

January 24, 2019
Special Called Meeting
East Bend Town Board
Yadkin County Board
Meeting Room
Human Services Building
217 E. Willow Street
Yadkinville, NC 27055

1. Chairman Kevin Austin opened the meeting for the Yadkin County Board. The following Commissioners were present: David Moxley, Gilbert Hemric and Marion Welborn.
2. Mayor Hicks opened the meeting for the Town of East Bend. The following Commissioners were present: Larry Adams, Kyle Matthews, Mae Luffman, Wanda Johnson and George Burns.
3. Chairman Austin welcomed everyone and said that both boards had a good history of working together. He reminded the people that in 2008 the County forgave the debt on East Bend's sewer.
4. Mayor Hicks thanked the Board and Lisa Hughes for all of their hard work and meeting with East Bend. Mayor Hicks had some prepared remarks that he read. They are attached as Exhibit 1. Mayor Hicks stated that he wanted to be clear about East Bend concerns. Maybe a working group could be formed to try to come up with some solutions. East Bend is not looking for a handout, but for a hand up.
5. Chairman Austin thanked Mayor Hicks for bringing his concerns to them so everything will be put on the record so it will be clear. He stated that they have heard concerns before and are in spirited negotiations to see what can be done to help East Bend. A lot of work has been done and a lot more to do. Things have been highlighted and will be looked at. The problem is the County has to stay on the good side of the Department of Treasurer and the LGC in operation of the systems.
6. Lisa Hughes the County Manager referenced some concerns that had been mentioned. The 40-year loan with the USDA did not work out. The County looked at this at the request of the Town of East Bend. They were looking to get a million-dollar grant and that didn't happen. What they did get was a State Drinking Water Loan from the State for 20-years at zero percent interest. If not for this the project would not have happened. They have worked and got their water and sewer self-sustaining. They will not go back to it not being self-sustaining. East Bend should have done a pre-audit before the contract was signed and they did not. On the contract it stated a base rate of \$10.70 per thousand based on what the Utilities Commission charged subject to change when Utilities Commission changed the rates up or down. They did go to Forsyth and talked to them about getting a bulk rate and it was granted, so that did lower the rate some. The County has taken steps to lower the rate and help East Bend. The County had a million dollars to help with this project and the construction came in under cost, so the Commissioners decided to use this money to help with operational cost. This would lower the cost for East Bend for the next five years. The County has 24 users at this time, they did not know how many they would have but they did know that they had the Town of East Bend as a customer. That is how they were able to get funding from the State for this project. If you take the 2.6 miles and the customers on those miles out of this, it would not change the rate at all for East Bend. The loan is not closed out, when it is it might change the debt rate.
7. Mayor Hicks thanked Ms. Hughes again for all of her hard work. Mayor Hicks wants to get together with a working group to come together and work out something for everyone. This is a

new line, does it really cost 70,000.00 for maintenance? All East Bend wants to do is work with the County to see what can be done.

8. Chairman Austin stated that when the loan changed from 40 to 20 years the County did not change the rate that they were charging East Bend. They are still working under the original contract. The County has proposed a rate sheet to help with the rate for the next five years while working on a solution to the problem. East Bend nor Yadkin County wants to be taken over by the state, so we have to find solutions together.
9. Lisa Hughes and Attorney Powell are going to get together and work on a new proposal and get it to Attorney Price for East Bend.
10. Yadkin County Board: Commissioner Welborn made a motion to adjourn. Commissioner Hemric seconded. The motion carried 4-0.
11. East Bend Board: Commissioner Matthews made a motion to adjourn. Commissioner Luffman seconded. The motion carried 5-0.

2-11-19

Date


Archie B. Hicks, Jr. Mayor


Vickie J. Matthews, Town Clerk

Exhibit #1

Thank you, Commissioners, for this opportunity to meet and discuss the East Bend water issue. I also want to thank Lisa Hughes not only for setting up this meeting but also having been available (more than she wanted, I am sure) to hear and respond to my many questions and concerns.

I was asked yesterday... What was the intent of this meeting? I trust my comments will soon make that clear, however, let me first tell you what is Not the intent of this meeting.

- > We are not here to point fingers or assign blame.
- > We are not here to embarrass or accuse.
- > We are not here to establish an adversarial relationship.
- > We are not here to make demands or draw lines in the sand.

The East Bend Board of Commissioners requested this meeting to provide a venue to express our concerns over the current water price cost structure which left unaltered will lead either to bankruptcy and/or unbearable hardship on the part of East Bend/Yadkin County residents. As elected officials, we cannot let this happen. We come here in a spirit of hopeful collaboration and positive co-operation.

Water is a valuable resource. That does not mean it should be priceless to the extent that our customers can no longer afford to brew a cup of coffee, give their child a bath, boil some noodles or rice, water an indoor plant, or even wash their clothes or car. When access to these everyday expectations become prohibitively expensive, this can not only cause hardship but also reduce the quality of life for us all. We all know that the food pantries are inundated with food demands. Do we want to have people choose between paying an exorbitant water bill and buying a meal for their family? Unless we reach some kind of long term solution, the citizens of East Bend will be worse off for our failure. Any dreams of economic development we entertained by striving for a plentiful water resource will soon wither and die if we do not change the long term water cost projections.

Purpose: Without getting into an in depth discussion of our original contract I do want to point out some salient points.

- In our contract agreement in 2013, it states that the seller—Yadkin County—owns and operates a water system with excess capacity and sells the excess to the Town of East Bend. This is not East Bend's water line.
- The contract further stated that this would be mutually advantageous which it is not.
- The contract was not pre-audited. Had it been, we would possibly not be in this meeting.
- The seller agreed to operate all portions of the water system that it owns. To us, operating means shouldering the cost.

Construction of Water Line

Several items were added to the construction project that are not required or of benefit to the Town of East Bend but under the current rate structure we will pay.

- 2.6 mile loop (Taylor Road, Old 421, Flint Hill Road)
- Fire hydrants
- Meters—top of the line—for which we will never derive benefit.

According to the NC Rural Water Association the cost to install a dedicated service line and pumping station to East Bend would be about \$2 million. All other costs are beyond the scope of our needs.

Water Quality

Chlorine levels are typically low. They should be at 0.20ppm. Efforts to remedy low levels require frequent blowing off of the lines. Since the water line became operational, according to our records, we have blown off approximately 671,000 gallons of water at a cost of \$9,306.77 just to keep our chlorine levels acceptable. The town has cleaned its storage tanks, but aside from blowing the lines and having more customers on the county's side of the line, there is little more we can do. Some help with these costs would not be refused.

Debt Service

The original contract was predicated on a 40 year USDA loan. The parameters shifted when a 20 year loan was obtained unbeknownst to the town of the long term impact of this change. The project went from a possible affordable water solution to one which is not only **not** affordable but also burdensome. In 2013 I do not think any of us could have foreseen all the ramifications of this project. It remains for us to deal equitably with the current reality.

Although we are grateful for Yadkin County's contribution, East Bend should not be responsible for the larger part of the debt service--\$208,759 per year—especially since the debt is based on a construction cost inconsistent with what would have met our needs. This line, along with all the long term (both real and intrinsic) benefits associated with it, belongs to Yadkin County. East Bend should not be shouldering the majority of this debt over a period of time that is not fiscally possible.

Other Costs

Operation and Maintenance costs are excessive (\$78,525 per year) for the requirements of a new line and should not be charged to us for reasons previously stated. What is the breakdown of these costs? The town must pay its own operational costs of \$158,000. We can't afford to pay the county's costs as well.

From February 2018-December 2018 we have bought from Yadkin County 16,076,000 gallons of water and have paid the county \$222,974.12. During that same period we have billed our customers \$264,832.91 for the same amount of water leaving our water department budget with a shortfall of \$116,142. We realize this is a town budgeting issue, however, we could not in all good conscience raise the rates to our customers 62% which would have been needed to make the department balance.

East Bend is currently subsidizing the cost of water from the county from its Reserve Water Fund—not revenue. This is not sustainable. We chose to do this in the short term until a suitable accommodation could be reached with the county to avoid excessive water costs to our customers who also happen to be Yadkin County Tax Payers and who should be able to expect fair treatment from the county.

According to the NC Department of Environmental Quality (The Division of Water Infrastructure) water should be provided at 1.25% of an area's median income. East Bend's median income is \$37,500 which means residents should pay \$39 for 5,000 gallons of water. Right now East Bend residents pay \$97.86 if they live inside the town limits and \$121.84 outside

of town. If the proposed rate scheme is left unchanged, East Bend residents would pay in excess of \$175.00 for that same 5,000 gallons.

From February 2018 to December 2018 we have paid the county \$222,974.12. Of that \$101,761.08 was for water. \$121,213 was for O&M and Debt Service. We can afford to pay for water. What we cannot afford to pay are the additional costs that have been tacked on to a project that ultimately was more than East Bend required, envisioned, or contracted for.

The water line belongs to Yadkin County NOT East Bend. The County will realize real and intrinsic benefits in perpetuity for this water line and should shoulder the proportional costs of obtaining these benefits. The county will be able to extend their water line to the elementary, middle, and high schools when future circumstances require and be able to connect customers in route for the benefit of all.

Expectations/Outcomes/Solutions

I wish I had a quick and easy fix. I do not. I do feel we can work together to:

- > Establish a water rate that is fair, affordable, and sustainable for our economic future.
- > Collaboration on finding grants or obtaining long term (40 year) loans that will pay for this system without undue hardship in the interim.
- > Yadkin County assuming more financial support for project cost repayment.
- > Sharing duties/responsibilities for operation of the line to decrease operational costs.
- > Establish a County Water Authority to broaden use of the system you have begun.
- > Cost sharing with Fire Departments who will benefit from ready access to water on Flint Hill/Taylor Road/Old 421 in the event of an emergency.
- > Campaign to recruit customers on the county system. This would be more attractive if costs were more affordable.