done the first couple of years there was a difference between max and min but it was not as big of a difference in the out years where they have pushed some of this out. As they could see water was not a big issue. He explained that what this translates that into was on the five year plan they were looking at about \$24.5 million under the max plan and about \$12.7 million under the minimum so about twice as much under the max as they plan to spend. He added that they have the models built on their 10-year planning horizon but he could sure say one thing that he knew for certain was that five years from now the rates will not be what he forecast them to be.

Council Member Hall asked if this graph was supposed to show the 24 (million) and the 12 (million).

Mr. Warmath replied yes, if you sum all of those up under the max you should come up with pretty close to that.

Council Member Hall explained that he was just looking at the minimum on the right hand column and he had 3 in the first year and 6 in the next year and 8 in the third year and that was more than 12.

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

Mr. Warmath apologized and replied that he would have to pull some numbers and take a look at that. It may be total revenue requirements but he would pull the model up and look at that.

Council Member Hall asked if he felt more confident that his numbers were right over this graph.

Mr. Warmath replied that he could have miss-added it as he did come up with \$42.9 million over the whole capital plan under the max and \$16.25 under the min. He added that he could have pulled from old capital information. He then briefly continued with the following:

Key Assumptions and Cost Drivers Used in the Model (continued)

- Growth in Customers and Demand
 - Review recent trends in water usage
 - Used conservative assumptions
 - Minimal growth in customers
 - No growth over the short-term in total demand
 - Model is updated each year based on actual results

Mr. Warmath noted that a key factor in this was customers and usage. He explained that once you determine what your costs are you have to spread this out over your customer base. As they were well aware, a lot of industrial customer base has decline recently or gone away and some of it was at risk, so they would want to be sensitive to those customers. He explained that in general, what they have seen certainly regionally, but even nationwide was a continuing decline on a per customer basis or in other words how much each customer uses and when you combine that with very slow growth in housing you are lucky if your usage is staying where it was the year before, even on a trend line when you factor in weather things, unless you have a pretty high growth area. He explained that if you are a Charlotte or a Raleigh and you are still adding customers with 6% or 7% a year, even if everybody was declining in usage by 2%, your usage was growing. However, in a community like this where your customers were growing at 2% they might be using 2% less per customer so you may be staying very flat. He explained that what they have assumed here was a very low conservative growth rate in their model. They have basically zero growth in consumption, at least until it pans out, and about a half a percent growth rate in residential customers and very low growth rate in any industrial or commercial customers.

Mayor Tuggle commented that their water users have dropped 40% of what it was when they originally came up with the formula so they could pay for this stuff so now it has dropped 40% so their revenues are down that much as a result of it.

Mr. Corcoran acknowledged that it has dropped significantly. He explained that it used to be that the average customer was 5,000 gallons but an average customer now was about

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

4200 gallons.

Mayor Tuggle added that their revenues have dropped since they originally decided to raise the rates to make sure they could pay for everything. Well, the customer usage has dropped 40% so they did not have enough money, even with the formula they put in place to pay for it.

Mr. Warmath replied that has been a particular issue for those communities that have relied historically on their industrial customers. He explained that it has been the biggest problem in the southeast with the textile industries over the last decade or so but now they were seeing it in other industries. Even a community that was primarily residential in its customer base was seeing that as the average uses per residential customers have declined. He added that they were seeing that consistently across the board. He explained that it was the economy and people were watching pennies and how much water and power they use. It was also efficient appliances and all new homes were more efficient in terms of appliances, older homes were starting to replace appliances and that has an impact and it was also the knowledge base of the customers. They were just more aware of the value of water and more conservative in how they use it.

Mayor Tuggle noted that they lost one industrial customer that was using a billion gallons of water about 4 or 5 years ago.

Mr. Warmath explained that was a major impact and this was something they need to understand, probably 70-80% of the cost of operating their water and sewer system was the fixed cost, it was the debt service, the staff that you cannot cut back, and it was the chemicals and other things. Then, 15-20% of it was variable cost. If you lose a huge customer your costs go down by a fraction and your revenues go down by the whole amount and that was a problem that a lot of people did not understand and it has been a big problem for communities that were facing shortages of water and implemented huge conservation rate structures and people listened and used less water. He explained that the fixed cost did not go down and now they had to raise rates because they have less water being used and they have to pay the same costs. So that was what they call a "conservation conundrum" and it was impacting a lot of communities. He explained that they were seeing that downward trend in per customer consumption and everyone keeps asking when it was going to stop because you will get to some point where you still have to flush the toilet or take a shower and you will have to get down to that bottom amount. He pointed out that it was not going to stop for quite some time and it will continue that trend. He explained that their options were to find new customers which was very hard to do. He added that they did have an advantage in that they had water and sewer capacity so if a customer was looking for water they could entice them where some other communities might not.

- Projections of revenue requirements
 - Looks at total cash needs for the operation of the water and sewer utilities
 - O&M Expenses escalated by 2-5% per year

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

- Debt service and cash funded capital investments (PayGo) – driven by CIP
- Rebuilding reserves

Mayor Tuggle asked if there was some percentage somebody would use for a reserve as opposed to their budget or operating expense or whatever.

Mr. Warmath replied that there was a whole bunch of metrics they could apply. He explained that typically you want to have an operating reserve, just pure cash for day to day cash flow of about 25% of your O&M budget. He pointed out that was a rock bottom minimum that was just to stay fiscally solvent. If you want to borrow money and are going to be looking at some capital expansion and want to get it at the cheapest possible rate then you are looking at closer to 50% of your total budget, not just your operating budget. That would include all your existing debt service, any kind of contributions to reserves and if you want any kind of Triple AAA rating you might be seeking 100% of your total budget.

He explained that there was a broad range there and then other times you will look at that reserve as a proportion of your capital campaign because capital shifts so much, it was a moving target.

He explained that those were the numbers he usually looked at and they track that in the model. They use that reserve in the model and one of the things they were cognizant of was to try to keep some of those metrics in front of them because when you go for these SRF loans you will have to sit down with those local government commissions and they were going to look at their financial position and see if they have some of that cash.

He then continued on to the following information:

Key Performance Metrics Generated by the Rate Model

- Debt Service Coverage Ratios
 - Total revenues less O&M expenses divided by Debt Service Costs
 - Focus on total debt service coverage
- Fund balance (reserves) - liquidity
- Customer impacts and affordability
 - Model shows impacts on a variety of customers in different classes and with different usage levels

Mr. Warmath noted that it was not a perfect system but their (Council) charge was to make sure that this business of water and sewer runs as efficiently as it can. He explained that what happens, and he believed what has happened here, was people get focused on the short term and not enough emphasis on the long term cost effective operation.

February 4, 2014

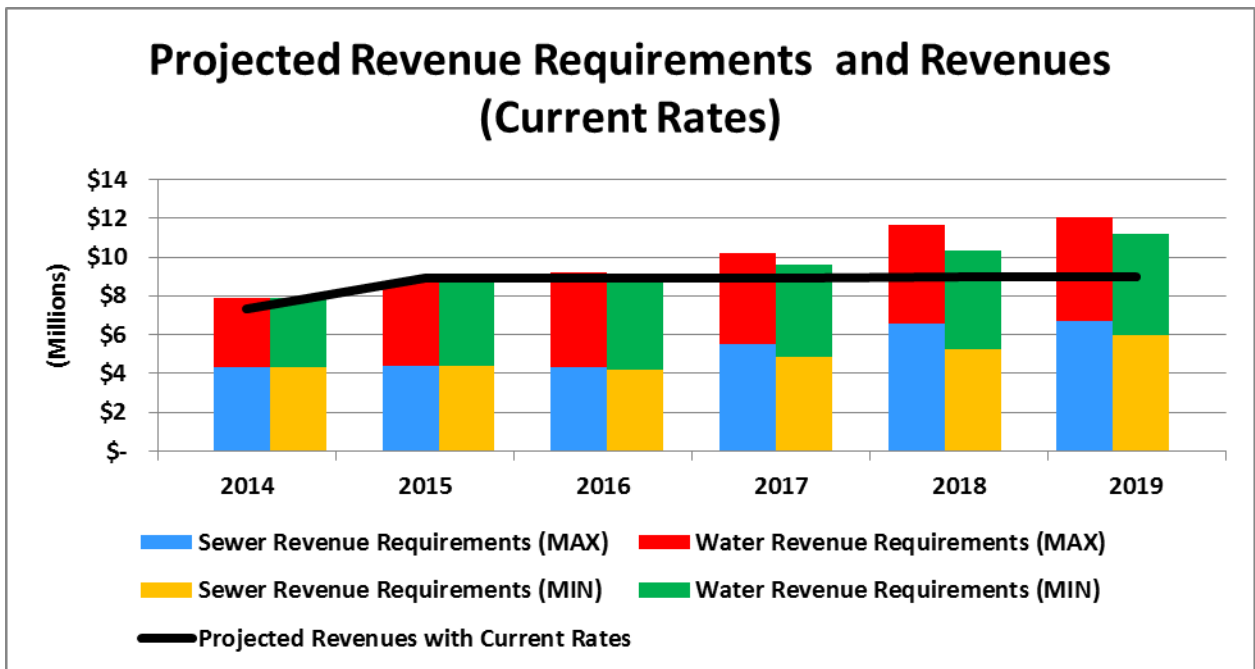
Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

Mayor Tuggle commented that was where they were now. Looking back at previous years, this was the Council that ends up with the prohibitive costs on getting these things done, plus they have lost industry and are a Tier I County.

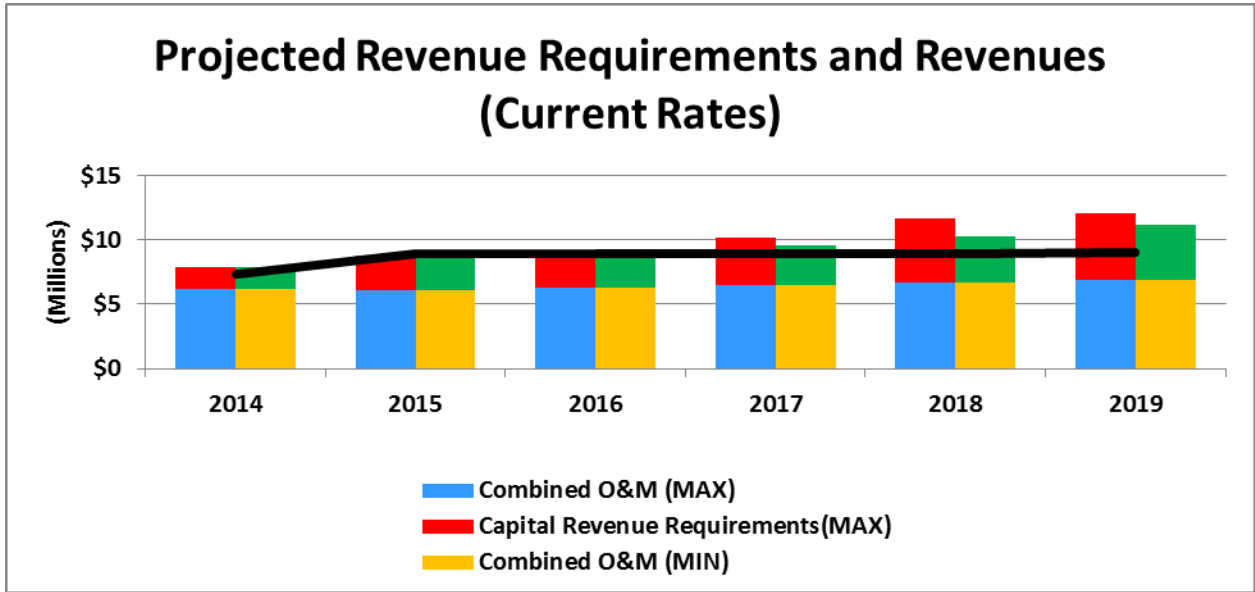
Mr. Warmath added that they also could not predict the industry that was going to leave. If they stay ahead of it great, but that was tough to sell when you do not have problems and you do not have anybody breathing down your neck. It was not a perfect system but it was what they have to work with.

He continued in that ultimately what they have done with this model, they have come up with rate adjustments beginning July 1 of next year. They were a little higher than what they had planned to do but this would allow them to not have a rate adjustment the next year. He explained that gave them flexibility and getting ahead of that was demonstrating their political will to the powers that be that they were willing to step up to this to fix the problem and getting the revenues coming in to support the debt to show them that they have all the coverage and everything to show that the loans would not be questioned and that has some advantages.

Projected Revenue Requirements – Water vs. Sewer



Projected Revenue Requirements – O&M vs. Capital



Rate Forecast – Additional Considerations

- Model calculates rates needed to meet total revenue requirements in each year
 - Independently calculates water and sewer rates
 - Separately addresses base charges & volumetric rates
- Provides flexibility to address other pricing objectives
- Final rate projections address:
 - Accelerated rate increase for FY2015 to address uncertainty
 - Potential for no rate increase in FY2016

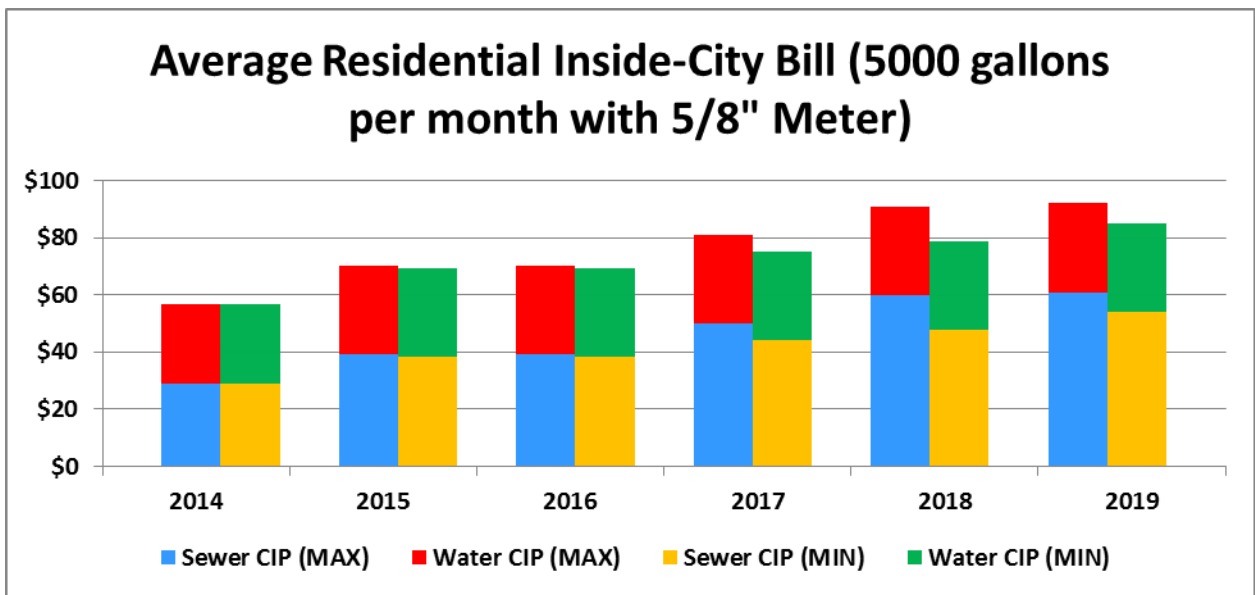
Mr. Warmath noted that within the first 2 years they were looking at borrowing about \$24 million under SRF's under the max and about \$12 million. That was where those numbers came in that was how much they were going to borrow not how much the capital campaign was.

Council Member Hall asked if that was for two years not five years.

Mr. Warmath explained that on the max they were assuming a \$9.9 million loan in 2015 and another \$14 million loan in 2017. He explained that normally SRF did not like to loan over \$15 million to one community in a single year but they will piggy back them as best they can. He added that lately, for a few exceptions they have pushed that for \$20 million. He also added that there was a good probability that money will be available and that was the cheapest money out there.

Mr. Warmath explained that under the min plan they only have an \$8 million loan to start with in 2015 and then they were able to push the next loan out to 2018 and it was only \$4.64 million. On the max plan it was \$9.9 on the short term and then in 2017 another \$14.25 million and that was driving their debt service up and driving their rates accordingly. So under the max by the time all that debt service hits, their combined water and sewer bill has gone from \$57 to about \$90 a month for 5,000 gallons. He added that was with a rate increase this summer and no rate increase for next year. He noted that if they could get some relief obviously that \$14 million was going to come down.

Monthly Bill for Typical Residential Customer



Advantages of Accelerating Rate Adjustments

- Playing catch up for lack of investment in infrastructure
 - Most of CIP is needed over a short time horizon
- Benefits of proactive rate adjustments
 - Demonstrates political will to address consent decree
 - Enhances financial strength and flexibility to address uncertainty
 - Provides increased liquidity to facilitate loans
 - Builds coverage ratios to support future debt

Mr. Warmath explained that if this was a 40% increase in their residential customer the industrial customer will be seeing something of a similar nature. He noted that it would depend on base versus volume but in general they were sort of raising everything to all customer bases in a similar manner.

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

He explained that initially they put pretty much the same percentage on base and volume charge to get them up to the level of support the first couple of rounds of debt. Then they started trying to hold the base charge because it started getting up to \$9 or \$10 a month for water and sewer each. He stated that was their real affordability criteria because that hits the fixed income customer that has low water usage, it was a bigger portion of their bill. They only have 2,000 gallons a month and that fixed charge was what drives their bill not their volume rate and they wanted to balance that, but there was only so much balancing you can do.

Council Member Burnette asked why they would not put the charge in the volume as opposed to splitting it with the volume base.

Mr. Warmath replied that was a great question and there were two reasons. One was the way they have structured the base charge now and that they were assuming some of the debt was being repaid from that. So the debt was going up and they were sort of pushing it into that charge, but it was somewhat artificial as they could shift how much of the debt goes into the base charge so there was no rule for that. He explained that there were some general guidelines but you have some latitude and it also means your revenues were going to be more stable, less impacted by climate change that would drive revenues up and down. He pointed out that you want that stability in that revenue stream as it was going to help you when it comes to debt repayment so you want to keep a balance there. He asked if they had the right balance, every community was different. He thought it was a reasonable balance that they have now but they could juggle those things around. He explained that their goal today was to leave the rate structure pretty much intact rather than to try to adjust it too much.

Council Member Burnette pointed out that the increases do come in the sewer charge not in the water.

Mr. Warmath explained that they went ahead and basically left the planned water charge increase for July 1 in there and they tweaked it a few pennies depending on the max, one to sort of get it and then water rates stay level and then everything else gets pushed on sewer and then it was a combination of mostly volume but some base charge because the sewer base charge right now was lower than the base charge so they tried to balance that out given that the sewer debt was going to be their big driver and some of it could be recovered in the base charge.

He explained that their water was still in each year generating the surplus even though all of the water capital needs were funded with cash. They even have water contributing to the reserve fund to build that up but nothing was being contributed by the sewer fund. He explained that the sewer fund was just trying to cover its bases.

So any way they cut this they were going from \$57 or so a month now to jumping up about \$70 with the initial rate increase so that was about a 40% hit. He explained that it really did not matter a whole lot whether it was the max or min capital campaign because so much of the capital on the short term was similar under both things. It was the long term where

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

they get the relief under the min and so that was their challenge. That was the decision and what they want feedback on. He questioned if they bite all of that off at once or do they spread this a little more evenly between the three years and their initial cut was to see what happens if they bite it all off at once.

Council Member Ellis asked if they did it the other way too.

Mr. Warmath replied that they did initially and let the chips fall where they may and it was pretty much even steps. He explained that instead of 40% it was like 15 to 20 and 15 to 20 and then 15 to 20% increases on a bill. He added that the water rates again were not going up after next year, actually it came down and they noticed the water rates were staying stable and the total bill was not going up as much.

He stated that he had talked about this off and on, some of the benefits of accelerating this. They were playing catch up. The quicker they can get their rates up to support these capital needs the better. It will demonstrate that they have got the political will to do this and that helps when talking to the EPA and the local government commission. He explained that if you were willing to take the steps on the front end, but then if you have some relief on the back end, if you do get up there and you level out that gives you some ammunition to make that argument.

Mr. Corcoran added that as he said they have discussed this in depth in their meetings and they just feel that accelerating the increases right now has far more benefits than spreading it out. He pointed out that right now they were blessed in the sense, compared to everyone around them that even right now today with the rate increase that just went effect in January, with the exception of Mayodan, their water and sewer rates were cheaper than anyone. He explained that they were below the state average in the State of North Carolina and they were below the state average of the Commonwealth of Virginia.

So they were going to find themselves very quickly here in a negotiating phase and the need to go to the Federal Government, the EPA, and plead their case. Their feeling was that if they go to the Federal Government and tell them they need some help or need to stream this out yet their rates were still the lowest than anyone around, (their rates were still lower than the statewide averages), then they were going to say "you have not put enough skin in the game yet or showed us that you are serious". So, they felt that whether it was the minimum or the max, they could discuss long term, but in the next few years they were going to be faced with the same amount of dollars roughly either plan they go with.

They could do it either way they want but their (staff) feeling was to get the rates up now, raise them up enough, and then hopefully maybe they will be able to go for a year without a rate increase in 2015-2016, but by raising them now, when it comes time to go and talk to their congressman or senator or the EPA or go to Atlanta, they were going to have a whole lot better argument stretching this out if they have shown good faith.

Mayor Tuggle added that just for the sake of the Council so they know what those numbers

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

were, Eden was at 49.39, Madison 81.26, Mayodan 36.20, Reidsville 55.91, Rockingham County 87.05 and Stoneville 67.45

Mr. Corcoran added that they needed to remember that they were very blessed. When National Textiles left, as they all know, the net loss to the city was \$3.2 million. If they were still here they would have probably not done any of these rate increases or were probably not worried about the rate increase coming up. He noted that the total cash from National Textiles was about \$3.6 million. He explained that when you took out what you saved in terms of electricity and chemicals it was about \$400,000. So they saved about \$400,000 on the expense side but they lost \$3.6 million on the revenue side for a net loss of \$3.2 million.

He explained that it was like when they do the Citizens Academy and he talked to the citizens for the last two years and told them they could bring in another Miller tomorrow, a billion gallon user with basically no to little change to their infrastructure and the billion gallon user would produce \$3 million yet their costs would be just fractional because it would just be a little added electricity or chemicals. He noted that it was similar to when Unifi left Mayodan. When they closed their doors the city council was forced to raise rates over a 100%. He explained that in an Enterprise Fund by law your water and sewer revenues have to at least equal your water and sewer expenses. He pointed out that they have been very fortunate because when he came to Eden in 2001 they still had Pillowtex but prior to that they had Spray Cotton Mills, Santee and those industries were really subsidizing the water and sewer system and that was why they were able to keep rates low.

He added that also, if they look back at the minutes they would see where staff said they needed to be working on it, but without regulatory agencies at that time knocking on their door telling them to go out and do this there was very little emphasis to go out and do it. He explained that the irony was that if you look at the volume of sanitary sewer overflows in 1998, it was over 3.3 million gallons in discharge. In 2010 the volume was 25,600 gallons. He explained that they did not hear from DENR or the EPA in the 90's or when he first came here in 2001, but now they have heard from the EPA and that was hard to understand. He questioned where they were they in the 90's or early 2000's. He explained that he had all that information, the number of overflows and the volume and the number of rainfalls and the other thing they will see was a spike in sanitary sewer overflows and that was directly tied to rainfall. Needless to say, if they look at the history, overflows were in the millions of gallons and now it was nowhere near that.

Council Member Burnette commented that going back to the rates when Hanesbrand left they were fortunate enough that the city had previously negotiated a take or pay contract. So, they got money for three years and that gave them a period of time to incrementally raise those rates to get to where they thought they needed to be but with this coming along it was different. He knew they did not have that much time and this was a little more like what they had looked at previously with the median household income comparing their water rates to that so that they could borrow money either at no interest or forgiveness loans. So, he thought this was the same approach and he would say they have to be very proactive about this.

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

Mr. Warmath added that the last point, to reiterate by getting those rates up they build that coverage and liquidity and that gives them potentially more favorable borrowing not so much with SRF but if they have to go to a different market for loans like the regular revenue bond they will want to see those rates higher and one of the things, because they are assuming there was a certain level that water was paying all of its capital needs with cash and was contributing to reserves, their coverage rates should stay very solid so sometimes coverage alone will drive their rates and that was not the case for them.

He also pointed out that one correction on the capital question was that what he was looking at, those numbers were not the capital but how much they were going to borrow. That affects the rate forecast in those first five years. On the max there was another loan in there but the debt service does not start until the year after the forecast they were looking at so he took that out. It was just the two loans and not the whole capital campaign.

Mr. Corcoran also added that again the model and the numbers they hear today were a snapshot in time. That was what it looked like today. Well when they met with staff to map out what they thought was on the horizon the next 10 years, there really was not a lot. Which was why they see the water rates would be sufficient, but as they know with the Disinfection/Disinfection Bi-product Rule and with what happened with the THM's and the Bromide and all that stuff, something like that can hit at any time. He explained that they have been very fortunate in some regards that they have been able to work with Duke (Energy) to come up with a funding solution but again they never know when regulatory changes were going to come about or something unforeseen happened at the water plant that they did not anticipate needing immediate attention in the next 10 years may happen so again based on today's information the water capital needs were not that great so you just never know. He added that if something changes then those numbers were punched into the model and in future years it may say they need to do something on the water side so it was just important to remember that.

Mr. Warmath commented that the objective of the meeting was to let them have exposure to all this.

Mr. Corcoran added that the thought process was to share all of this with them and let them digest it, let it sink in, meet with him for any questions or whatever they need, then during the retreat the plan was that the staff would submit the recommendations for the first set of increases which will be July 1, 2014. They will have some slides showing them the real impact but this will give them a couple of weeks to think about it.

Council Member Burnette asked if he understood him to say that if they take this aggressive approach in the first 2 or 3 years, there was a possibility they could extend the rest of this out more than 5 years and may be able to bring that down a little, but long term they were still going to get there but it may be a steeper slope.

Mr. Fisher explained that the OCIP needs were really the steps driving the prioritization and the timing in scheduling of that but at least from the standpoint of the programmatic

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

elements that they were recommending and staff was supporting, that was negotiable. But, again it was going to require a judicial process. He noted that if they look at some of the cases Mr. Warmath mentioned, those programmatic elements, they were not following a five year period. He thought those people understood that by the time you design it, permit it, and bid it, you cannot build or manage something that aggressive so he thought it was very negotiable and certainly something that could be stretched out 30 years but he thought 20 was going to be sort of their sweet spot. It was going to be hard pressed to say they were going to stretch this out to 30 years because there will be other problems that will occur in another 10 years.

Council Member Turner recalled back to around 2003 when there were \$90 million dollars' worth of water and sewer needs. She asked what have they knocked out on that study.

Mr. Corcoran replied about \$30 million dollars' worth. He pointed out that with the costs that was shown in the CIP, the minimum scenario was all of the capacity issues being done in 5 years and all the programmatic issues being done in over 20 years already and the other CIP being done in 10 years. The maximum plan was the capacity issues in 5 years, the programmatic in 10 years and the other CIP in 10 years. So stretching it out to 20 there was no more savings. Now if they were able to get to 30, then yes there will be additional savings but the minimum was assuming that they could negotiate doing it over 20 years.

Mayor Tuggle stated that he was curious about Mr. Fisher's thought process and looking at old notes from 2011 where he had originally talked about compliance being about less than \$15 million. He asked what he thought now since it had gone from less than \$15 million up to \$51 million.

Mr. Fisher replied that if you look at that, really it was more a swag on capacity oriented items.

Mr. Corcoran added that was one of the concerns. They were talking about the siphon, the siphon under the river there, they still have to finish that and if they would notice there was still a lot of assessment work that still has to be completed.

Mr. Warmath asked them what happens if they pass more stringent drinking water regulations and they have to upgrade their water plant. He added that there had been a lot of push back against environmental regulations from a lot of fronts and he suspect that they are going to be slowed down more than speeded up but it will only take a couple of major problems and they will speed back up again.

Mr. Corcoran also added that the another thing, he could tell them how many feet of line needs to be replaced but he could not tell them what the bid is. So everything here was in present dollars so the longer you push it out potentially the more expensive it could be.

Mr. Fisher added that in some cases if you stretch something too far out you may be replacing it, because that crack gets larger, pressure on the soil, it collapses, so there was a

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

balance.

Mr. Warmath stated that it was a very dynamic process which was why the rate model was so useful because they could look at different things and as there was change they could make that a permanent change to the model and go from there. It was also why if they take small steps at the beginning it could quickly overwhelm them and they would have no choice but to take bigger ones at the end. If they take a big step at the beginning and get a little breathing room they might be able to stabilize things for a little while. If things go their way and they were in good shape then they could keep their rates stable and if things did not go their way then they would still be ahead of where they would have been if they had done the little steps. Their short term problems were pretty well defined; there was not a lot of difference between the max and min in the first 3 years so the question was how they get over that 3 year hurdle.

Council Member Burnette stated that he had said his company worked with other municipalities and he asked if there was a similar situation with other municipalities and had they made the same recommendations to them.

Mr. Warmath replied yes they have and a lot of times it comes down to customer acceptance and where rates were compared to the neighbor's. That was often the biggest political consideration. He explained that the reality was every system was very different and individual. So taking too much advantage of how their rates compare to their neighbor was pretty short sighted but it was the selling point often that gets the point across.

Mayor Tuggle commented that they were one industry away who was a large water user and that could help them out on all of this.

Mr. Corcoran agreed and added that was one of the reasons they pursued the Mega Park. They bring in one industry and it changes the entire model.

Mr. Warmath added that one thing they have that a lot communities did not have was a lot of capacity in their system. Now they got it the hard way because they had customers that left but they still have it. He explained that adding capacity was really expensive and they have that and the enticement to bring it in and what they have to do was make sure it was in good shape and that was where they have not been doing as much because they have not been forced to and now all of a sudden it has caught up to them which was very typical, particularly for small towns in the southeast that have been living off an industrial customer base for generations now all of a sudden their systems were getting old and they were losing their industrial customers in the same time frame.

Mr. Corcoran commented in closing that the former C& D Superintendent, Mr. Bill Harvey, would ask for additional people every year and now they were at the point in their discussions with staff that it just did not make sense to spend all of the millions of dollars on their sewer systems and outfalls and ignore it. He pointed out that it was a drop in the bucket to have that 3 person crew who could work on that stuff in-house.

February 4, 2014

Minutes of the February 4, 2014 meeting of the Eden City Council, Continued:

Council Member Turner commented that she thought it was hard for the average person to understand unfunded mandates.

Council Member Epps added that he thought that if they let the customer know what was going on, it would be more acceptable to them.

Mr. Corcoran explained that there was a strategy to this and that was why they were meeting tonight and will be asked to do something on February 22 as opposed to waiting until they do the budget. The sooner they decide what was going to be done the sooner they can meet with the news media and the public and start explaining and they have already set up a (annual) press appreciation luncheon on February 26 and the plan was to roll that out to all the media whatever was decided and then to ask them to be a partner in communicating what was happening and why.

Mr. Warmath also suggested that some communities have created Citizens Advisory Groups to get the information out as well.

Mr. Corcoran noted that they could go online and Google EPA Administrative Orders and look at other communities and they would find a whole host of communities who were hit with heavy penalties because they waited too long. The fact that the Council has been proactive in doing things and was able to demonstrate them was one of the reasons why they were not hit with fines and then the main reason why instead of the entire city being under an Administrative Order it was just the critical basins that Mr. Fisher outlined.

ADJOURNMENT:

A motion was made by Council Member Burnette seconded by Council Member Turner to adjourn. All Council Members present voted in favor of this motion. This motion carried.

Respectfully submitted,

Sheralene S. Thompson
City Clerk

ATTEST:

Wayne Tuggle, Sr., Mayor