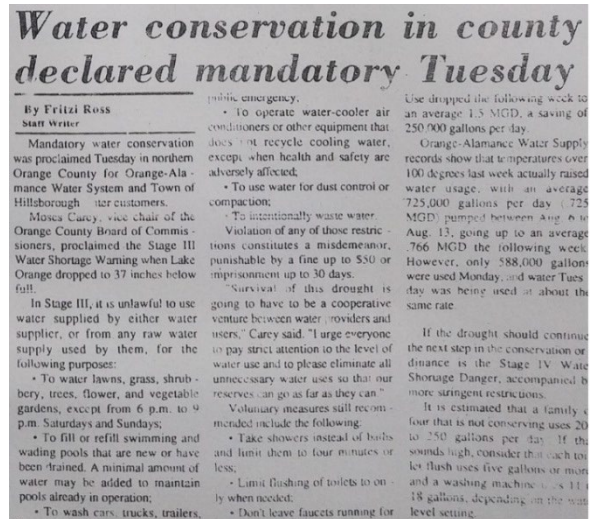


## History of the West Fork Eno Reservoir

The West Fork Eno Reservoir is owned and operated by the Town of Hillsborough. Construction started in 1998, and the reservoir became operational in 2000 with its first phase. The second phase, an expansion to double its volume, started in 2018 and is expected to be complete in 2019.

### Beginnings

In years past, Hillsborough experienced a number of severe droughts and water restrictions. A look back shows droughts in the 1920s, 1930s, 1950s, 1980s and 2000s. In 1954, schools closed at noon and the town sought federal aid because of drought conditions. That same year, drought conditions forced the town to disconnect the water of any customer found wasting it. In 1988, mandatory water restrictions were put in place. The town completed an interconnected pipeline with the City of Durham by the early 1990s to allow regular purchases from Durham's water system to withstand periods of droughts and water restrictions. The town could only purchase water from Durham between 10 p.m. and 6 a.m. due to demands on Durham's system.



Source: *The News of Orange County*, Aug. 24, 1988

The history of droughts and water restrictions and a desire to accommodate expected future growth led the community to explore options in the 1980s and early 1990s for addressing the town's water shortage. In 1993, Hillsborough voters approved the issuance of general obligation bonds to help pay for the construction of the reservoir's first phase. The reservoir's 20-year permit allowed for a second phase to be started by 2018. Its first phase was built with the expansion in mind. In 2000, the reservoir was made operational earlier than scheduled and before full to help provide immediate drought relief for customers under water restrictions.

Following the reservoir's construction, larger water rate increases were required than anticipated due to the closure of the town's largest water customer in 2000. The increases upset customers, and a water and sewer advisory task force was formed to evaluate the situation and the management of the town's utilities operations and finances.

The task force became a permanent advisory board — the Hillsborough Water and Sewer Advisory Committee, which is composed of four in-town and four out-of-town water customers. The committee provides guidance and oversight for the town's water and sewer operations, making recommendations to the Hillsborough Board of Commissioners and town staff. Its members represent water and sewer customers and hear the concerns and suggestions of fellow customers.

### Effect on rates

The debt on the reservoir construction makes up a large portion of the expenses related to the water portion of customers' bills. The water and sewer payments that Hillsborough receives are used to cover the costs of providing the utility service, which includes the operation, maintenance and improvements of the system. The

town does not make a profit from providing water and sewer service nor does it use water and sewer revenue for other purposes.

#### Phase 1 —

Phase 1 construction of the reservoir cost about \$11 million, resulting in yearly debt payments of about \$640,000 over 18 years.

In 2000, when the first debt payments were starting, the textile company Flynt Fabrics closed. The company used about a third of Hillsborough's water capacity and was the source of a quarter of the town's water and sewer revenue. Due to water expenses increasing greatly because of the reservoir construction and due to the significant loss of water revenue at the same time, water rates increased dramatically.

Final loan payments for Phase 1 were made in 2018.

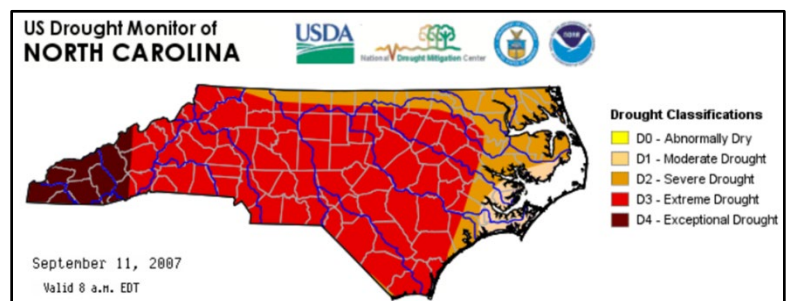
#### Phase 2 —

Phase 2 of the reservoir is expected to cost \$16 million, with yearly debt payments of a little more than \$1 million over 24 years. The new debt payments are about \$370,000 more than what the town was paying in debt for Phase 1. Covering the new amount of debt without rate increases would require about 1,000 new customers.

### Benefits

Phase 1 of the reservoir has:

- Helped the town withstand several severe droughts in the 2000s. At one point, larger surrounding systems were near or below 50 days of remaining water, but Hillsborough still had enough water for 200 days.
- Allowed Hillsborough to accommodate new development. Many residents and businesses joining Hillsborough after 2000 would not be here today without the reservoir.



The Phase 2 expansion of the reservoir is a long-term investment in Hillsborough's water supply. The project will raise the reservoir about 10 feet, doubling its volume and providing a maximum yield of 6 million gallons of water per day. Through the expansion, Hillsborough will have a safe yield of 4.68 mgd and 4 mgd during exceptional drought conditions.

**“In the big picture, the community is halfway through paying for what is a highly expensive, yet critical investment for a small community. Historic Hillsborough’s 264 years of existence has covered four centuries. Prior generations have made many contributions that we all benefit from today. Providing a long-term water supply, especially during times of unpredictable weather patterns — while painful and expensive to pay for — is one of the contributions our generation is making to those who will live in Hillsborough in future decades or possibly even in Hillsborough’s next century. With unpredictable weather fluctuations, this is an investment the community will be glad it made in the future.”**

— Hillsborough Town Manager Eric Peterson