

**State Water Infrastructure Authority
North Carolina Department of Environmental Quality**

March 4, 2016

**Environment and Natural Resources Building (DENR Green Square)
217 West Jones Street
Room 1210
Raleigh, North Carolina**

The State Government Ethics Act (North Carolina General Statute § 138A) mandates that the Chair inquire as to whether there is any known conflict of interest or potential conflict of interest with respect to any matters before the Authority today. If any member knows of a conflict of interest or potential conflict of interest, please identify the conflict at the time the conflict becomes apparent.

The times indicated for each Agenda Item are merely for guidance. The Authority will proceed through the Agenda until completed.

AGENDA

Kim H. Colson, Authority Chair, Presiding

- 9:00 A. Call to Order – Chair Colson**
1. Welcome
 2. Reminder of Conflict of Interest and Compliance with State Government Ethics Act
 3. Please set electronic devices to off or vibrate
- 9:05 B. Approval of January 21, 2015 Minutes (Action Item)**
- 9:10 C. Attorney General’s Office Report – Phillip Reynolds**
- 9:15 D. Chair’s Remarks – Chair Colson**
- 9:20 E. Legislative Update – Chair Colson**
- 9:25 F. Ethics Education and Statement of Economic Interest Filing Reminder – Francine Durso**
- 9:30 G. Affordability Criteria– Jennifer Haynie (Action Item)**
- 10:00 H. State Project Grant Priority System – Seth Robertson (Action Item)**
- 10:30 Break**
- 10:45 I. Asset Inventory and Assessment Grant– Amy Simes (Action Item)**
- 11:15 J. Merger/Regionalization Feasibility Grant – Amy Simes (Action Item)**
- 11:45 Lunch Break**
- 12:45 K. Drinking Water SRF: Loan Priority Approval Modification – Seth Robertson**
- 1:00 L. 2016 Intended Use Plans (IUPs) for CWSRF and DWSRF Programs – Seth Robertson (Action Items)**

1. Overview
2. Priority criteria modification for DWSRF Program (Action Item)
3. Priority criteria modification for CWSRF Program (Action Item)

1:15 M. Master Plan Committee Report – Committee Chair Maria Hunnicutt

1:35 Break

1:45 N. Troubled System Protocol Update – Jessica Leggett and Robin Hammond

2:00 O. Planning for 2016 Work – Francine Durso

2:15 P. Informal Comments from the Public

2:25 Q. Concluding Remarks by Authority Members, Chair and Counsel

2:30 R. Adjourn

***Reminder to All Authority Members:** Members having a question about a conflict of interest or potential conflict should consult with the Chair or with legal counsel.*

***Reminder to Authority Members Appointed by the Governor:** Executive Order 34 mandates that in transacting Commission business each person appointed by the Governor shall act always in the best interest of the public without regard for his or her financial interests. To this end, each appointee must recuse himself or herself from voting on any matter on which the appointee has a financial interest.*

State Water Infrastructure Authority
North Carolina Department of Environmental Quality
January 21, 2016
Meeting Minutes

State Water Infrastructure Authority Members Attending Meeting

- Kim Colson, Chair; Director, Division of Water Infrastructure
- Leila Goodwin, Water Resources Engineer
- Robin Hammond, Assistant General Counsel, Local Government Commission
- Maria Hunnicutt, Manager, Broad River Water Authority (by conference call)
- Dr. Patricia Mitchell, Assistant Secretary, Rural Development Division, Department of Commerce
- JD Solomon, Vice President, CH2MHill
- Cal Stiles, Cherokee County Commissioner
- Charles Vines, Manager, Mitchell County

Division of Water Infrastructure Staff Attending Meeting

- Julie Haigler Cubeta, Community Block Development Grant – Infrastructure Unit Supervisor
- Francine Durso, Special/Technical Issues Unit Senior Program Manager
- Jennifer Haynie, Environmental and Special Projects Unit Supervisor
- Anita Reed, SRF Wastewater Unit Supervisor
- Seth Robertson, State Revolving Funds Section Chief
- Vince Tomaino, SRF Drinking Water Unit Supervisor
- Amy Simes, Senior Program Manager
- Cathy Akroyd, Public Information Officer

Department of Justice Staff Attending Meeting

- Phillip Reynolds, North Carolina Department of Justice; Assistant Attorney General, Environmental Division

Item A. Call to Order

Mr. Colson opened the meeting and reminded the members of the State Water Infrastructure Authority (SWIA) of General Statute 138A-15 which states that any member who is aware of a known conflict of interest or an appearance of a conflict of interest with respect to matters before the Authority today is required to identify the conflict or appearance of a conflict at the time the conflict becomes apparent.

Members stated potential conflicts of interest as follows:

- Mr. Vines: Project for Bakersville (CDBG-I Project No. 8 and DWSRF Project No. 21); Mr. Vines is the Mayor of the Town of Bakersville.
- Mr. Stiles: Noted that CDBG-I Project No. 2 is for the Town of Andrews and while he is a customer of the Town's utility system and a County Commissioner for Cherokee County, he does not perceive a conflict of interest related to this project.

Item B. Approval of Meeting Minutes

Mr. Colson presented the draft meeting minutes from the December 2015 Authority meeting for approval.

Action Item B:

- Mr. Vines made a motion to approve the December 10, 2015 Authority meeting minutes. Dr. Mitchell seconded the motion. The motion passed unanimously.

Item C. Attorney General's Office Report

Mr. Reynolds had no items on which to report.

Item D. Chair's Remarks

The Chair stated that Authority Member Maria Hunnicutt was present at the meeting by conference call.

The EPA Clean Water Needs Survey was published on January 13, 2016 and shows needs both nationally and in NC. Division staff reviewing the data noticed that many projects that did not go forward during the recession were removed from local governments' Capital Improvement Plans (CIPs) and those projects were not included in the survey. Although spending on a national level has been trending down between 2010 and 2014 according to the UNC Environmental Finance Center, the documented needs are still in the billions of dollars nationally and in NC.

The Department and the UNC Environmental Finance Center are nearing signing a contract to better identify the state's infrastructure needs; this information will be included in the master plan.

The application deadline for the spring funding round has been pushed back to April 29, 2016 to allow three weeks for public comment on criteria and priority rating systems that will be discussed at this meeting.

Item E. Legislative Update

The Connect NC Bond Act of 2015 will go to public vote on March 15, 2016. The Division has been receiving questions about the distribution of the water and sewer portion of the bond funds; this is not specified in the bill. The Division suggests spreading out the funding over a few years in order to give the applicants time to adjust to the proposed affordability criteria and priority rating systems. Based on the Division's past experience with funding through the American Recovery and Reinvestment Act (ARRA), the applications that came in during the second round of funding were for better projects because applicants had more time to prepare. The Division recognizes the need to distribute the bond funds in a timely manner.

Mr. Solomon stated that the state's Blue Ribbon Commission to Study the Building and Infrastructure Needs of the State will meet on Jan. 25 (note that this meeting was later cancelled and rescheduled) and probably several additional times before the North Carolina General Assembly convenes.

Item F. Ethics Education and Statement of Economic Interest Filing

The Division reminded the Authority of their requirements for Ethics Education which must be completed every two years and the Statement of Economic Interest (SEI) filing which is due every year by April 15. Dr. Mitchell questioned whether she is required to submit separate SEIs – one for her position with the Dept. of Commerce and one for serving on the Authority – and also the same question regarding the Ethics Education. Mr. Reynolds stated that she only needed to submit one SEI and complete the training once, which would cover both of her positions.

Item G. Review of Applications Received for Sept. 30, 2015 Funding Round: CDBG-I, DWSRF & CWSRF

The applications received in the September 2015 round for the Community Development Block Grant-Infrastructure (CDBG-I), Drinking Water State Revolving Fund (DWSRF) and the Clean Water State Revolving Fund (CWSRF) programs were summarized. This was the first funding round in which the 100 point maximum priority system was used for the three programs, and in which applicants could provide additional information with the application. A total of 85 applications were received requesting \$168.3 million. It appears that there should be enough funding available for the requests to the CWSRF and DWSRF programs. Requests to the CDBG-I program totaled \$61.7 million and the program has only \$14.1 million remaining in the 2015 appropriation to be offered for grants.

The Authority questioned whether there was any particular reason that the two SRF programs are not receiving enough applications to utilize all of the SRF funds that are available, and that a wide range of points exist between projects? Staff stated that at this time, there seems to be some reluctance by utility providers to take on debt, and the points range widely because the priority systems emphasize rehabilitation projects over expansion projects.

Item H. Funding Decisions for September 30, 2015 Funding Round

Community Development Block Grant-Infrastructure (CDBG-I) Projects

The CDBG-I projects were reviewed first. Since the requests totaled \$61.7 million and the program has only \$14.1 million to award, the Division presented four potential funding scenarios which were discussed by the Authority. Discussion about CDBG-I Project No. 4 for the Town of Selma took place; staff was not clear whether the project purpose was primarily to sewer a mobile home park or to expand an existing pump station and forcemain and divert flows to Johnston County. Staff noted that half of the project budget is for the pump station and forcemain work. The Authority discussed that the pump station / forcemain work was probably needed in order to be able to serve the mobile home park.

Discussion also took place about CDBG-I Project No. 6 for the Town of Yanceyville. The Town currently has a CWSRF loan for \$1.25 million (which includes \$497,393 in principal forgiveness) for the same project; the loan was awarded in May 2014. The Engineering Report for the project has been approved and the remaining loan funds are for project construction, but the Division has heard from the Town that construction will likely be over the amount of funds remaining. The CDBG-I project request is for \$2 million which would cover the additional construction costs and would replace the remaining loan amount with a grant. The Authority discussed the possibility of awarding grant funds only in the amount of the additional construction funds needed and the Town would still utilize the CWSRF loan in full.

Action Item H.1:

- Mr. Solomon made a motion to approve as eligible for funding CDBG-I Project No. 8 for the Town of Bakersville. Mr. Stiles seconded the motion. Mr. Vines recused himself from the vote due to a conflict of interest. The motion passed.

Action Item H.2:

- Mr. Stiles made a motion to approve as eligible for CDBG-I funding: (a) CDBG-I Projects Nos. 1 through 5; (b) Project No. 6 for the Town of Yanceyville in the reduced amount of \$750,000; (c) Project Nos. 7 and 9; and (d) partial funding for Project No. 10 for the Town of Troy with the amount of available funds remaining, pending the Town's acceptance of partial grant funding. If the Town of Troy does not accept partial grant funding, the amount of funds remaining would be offered to Project No. 11 and so forth down the projects listed in priority order until the available funds are fully utilized. Ms. Goodwin seconded the motion. The motion passed unanimously.

Clean Water State Revolving Fund (CWSRF) Projects

CWSRF projects were reviewed. Staff clarified that CWSRF Project No. 7 for the Town of Stantonburg was the same project as CDBG-I Project No. 12, which would likely not receive CDBG-I funds unless the amount of remaining CDBG-I funds was not accepted by either the Town of Troy or the Town of Brunswick, both of which scored higher than Stantonburg. Five projects were recommended for principal forgiveness (PF), totaling \$2.28 million in PF.

Action Item H.3:

- Ms. Hammond made a motion to approve as eligible for funding CWSRF Project Nos. 1 through 14. Mr. Vines seconded the motion. The motion passed unanimously.

Drinking Water State Revolving Fund (DWSRF) Projects

DWSRF projects were reviewed. Staff noted that DWSRF Project No. 4 for Elm City was the same as CDBG-I Project No. 7 that had just been approved for grant funding and therefore did not need to be considered for a loan. Five projects were recommended for PF, totaling \$4.3 million in PF. Four projects were not proposed to be funded because the applicants had indicated the project would not go forward without PF, but the projects did not score high enough to receive PF.

Action Item H.4:

- Mr. Vines made a motion to approve as eligible for funding DWSRF Project Nos. 1 through 3, 5, 7 through 10, 12 through 20, 23, and 25 through 31. Dr. Mitchell seconded the motion. The motion passed unanimously.

Action Item H.5:

- Mr. Solomon made a motion to approve as eligible for funding DWSRF Project No. 21 for the Town of Bakersville. Mr. Stiles seconded the motion. Mr. Vines recused himself from the vote due to a conflict of interest. The motion passed.

The project funding approved by the Authority is shown in Tables 1, 2 and 3.

Table 1.

Federal Community Development Block Grant-Infrastructure (CDBG-I) Project Funding Approved by Authority on Jan. 21, 2016

Project No.	Applicant Name	Project Name	Funding
1	Tabor City	2015 Inflow and Infiltration Improvements	\$2,000,000
2	Andrews	Payne Street Area Sewer Improvements	\$2,000,000
3	Ayden	2015 Sanitary Sewer Improvements	\$1,031,725
4	Selma	Ricks Road Sewer Improvements	\$1,289,900
5	Long View	Shuford Area Water & Sewer Replacement	\$1,965,700
6	Yanceyville	Wastewater Treatment Plant Upgrade	\$750,000
7	Elm City	Elm City Water System Improvements	\$775,000
8	Bakersville	Bakersville Water Project	\$1,999,500
9	Aulander	Sewer System Improvements	\$1,741,549

10	Troy (*)	Water and Sewer Replacement Project	\$554,383
Total CDBG-I Funding Approved:			\$14,107,757

(*) Pending the Town of Troy's acceptance of partial grant funding

Table 2.
Federal Clean Water State Revolving Funds (CWSRF) Project Funding Approved by Authority on Jan. 21, 2016

Project No.	Applicant Name	Project Name	Funding
1	Roanoke Rapids Sanitary District	Lower Roanoke Outfall and Sub Basin A Sewer Rehabilitation	\$2,959,000
2	Thomasville	North Hamby Cr. Outfall Sewer Impr. Phase II	\$6,812,584
3	Tabor City	WWTP Improvements Project	\$1,213,900
4	Mount Olive	Collection System Find and Fix Rehabilitation	\$2,049,000
5	Louisburg	WWTP Improvements	\$550,000
6	Kinston	Briery Run Phase IV Sewer Rehabilitation	\$2,054,696
7	Stantonsburg	Sanitary Sewer Replacement	\$675,000
8	Rutherfordton	Rutherfordton Sewer Improvements Project	\$176,190
9	Winston-Salem	Muddy Creek Aeration System Upgrades	\$8,208,860
10	Pittsboro	Wastewater Treatment System Improvements	\$21,585,500
11	Wayne County	Wayne Co. Sewer System Rehabilitation	\$820,258
12	Junaluska San. District	Riverbend School Sewer Service	\$2,070,022
13	Winston-Salem	South Fork Interceptor Contract #2: Kerners Mill Force Main/Pump Station Improvements	\$11,699,526
14	Johnston County	McGee's Crossroads Sewer Upgrade	\$1,400,000
Total CWSRF Funding Approved:			\$62,274,536

Table 3.
Federal Drinking Water State Revolving Funds (DWSRF) Project Funding Approved by Authority on Jan. 21, 2016

Project No.	Applicant Name	Project Name	Funding
1	Bertie County Water District IV	Roxobel Merger/Consolidation	\$1,678,550
2	Canton	Crossroad Hill Water Assoc. Water System Consol.	\$2,464,200

3	Woodland	Replacement Water Supply Well	\$663,550
5	Fork Township San. Dist.	2014 DWI Water Improvements	\$3,300,000
7	Sharpsburg	Sharpsburg Water Distribution System Impr.	\$2,000,000
8	Thomasville	Kennedy Road Area Waterline Improvements	\$822,924
9	Oakboro	Oakboro Waterline Replacement Project	\$1,222,900
10	Elkin	Raw Water Line Emergency Replacement - 2015	\$1,737,230
12	Greenville Utilities Commission	Cast Iron Water Main Rehabilitation Program - 2016	\$1,500,000
13	Winterville	Elevated Water Tank and Distribution System Impr.	\$723,400
14	Thomasville	Pilot Drive Area Waterline Improvements	\$4,591,185
15	Louisburg	Louisburg Water Improvements	\$255,000
16	Henderson	Young Ave. Asbestos Cement Water Line Replacement	\$1,548,000
17	Bertie County Water District II	Water System Improvements /Water Loss Reduction Project	\$1,339,350
18	Sparta	Crestview Booster Pump Sta. & Water System Impr.	\$602,000
19	Bessemer City	Water Line Replacements	\$2,317,400
20	Marshville	Water System Improvements - 2015	\$1,104,240
21	Bakersville	Town of Bakersville South Mitchell Avenue Well	\$637,000
23	Henderson	Knoll Terrace Water System Merger Project	\$460,000
25	Randleman	South Randleman Transmission Main	\$1,249,130
26	Oxford	Water Storage Tank & Associated Water Mains	\$3,139,200
27	Scientific Water & Sewerage Corp.	Lauradale Water System Required Consolidation	\$4,394,242
28	Newton	Advanced Metering Infrastructure Project	\$2,913,843
29	Junaluska Sanitary District	Water Meter Replacement	\$1,041,750
30	Pine Knoll Shores	2014 Advanced Meter Infrastructure Improvements	\$507,000
31	Rutherford College	Town 2015 Water System Improvements	\$474,430
Total DWSRF Funding Approved:			\$42,686,524

Item I. Affordability Criteria Development

The Division explained the changes made to the affordability criteria based on the Authority's discussion at the December 10, 2015 meeting and presented its revised proposal for the criteria. The overall goal of the affordability criteria is to help ensure that the state's neediest communities would receive most of the grant funds that would be available.

Discussion by the Authority was focused on: the revised dataset that was updated to include county and special systems where that information was available; using the number of residential connections as a surrogate for population; using state benchmarks for percent population change, poverty rate, median household income, unemployment, and property valuation per capita as the threshold to determine whether or not a system passes from Test 2 to Test 3 (the system must hit the benchmark for three of the five parameters to pass to Test 3); using a future operating ratio of 1.3 as the boundary for Test 3; and the revised matrix of bins that set the percentage of loan vs. grant that could be offered to an applicant.

The neediest communities are those that demonstrate high current water/sewer bills and lack capacity to take on debt and those for which taking on future debt would result in a very high future debt service per connection ratio. Communities that are relatively less needy and should be able to take on debt demonstrate low current water/sewer bills and a low future debt service/connection. Staff demonstrated that for a community with 20,000 residential connections, the project debt service/connection for a \$3 million project would translate to an increase of \$0.63 per connection per month assuming a 20 year loan at 2% interest.

The Authority requested a change to the revised matrix to provide for a more gradual step down in loan percentages in bins 1 and 2 on the y-axis of the matrix (the Alternate Matrix). All of the above items were supported by the Authority.

Action Item I:

- Mr. Solomon made a motion to approve the draft affordability criteria methodology with the change requested to the Alternate Matrix and to delegate the Chair to appoint a Committee of Authority members to review the document that will be developed and used to solicit comments from the public. The scope of the Committee's work is to review the document prepared for public comment to ensure that it meets the Authority's understanding of the items discussed today. The Committee is given the authority to approve the document after which the Division will send the document out for public review, or the Committee could determine that further review by the full Authority is needed; the Committee is not authorized to change the methodology presented today. Ms. Goodwin seconded the motion. There was discussion to clarify that the motion includes adopting the draft affordability criteria so that public comment can be solicited. The motion passed unanimously.

Item J. State Project Grant Priority System Update

The Division presented its revised proposal for changes to the existing State Drinking Water Reserve Priority System and the State Wastewater Reserve Priority System. The goal is to use criteria similar to the DWSRF and CWSRF Priority Rating Systems but to incorporate the new affordability criteria instead of the current Financial Situation category. These changes would place more weight on the affordability criteria than in the SRF programs which supports the Authority's goal of providing grants to the most economically distressed rural communities. In addition, these changes support moving toward a single application form for all programs in the future. The Authority discussed the weighting of the affordability criteria in comparison to the other priority points and agreed that the affordability criteria should be weighted higher for the state loan and grants programs. The Authority also discussed using

the proposed priority rating system as proposed for a few rounds and then examining the results to determine if any changes should be made.

Action Item J:

- Mr. Stiles made a motion to approve the draft State Drinking Water Reserve priority rating system and the draft State Wastewater Reserve priority rating system so that staff can solicit public comment on both of the proposed priority rating systems. Dr. Mitchell seconded the motion. The motion passed unanimously.

At the March 4, 2016 Authority meeting, staff will present public comments received on this item and seek the Authority's approval of the final priority rating system.

Item K. Asset Inventory and Assessment Grant

The Division presented its revised proposal for the new asset inventory and assessment grant priority rating system. The Authority requested a change to Line Item No. 1 – Project Benefits, to allow more granularity in assigning points by using the following points: 0, 2, 4, 6, or 8 points, instead of 0, 4, or 8 points as presented by the Division. The Authority discussed and supported the match requirement as proposed. The Authority asked if a utility's collection rates (percentage of bills paid) and the number of non-functioning meters in a system were considered; the Division stated that these had not been included in the priority rating system but were items that could be requested on the application form which would be a start in collecting this type of information.

Dr. Mitchell noted that asset inventory and assessment is so critical that it should somehow be incorporated into the Masters of Public Administration (MPA) programs offered in the state; the biggest challenge to newly-graduated town managers is not knowing anything about water and wastewater infrastructure systems.

Action Item K:

- Mr. Vines made a motion to approve the draft Asset Inventory and Assessment priority rating system with the change requested to the points for Line Item No. 1 – Project Benefits, so that staff can solicit public comment on the proposed priority rating system. Mr. Stiles seconded the motion. The motion passed unanimously.

At the March 4, 2016 Authority meeting, staff will present public comments received on this item and seek the Authority's approval of the final priority rating system.

Item L. Merger/Regionalization Feasibility Grant

The Division presented its revised proposal for the new merger/regionalization feasibility grant priority rating system. As proposed, the structure would assign higher priority to applicants with fewer connections, more compliance issues, smaller staffs, greater financial barriers, and any combination of these factors that hinder viability of the system.

Action Item L:

- Ms. Goodwin made a motion to approve the draft Merger/Regionalization Feasibility grant priority rating system so that staff can solicit public comment on the proposed priority rating system. Dr. Mitchell seconded the motion. The motion passed unanimously.

At the March 4, 2016 Authority meeting, staff will present public comments received on this item and seek the Authority's approval of the final priority rating system.

Item M. Planning for 2016 Work

Staff briefly presented the Authority's 2015 accomplishments and ideas for focus areas of work by the Authority and Division in 2016; these will be discussed further at the March 4, 2016 meeting.

Item N. Informal Comments from the Public

Mr. Colson stated that public comments could be made at this time with the reminder that in accordance with the Authority's Internal Operating Procedures, comments must be limited to the subject of business falling within the jurisdiction of the Authority and should not be project specific. There were no informal comments from the public.

Item O. Concluding Remarks by Authority Members, Chair, and Counsel

The next Authority meeting date is March 4, 2016.

Item P. Adjourn – The meeting was adjourned.

DRAFT

State Water Infrastructure Authority
Meeting Date: March 4, 2016
Agenda Item F – Ethics Education and Statement of Economic Interest Filing

Division of Water Infrastructure Staff Report

Background:

Members of the State Water Infrastructure Authority are subject to the State Government Ethics Act (North Carolina General Statute § 138A) and are required to attend a basic ethics and lobbying education presentation within six months of appointment, and attend a refresher presentation at least every two (2) years thereafter. The presentation is offered [online](#) and [live at Raleigh-only and distance education sites](#).

In addition to ethics and lobbying education, each member is required to submit a Statement of Economic Interest (SEI) every year by April 15.

The table below shows information provided by the State Ethics Commission for each Authority member:

Name	Ethics and Lobbying Education		Statement of Economic Interest (SEI) Filed for 2016?	End Date of Appointment
	Education Received Date	Education Due Date		
Kim Colson	8-18-14	8-18-16		–
Dr. Patricia Mitchell	7-7-14	7-7-16		–
Robin Hammond	4-30-15	4-30-17		–
JD Solomon	5-9-14	5-9-16		6-30-16
Leila Goodwin	3-28-14	3-28-16		6-30-16
Charles Vines	1-24-16	1-24-18	Yes	7-1-15
Cal Stiles	9-7-14	9-7-16		6-30-16
Maria Hunnicutt	9-9-14	9-9-16		6-30-17

Actions Needed by Authority Members:

Each Authority member should attend the basic ethics and lobbying education presentation either [online](#) or [live at Raleigh-only and distance education sites](#) prior to their education due date.

Each Authority member should submit their SEI prior to April 15, 2016. See <http://www.ethicscommission.nc.gov/sei/default.aspx> for information.

State Water Infrastructure Authority
Meeting Date – March 4, 2016
Agenda Item G – Affordability Criteria

Division of Water Infrastructure Staff Report

Background

North Carolina General Statute G.S. 159G-71 contains the powers and the duties of the State Water Infrastructure Authority (the Authority) which include the following:

- Establish priorities for making loans and grants consistent with federal law
- Develop guidelines for making loans and grants
- Make recommendations on ways to maximize the use of current funding resources and ensure that funds are used in a coordinated manner

In September 2015, the legislature revised NCGS 159G to include the following definition of affordability:

- The relative affordability of a project for a community compared to other communities in North Carolina based on factors that shall include, at a minimum, water and sewer service rates, median household income, poverty rates, employment rates, or the population of the served community, and past expenditures by the community on water infrastructure compared to that community's capacity for financing of water infrastructure improvements

The Division of Water Infrastructure staff presented proposed affordability methodology at the January 21, 2016 meeting, and with the Authority's approval, issued the draft affordability criteria for a 21-day public comment period ending February 19, 2016. It is anticipated that the Authority will provide approval of the affordability methodology at this meeting. Upon approval by the Authority, the Division will apply the affordability criteria to the April 2016 funding round.

Overview

Division staff received comments related affordability criteria and has responded to these comments in the Comment Response Document. Below is a brief, topical summary of the comments received related to the affordability criteria. The parenthetical references indicate the comment number(s) related to these topics.

- Request for training and an example case study (Comment #1)
- Request for consideration of a new parameter of average taps per mile instead of residential connection (Comment #5)
- Request regarding clarification of the applicability of the affordability criteria (Comment #8)
- Request for clarification regarding the best data source to use for percent population change related to the LGU economic indicators
- Request for clarification regarding how to determine property valuation and apply it in special situations (Comments #16 and #18).

Staff Recommendations

Staff recommends that the Authority approve the draft affordability criteria methodology as final for applications accepted for the first time in the April 2016 funding round.

Draft Document No. 1. Solicitation of Comments on the Draft Affordability Criteria for State Reserve Project Grants

(Comments needed by February 19, 2016)

For grant funds appropriated in SL 2013-360, the only qualifications for a State Reserve Project grant were the High-Unit Cost (HUC) threshold and for the local government unit (LGU) to be in a Tier 1 or Tier 2 county. However, Sec. 14.21.(m) of SL 2013-360 also requested the Authority to report on ways “to better facilitate the dissemination of funds and meet the project needs of rural, economically distressed local governments.” In its 2014 Annual Report, the State Water Infrastructure Authority (Authority) recommended modifications to NCGS 159G (Water Infrastructure) to use a new affordability criteria to determine state grant eligibility. This reflects the Authority’s opinion that there may be communities in Tier 3 counties that are rural and economically distressed and that the HUC threshold may not accurately reflect economic conditions within a community.

The General Assembly passed, and the governor signed into law, changes to NCGS 159G (Water Infrastructure) as part of SL 2015-241. The new affordability definition (see inset), which was part of these changes, was used to develop this draft affordability criteria.

NCGS 159G-20.(1) Affordability – The relative affordability of a project for a community compared to other communities in North Carolina based on factors that shall include, at a minimum, water and sewer service rates, median household income, poverty rates, employment, the population of the served community, and past expenditures by the community on water infrastructure compared to that community’s capacity for financing of water infrastructure improvements.

The goal of the draft affordability criteria is to better target state grant and loan funds for water and wastewater infrastructure projects to those that demonstrate the most need and can least afford the project while maximizing the use of state funding resources in accordance with 159G-71(8).

The affordability criteria in this document will be used by the Division of Water Infrastructure and the Authority to determine eligibility for grant funding and, if eligible, the percentage of the project that would be funded through grants. The draft affordability criteria are based on population, the LGU’s economic situation relative to the state, evaluation of existing revenue, and the utility’s rates and debt (see Figure 1). An LGU is eligible based on the LGU’s population and economic situation. If an LGU is eligible, the percent of grant funds provided for a *specific project* is based on the utility’s ability to cover the project cost with existing revenues as well as the utility’s rates and debt service.

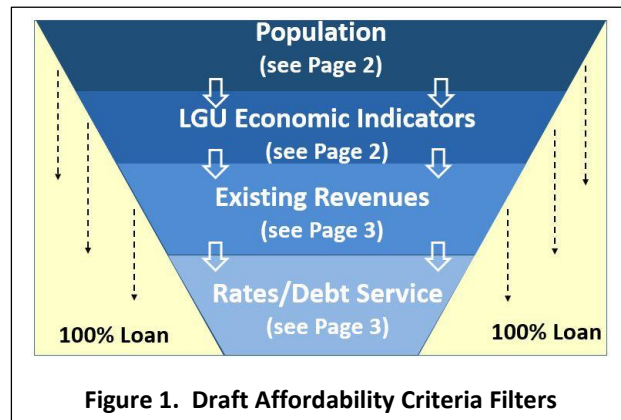


Figure 1. Draft Affordability Criteria Filters

In addition, aspects of this affordability criteria will also be used in the priority systems to determine the rank of project applications (see Document No. 2), asset inventory and assessment grant applications (see Document No. 3), and merger / regionalization grant applications (see Document No. 4).

Affordability Criteria Elements – Grant Eligibility

Population

The statutory definition of affordability requires the use of population in the affordability criteria. Also, SL 2013-360 provided state grant funds, specifically for “rural, economically distressed local governments” for “addressing critical public water and wastewater infrastructure needs.” Those funds were limited to Tier 1 and Tier 2 communities. This criterion is based on the number of residential connections as a surrogate for population. Across the state, there are approximately 2.48 people per household. With each household estimated to have one residential connection, a system with 20,000 residential connections would have approximately 49,600 people.

For a system that has 20,000 residential connections, the cost of a \$3 million project (the maximum under statutes) is only \$0.63 per connection per month (based on a 20-year loan, 0% interest rate), a minimal potential impact to a user’s monthly bill, indicating that the loan funding would be affordable.

The draft criteria limits grant funding to systems with less than 20,000 residential connections.

Local Government Unit Economic Situation

For systems that have less than 20,000 residential connections, eligibility is further limited to those that demonstrate more economic stress than others in the state. Five indicators were used as described below (for systems that serve multiple local government units, a weighted average will be used to determine the service area values):

- **Median Household Income** – Use of the overall income level of the LGU’s population is required under the statute. In general, a community’s income levels may provide an indication of economic health. The state benchmark for MHI will be the 5-year estimate determined by the American Community Survey (ACS).
- **Poverty Rate** – The percent of the population living below the poverty level provides information related to the population living within the lower income ranges within a LGU. The state benchmark for poverty rate will be the 5-year estimate determined by the ACS.
- **Population Change** – Many rural communities are not experiencing growth at the same rate as the overall state and may actually be experiencing population declines. A lack of growth may make financing infrastructure more difficult. The state benchmark for population change will be the change in population over a 5-year period using ACS population estimates.
- **Property Valuation per Capita** – Each county conducts property valuations that are used to determine property tax. This locally-derived indicator provides an accurate

indication of per capita assets. Other income-related indicators such as MHI and poverty rate are based on surveys conducted at the national level. The state benchmark is calculated by summing all county valuations in the state and dividing by the state population.

- **Unemployment Rate** – A community’s unemployment rate is required to be used by statute and is also an indicator of economic stress. The state benchmark for unemployment is the state unemployment rate according to the Employment Security Commission.

The draft criteria limits grant funding to LGUs that have three or more indicators that are worse than the state benchmarks (e.g., as an indication of economic stress compared to the state).

Existing Revenues

Inherent in determining the need for a grant is evaluation of the potential ability of a community to finance the project without a grant. This draft affordability criterion evaluates this aspect by using an estimate of the utility’s potential future operating ratio (OR_{Future}) with the inclusion of the debt service for the project. For the purposes of this criterion, OR_{Future} is calculated as below based on funding the project cost with a 20-year loan at 0% interest.

This draft criterion is to limit grant funding to projects which would result in the utility’s OR_{Future} to be below 1.3.

Future Operating Ratio

$$OR_{Future} = \frac{\text{Operating Revenue}}{\left(\text{Total Expenditures} + (\text{Debt Principal} + \text{Interest})_{\text{Water \& Sewer}} + \frac{\text{Project Cost}}{20} \right)}$$

Grant Portion for Grant Eligible Projects

The *proportion* of grant funding (i.e., 0%, 25%, 50%, 75%, 100%) for a project is then based on rates and debt service per connection.

Rates

When a utility has high rates, there may be limited ability to raise additional revenue with future rate increases. The LGU’s utility bill for 5,000 gallons usage is used to indicate rates and is specific to the type of project (water bill for a water project; sewer bill for a sewer project).

Debt Service per Connection

Utilities with high debt may have more difficulty in securing a loan. Note that debt service includes the portion of project that is available in the form of a loan.

The combination of monthly bills and debt service per connection reflects the community’s capacity for financing the proposed water infrastructure improvement project along with past

expenditures. More grant funding, as a percentage of the project cost, will be provided for utilities that have the least affordable bills and the most debt per connection.

The draft criteria in the table below are to be used to determine the percentage of grant funding for which a project is eligible.

Monthly Bill for 5,000 gallons	Lower-than-Median Debt Service per Connection		Higher-than-Median Debt Service per Connection				Debt Service/Connection
	>\$110 - <=\$210	>\$210 - <=\$350	>\$350 - <=\$550	>\$550 - <=\$1000	>\$1000		
>\$58	100%	100%	100%	100%	100%	100%	Higher-than-Median Bill for 5,000 gallons
>\$47 - <=\$58	75%	75%	75%	75%	100%	100%	
>\$40 - <=\$47	50%	50%	50%	50%	75%	75%	
>\$33 - <=\$40	25%	25%	25%	25%	50%	50%	
>\$26 - <=\$33	0%	0%	0%	0%	25%	25%	
<=\$26	0%	0%	0%	0%	0%	25%	
	>\$110 - <=\$210	>\$210 - <=\$350	>\$350 - <=\$550	>\$550 - <=\$1000	>\$1000		Lower-than-Median Bill for 5,000 gallons

Next Steps

- March 4, 2016 – Presentation of final affordability criteria before the Authority.
- April 29, 2016 – Application deadline for state project grants utilizing the affordability criteria.

State Water Infrastructure Authority
Meeting Date – March 4, 2016
Agenda Item H – State Project Grant Priority System

Division of Water Infrastructure Staff Report

Background

North Carolina General Statute G.S. 159G-71 contains the powers and the duties of the State Water Infrastructure Authority which include the following:

- Establish priorities for making loans and grants consistent with federal law
- Review the criteria for making loans and grants under G.S. 159G-23 (State Reserve)
- Develop guidelines for making loans and grants

Division staff have revised the State Drinking Water Reserve Priority Rating System and the State Wastewater Reserve Priority System to:

- Use the DWSRF and CWSRF Priority Rating Systems that were revised earlier in 2015 except as noted below, and
- Replace the previous Category 4 – “Financial Situation” criteria with a new Affordability Section that reflects the Affordability Criteria (Agenda Item I.) in accordance with the revised G.S. 159G. Note that the Affordability Criteria does not set priority points – it is used to establish eligibility for grants and to set the amount of grant to a percentage of overall project costs.

It is anticipated that the Authority will provide final approval of the State Reserve Priority Systems at its meeting on March 4, 2016, and the criteria will be applied to the April 2016 application funding round.

Overview

For this agenda item, the Division is seeking approval from the Authority for draft priority systems that would be used by both the Division and Authority to rank applications for state project grants. The approved priority rating systems would then be applied to the April 2016 funding round.

The priority comments received included questions about water loss documentation procedures and points and membership in the NCWaterWarn program. We will clarify the required documentation procedures in our guidance document and will discuss any potential regulatory reporting changes with the Division of Water Resources. We received a comment about prioritizing membership in NCWaterWarn and will evaluate the applicability to all eligible applicants before recommending its inclusion in the future. We had one comment about the application process and the timing of resolutions. Due schedule of program changes will accept required resolutions up to 45 days after the application deadline. The priority criteria has not been changes as a result of comments.

On February 22nd, the Division reported on the affordability criteria development to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources. Some concern was expressed at this meeting about whether the proposed criteria incentivized debt. In response to this, the Division proposes removing debt as a priority but keeping debt service/connection as part of the percent grant determination for project grants. Since debt service/connection includes the portion of the project costs

financed, it is needed to evaluate the past infrastructure expenditures and capacity for financing in accordance with the Statutory definition of affordability. Section 4 - Affordability in the attached priority criteria accommodates this change by eliminating the previous debt/connection line items and adjusting the points available to the remaining line items.

The attached documents provide the proposed State Drinking Water Reserve Priority Rating System and the proposed State Wastewater Reserve Priority System.

A Guidance Document will be developed providing detailed instructions to the applicants to guide them in preparing their applications. In addition, minor changes to the funding application for these grants will be made to include the information needed.

Staff Recommendations

For this agenda item, the Division is seeking approval from the Authority for draft priority systems that would be used by both the Division and Authority to rank applications for state project grants for the first time in the April 2016 funding round.

Staff recommends that the Authority approve the draft State Drinking Water Reserve and State Wastewater Reserve priority systems to be applied for the first time in the April 2016 funding round.

DRAFT State Drinking Water Reserve Priority Rating System

Line Item #	Category 1 - Project Purpose	Points	Points Claimed
1.A	Project will resolve failed infrastructure issues	25	
1.B	Project will rehabilitate or replace infrastructure	12	
1.B.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old	8	
1.C	Project will expand infrastructure	2	
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old	8	
	Subtotal for Category 1 - Project Purpose (Max 25)		
	Category 2 - Project Benefits	Points	Points Claimed
2.A	Project provides a specific public health benefit to a public water supply system by replacement, repair, or merger; includes replacing dry wells, addressing contamination of a drinking water source by replacing or additional treatment; or resolves managerial, technical & financial issues	20	
2.B	Project addresses promulgated but not yet effective regulations	10	
2.C	Project directly addresses enforcement documents		
2.C.1	Project directly addresses an EPA Administrative Order for a local government applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DEQ Administrative Order, OR	5	
2.C.2	Project directly resolves a Notice of Violation or Notice of Deficiency	3	
2.D	Project includes a system merger	10	
2.E	Project addresses low pressure in a public water supply system	10	
2.F	Project addresses acute contamination of a water supply source	15	
2.G	Project addresses contamination of a water supply source other than acute	10	
2.H	Project improves treated water quality by adding or upgrading a unit process	3	
2.I	Water loss in system to be rehabilitated or replaced is 30% or greater	3	
2.J	Project provides a public water system interconnection		
2.J.1	Project creates a new interconnection between systems not previously interconnected OR	10	
2.J.2	Project creates an additional or larger interconnection between two systems already interconnected which allows one system's public health water needs to be met during an emergency OR	10	
2.J.3	Project creates any other type of interconnection between systems	5	

2.K	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including backup electrical power source	3	
	Subtotal for Category 2 - Project Benefits (Max 35)		
	Category 3 - System Management	Points	Points Claimed
3.A	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10-years and proposed project is included in the plan OR	2	
3.B	Applicant has implemented an Asset Management Plan as of the date of application	10	
3.C	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5%	5	
3.D	Applicant has an approved Source Water Protection Plan and/or a Wellhead Protection Plan	5	
3.E	Applicant has implemented a water loss reduction program	5	
3.F	Applicant has implemented a water conservation incentive rate structure	3	
	Subtotal for Category 3 - System Management (Max 15)		
	Category 4 - Affordability	Points	Points Claimed
4.A	Residential Connections		
4.A.1	Less than 20,000 residential connections OR	2	
4.A.2	Less than 10,000 residential connections OR	4	
4.A.3	Less than 5,000 residential connections OR	6	
4.A.4	Less than 1,000 residential connections	10	
4.B	Current Monthly Utility Rate at 5,000 gallons Usage		
4.B.1	Greater than \$26 OR	2	
4.B.2	Greater than \$33 OR	4	
4.B.3	Greater than \$40 OR	6	
4.B.4	Greater than \$47 OR	8	
4.B.5	Greater than \$58	12	
4.C	Local Government Unit (LGU) Indicators		
4.C.1	2 out of 5 LGU indicators worse than state benchmark OR	2	
4.C.2	3 out of 5 LGU indicators worse than state benchmark OR	4	
4.C.3	4 out of 5 LGU indicators worse than state benchmark OR	6	
4.C.4	5 out of 5 LGU parameters worse than state benchmark	8	
	Subtotal for Category 4 - Affordability		
	Total of Points for All Categories		

DRAFT State Wastewater Reserve Priority Rating System			
Line Item #	Category 1 - Project Purpose	Points	Points Claimed
1.A	Project will resolve failed infrastructure issues	15	
1.B	Project will rehabilitate or replace infrastructure	15	
1.B.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR sewer lines to be rehabilitated or replaced are greater than 40 years old	10	
1.C	Project will expand infrastructure	2	
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR sewer lines to be rehabilitated or replaced are greater than 40 years old	10	
	Subtotal for Category 1 - Project Purpose (Max 25)		
	Category 2 - Project Benefits	Points	Points Claimed
2.A	Project provides a specific environmental benefit by replacement, repair, or merger; includes replacing failing septic tanks	15	
2.B	Project addresses promulgated but not yet effective regulations	10	
2.C	Project directly addresses enforcement documents		
2.C.1	Project directly addresses an EPA Administrative Order for a local government applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DEQ Administrative Order, OR	5	
2.C.2	Project directly resolves a Notice of Violation or Notice of Deficiency	3	
2.D	Project includes a system merger	10	
2.E	Project improves treated water quality by adding or upgrading a unit process	3	
2.F	Project directly benefits subwatersheds that are impaired as noted on the most recent version of the Integrated Report	20	
2.G	Project directly benefits waters classified as HQW, ORW, Tr, SA, WS-I, WS-II, WS-III* or WS-IV* (* these classifications must be covered by an approved Source Water Protection Plan to qualify)	10	
2.H	Project will result in elimination of a NPDES discharge	3	
	Subtotal for Category 2 - Project Benefits (Max 35)		
	Category 3 - System Management	Points	Points Claimed
3.A	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10-years and proposed project is included in the plan, OR	2	
3.B	Applicant has implemented an Asset Management Plan as of the date of application	10	
3.C	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5%	5	
	Subtotal for Category 3 - System Management (Max 15)		

	Category 4 - Affordability	Points	Points Claimed
4.A	Residential Connections		
4.A.1	Less than 20,000 residential connections OR	2	
4.A.2	Less than 10,000 residential connections OR	4	
4.A.3	Less than 5,000 residential connections OR	6	
4.A.4	Less than 1,000 residential connections	10	
4.B	Current Monthly Utility Rate at 5,000 gallons Usage		
4.B.1	Greater than \$26 OR	2	
4.B.2	Greater than \$33 OR	4	
4.B.3	Greater than \$40 OR	6	
4.B.4	Greater than \$47 OR	8	
4.B.5	Greater than \$58	12	
4.C	Local Government Unit (LGU) Indicators		
4.C.1	2 out of 5 LGU indicators worse than state benchmark OR	2	
4.C.2	3 out of 5 LGU indicators worse than state benchmark OR	4	
4.C.3	4 out of 5 LGU indicators worse than state benchmark OR	6	
4.C.4	5 out of 5 LGU parameters worse than state benchmark	8	
	Subtotal for Category 4 - Affordability		
	Total of Points for All Categories		

**Document No. 2. Solicitation of Comments on the Draft Priority System for
State Reserve Project Grants
(Comments Needed by February 19, 2016)**

Overview

This document provides the proposed State Drinking Water Reserve Priority Rating System and the proposed State Wastewater Reserve Priority System. These criteria will be used to rank applications to the State Reserve funding programs administered by the Division of Water Infrastructure which include State Project Grants and State Project Loans. The draft priority criteria reflect changes that were incorporated into other Division funding programs in 2015, including the prioritization of replacement or rehabilitation of existing infrastructure over new infrastructure, the provision of environmental (wastewater) and public health (drinking water) benefits, and the utilization of good system management practices. The draft priority system replaces the previous Category 4 – Financial Situation with a new affordability category that is consistent with the draft Affordability Criteria for State Reserve Project Grants (see Document No. 1 – Draft Affordability Criteria for State Reserve Project Grants for more information).

Affordability

The new Category 4 – Affordability prioritizes serving smaller populations as determined by residential connections, higher current monthly utility rates, higher debt service per connection including the proposed project, and the economic indicators of the Local Government Unit.

The Five LGU indicators in Section 4.D are part of the Affordability Criteria and include:

- **Median Household Income** –The state benchmark will be the 5-year estimate determined by the American Community Survey (ACS).
- **Poverty Rate** –The state benchmark will be the 5-year estimate determined by the ACS.
- **Population Change** –The state benchmark will be the change in population over a 5-year period using ACS population estimates.
- **Property Valuation per Capita** –The state benchmark is calculated by summing all county valuations and dividing by the state population.
- **Unemployment** –The state benchmark is the state unemployment rate according to the Employment Security Commission.

For systems that serve multiple local government units, a weighted average of indicators will be used to determine the service area values.

A guidance document will be developed providing detailed instructions to the applicants to guide them in preparing their applications. In addition, minor changes to the funding application for these grants will be made to include the information needed.

DRAFT State Drinking Water Reserve Priority Rating System

Line Item #	Category 1 - Project Purpose	Points	Points Claimed
1.A	Project will resolve failed infrastructure issues	25	
1.B	Project will rehabilitate or replace infrastructure	12	
1.B.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old	8	
1.C	Project will expand infrastructure	2	
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old	8	
	Subtotal for Category 1 - Project Purpose (Max 25)		
	Category 2 - Project Benefits	Points	Points Claimed
2.A	Project provides a specific public health benefit to a public water supply system by replacement, repair, or merger; includes replacing dry wells, addressing contamination of a drinking water source by replacing or additional treatment; or resolves managerial, technical & financial issues	20	
2.B	Project addresses promulgated but not yet effective regulations	10	
2.C	Project directly addresses enforcement documents		
2.C.1	Project directly addresses an EPA Administrative Order for a local government applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DEQ Administrative Order, OR	5	
2.C.2	Project directly resolves a Notice of Violation or Notice of Deficiency	3	
2.D	Project includes a system merger	10	
2.E	Project addresses low pressure in a public water supply system	10	
2.F	Project addresses acute contamination of a water supply source	15	
2.G	Project addresses contamination of a water supply source other than acute	10	
2.H	Project improves treated water quality by adding or upgrading a unit process	3	
2.I	Water loss in system to be rehabilitated or replaced is 30% or greater	3	
2.J	Project provides a public water system interconnection		

2.J.1	Project creates a new interconnection between systems not previously interconnected OR	10	
2.J.2	Project creates an additional or larger interconnection between two systems already interconnected which allows one system's public health water needs to be met during an emergency OR	10	
2.J.3	Project creates any other type of interconnection between systems	5	
2.K	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including backup electrical power source	3	
	Subtotal for Category 2 - Project Benefits (Max 35)		
	Category 3 - System Management	Points	Points Claimed
3.A	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10-years and proposed project is included in the plan OR	2	
3.B	Applicant has implemented an Asset Management Plan as of the date of application	10	
3.C	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5%	5	
3.D	Applicant has an approved Source Water Protection Plan and/or a Wellhead Protection Plan	5	
3.E	Applicant has implemented a water loss reduction program	5	
3.F	Applicant has implemented a water conservation incentive rate structure	3	
	Subtotal for Category 3 - System Management (Max 15)		
	Category 4 - Affordability	Points	Points Claimed
4.A	Residential Connections		
4.A.1	Less than 20,000 residential connections OR	1	
4.A.2	Less than 10,000 residential connections OR	2	
4.A.3	Less than 5,000 residential connections OR	4	
4.A.4	Less than 1,000 residential connections	8	
4.B	Current Monthly Utility Rate at 5,000 gallons Usage		
4.B.1	Greater than \$26 OR	2	
4.B.2	Greater than \$33 OR	4	
4.B.3	Greater than \$40 OR	6	
4.B.4	Greater than \$47 OR	8	

4.B.5	Greater than \$58	12	
4.C	Future Annual Debt Service / Connections		
4.C.1	Greater than \$110 OR	1	
4.C.2	Greater than \$210 OR	2	
4.C.3	Greater than \$350 OR	4	
4.C.4	Greater than \$550 OR	6	
4.C.5	Greater than \$1000	10	
4.D	Local Government Unit (LGU) Parameters		
4.D.1	2 out of 5 LGU indicators worse than state benchmark OR	2	
4.D.2	3 out of 5 LGU indicators worse than state benchmark OR	4	
4.D.3	4 out of 5 LGU indicators worse than state benchmark OR	6	
4.D.4	5 out of 5 LGU parameters worse than state benchmark	10	
	Subtotal for Category 4 - Affordability		
	Total of Points for All Categories		

DRAFT State Wastewater Reserve Priority Rating System

Line Item #	Category 1 - Project Purpose	Points	Points Claimed
1.A	Project will resolve failed infrastructure issues	15	
1.B	Project will rehabilitate or replace infrastructure	15	
1.B.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR sewer lines to be rehabilitated or replaced are greater than 40 years old	10	
1.C	Project will expand infrastructure	2	
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR sewer lines to be rehabilitated or replaced are greater than 40 years old	10	
	Subtotal for Category 1 - Project Purpose (Max 25)		
	Category 2 - Project Benefits	Points	Points Claimed
2.A	Project provides a specific environmental benefit by replacement, repair, or merger; includes replacing failing septic tanks	15	
2.B	Project addresses promulgated but not yet effective regulations	10	
2.C	Project directly addresses enforcement documents		
2.C.1	Project directly addresses an EPA Administrative Order for a local government applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DEQ Administrative Order, OR	5	
2.C.2	Project directly resolves a Notice of Violation or Notice of Deficiency	3	
2.D	Project includes a system merger	10	
2.E	Project improves treated water quality by adding or upgrading a unit process	3	
2.F	Project directly benefits subwatersheds that are impaired as noted on the most recent version of the Integrated Report	20	
2.G	Project directly benefits waters classified as HQW, ORW, Tr, SA, WS-I, WS-II, WS-III* or WS-IV* (* these classifications must be covered by an approved Source Water Protection Plan to qualify)	10	
2.H	Project will result in elimination of a NPDES discharge	3	
	Subtotal for Category 2 - Project Benefits (Max 35)		
	Category 3 - System Management	Points	Points Claimed
3.A	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10-years and proposed project is included in the plan, OR	2	

3.B	Applicant has implemented an Asset Management Plan as of the date of application	10	
3.C	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5%	5	
	Subtotal for Category 3 - System Management (Max 15)		
	Category 4 - Affordability	Points	Points Claimed
4.A	Residential Connections		
4.A.1	Less than 20,000 residential connections OR	1	
4.A.2	Less than 10,000 residential connections OR	2	
4.A.3	Less than 5,000 residential connections OR	4	
4.A.4	Less than 1,000 residential connections	8	
4.B	Current Monthly Utility Rate at 5,000 gallons Usage		
4.B.1	Greater than \$26 OR	2	
4.B.2	Greater than \$33 OR	4	
4.B.3	Greater than \$40 OR	6	
4.B.4	Greater than \$47 OR	8	
4.B.5	Greater than \$58	12	
4.C	Future Annual Debt Service / Connections		
4.C.1	Greater than \$110 OR	1	
4.C.2	Greater than \$210 OR	2	
4.C.3	Greater than \$350 OR	4	
4.C.4	Greater than \$550 OR	6	
4.C.5	Greater than \$1000	10	
4.D	Local Government Unit (LGU) Parameters		
4.D.1	2 out of 5 LGU indicators worse than state benchmark OR	2	
4.D.2	3 out of 5 LGU indicators worse than state benchmark OR	4	
4.D.3	4 out of 5 LGU indicators worse than state benchmark OR	6	
4.D.4	5 out of 5 LGU parameters worse than state benchmark	10	
	Subtotal for Category 4 - Affordability		
	Total of Points for All Categories		

State Water Infrastructure Authority
Meeting Date – March 4, 2016
Agenda Item I – Asset Inventory and Assessment Grant

Division of Water Infrastructure Staff Report

Background

North Carolina General Statute G.S. 159G-71 contains the powers and the duties of the State Water Infrastructure Authority (Authority) which include the following:

- Review application of management practices in wastewater, drinking water & stormwater and to determine best practices

The Authority in its 2014 Annual Report recommended modifications to NCGS 159G to provide asset inventory and assessment grants. In 2015, the General Assembly approved (SL2015-241) broadening the use of grant funds for proactive activities including for a utility to inventory and assess its water and/or sewer infrastructure.

The Division of Water Infrastructure staff presented information about the proposed grant at the January 21, 2016 meeting and with the Authority's approval issued the proposed priority system for a 21-day public comment period ending February 19, 2016.

Overview

For this agenda item, the Division is seeking approval from the Authority for the priority system that would be used by both the Division and Authority to rank applications for asset inventory and assessment grants.

The comments received included questions of eligibility, deliverables and flexibility, timeframe to spend funding, how to apply if interested in both water and wastewater system projects, and lack of understanding of how the affordability criteria applies to these grants. Additional language will be added to the guidance to clarify. One comment addressed the subjectivity of the scoring system; however, the Division believes the subjective nature of the narrative questions is the best way to determine how the applicant will use the information obtained during the project in future asset management planning. The priority system has not been changed as a result of comments.

On February 22nd, the Division reported on the affordability criteria development to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources. Some concern was expressed at this meeting about whether the proposed criteria incentivized debt. In response to this, the Division proposes removing debt as a priority but keeping debt service/connection as part of the percent grant determination for project grants. Line Item No. 3.A in the attached priority criteria reflects this change and now only considers the current utility rate.

A Guidance Document will be developed for this grant program that will address why the grant was created (assisting achieving viability, etc.) and will provide detailed instructions to the applicants to guide them in preparing their responses to the questions. The application form for these grants will include the information needed to rank the applications using the priority system and to provide additional information for the Authority on the proposed project.

Staff Recommendation

For this agenda item, the Division is seeking approval from the Authority for a priority system that would be used by both the Division and Authority to rank applications for asset inventory and assessment grants.

Staff recommends that the Authority approve the priority rating system that will be applied, for the first time, in the April 2016 funding round.

North Carolina Division of Water Infrastructure

Asset Inventory and Assessment Grant – Description and Application Components

In 2013, the North Carolina General Assembly created the State Water Infrastructure Authority (Authority) to streamline the state water and wastewater infrastructure funding programs available to local governments, to assess and make recommendations about the state’s water infrastructure needs, and to develop a Master Plan to meet those needs. Specifically, the Authority is responsible for defining statewide water and wastewater infrastructure needs, examining funding sources and their adequacy to meet the identified needs, and assessing the role of the State to develop and fund water infrastructure.

The Authority recognizes that the state will best be able to meet its water infrastructure needs by ensuring utilities are, or are on a path to be, viable systems.

In its 2014 Annual Report, the Authority recommended modifications to NCGS 159G (Water Infrastructure) to provide grants to identify and assess a utility’s water and sewer infrastructure. The General Assembly passed and the governor signed into law, changes to NCGS 159G as part of Session Law 2015-241 to broaden the use of grant funds to encourage water and wastewater utilities to become more proactive in the management and financing of their systems which is a pathway to viability.

The goal of an AIA grant is to help utility providers take steps to better understand their infrastructure needs by:

- Identifying system components and where they are located;
- Determining the condition of critical components;
- Establishing costs for replacement/repairs/upgrades (capital) and continuous operations and maintenance (O&M);
- Creating a prioritized list of projects to be completed; and
- Preparing a realistic Capital Improvement Plan (CIP) that includes critical projects.

Having information about infrastructure needs, accurate costs and priorities will enable the utility to make informed business decisions about the best use of its funds. The goal of all of these activities is to move a system toward viability.

Master Plan Vision

The State will best be able to meet its water infrastructure needs by ensuring utilities are, or are on a path to be, viable systems.

A viable system is one that functions as a business enterprise, establishes organizational excellence, and provides appropriate levels of infrastructure maintenance, operation, and reinvestment – including reserves for unexpected events – that allow the utility to provide reliable water services now and in the future.

Grant Maximum and Match Requirement

The grants are limited to a maximum of \$150,000 per applicant (159G-36(c)(5)). The Division will require a match based on how the local government unit's values compare to state benchmarks for median household income (MHI), poverty level, population trend, property valuation per capita, and unemployment. The percentage of match is:

- Applicants with five of the five local government unit indicators that are worse than the state benchmark will have a 5% match.
- Applicants with four of the five indicators will have a 10% match.
- Applicants with three of the five indicators will have a 15% match; and
- Applicants with less than three of the five indicators will have a 20% match requirement.

Asset Inventory and Assessment Grant Application Components

The Asset Inventory and Assessment grant application will consist of: (A) a narrative, which will be used for the Benefit and System Management categories in the priority system, and (B) a resolution indicating the commitment of the applicant to implement the inventory and assessment work and to utilize the information obtained through this project as described in the application (e.g., Narrative Items 5. & 6.).

Narrative

Following are items to be addressed by the applicant in a narrative format:

1. What are the top three (3) challenges your system faces in the next 5 years? How will the proposed asset inventory and assessment project help address these challenges? Examples of such challenges might include age of infrastructure, high rates, high debt, public health issues, environmental compliance issues, lack of capacity, water loss, infiltration/inflow, infrastructure at risk of failure, etc. Provide any existing documentation of these challenges. **(Line Item 1)**
2. Has the utility received grant funding in the past for capital improvement plan (CIP) or asset inventory/assessment? How has the utility used the information gained during that work? Provide a copy (hard copy or CD) of any existing asset inventory, map, condition assessment, or asset management plan. **(Line Item 1)**
3. Identify (by title or employee job description) the utility's internal asset management team that will be assembled to develop the asset inventory and assessment project. Describe the experience or training each team member has related to utility management – such as rate setting, CIP development, asset management, etc. In addition, describe how this team will continue to inventory, assess, prioritize, and plan for water infrastructure assets after completion of the project. **(Line Items 1 & 2.A)**
4. How does the utility set rates currently to generate revenue for appropriate levels of infrastructure maintenance, operations, and replacement? Has the process for setting rates changed in the last five (5) years, and how has it changed? How does the rate setting process blend with the CIP planning process? **(Line Item 2.B)**
5. How will the utility use the information developed through this project to develop future infrastructure projects, and how will these projects be prioritized? How will these projects be incorporated into the CIP planning process in the future, and how will the source of funding be determined? **(Line Items 1 & 2.B)**

6. How will the utility’s asset inventory developed through this project be kept up to date, and how will the utility pay for this ongoing effort? **(Line Item 2.C)**
7. Provide the System Operating Ratio each year for the past three years. **(Line Item 2.D)**
8. Describe any additional benefits to the utility of receiving this Asset Inventory & Assessment grant that have not been previously mentioned. **(Line Item 1)**

Priority Rating System

Staff will score each application using the following priority rating system.

The Division has structured the priority system to prioritize the applications that reflect the greatest likelihood that information obtained through this project will be used in utility management in the future. This furthers the goal of the Authority to fund utilities that will actually use the data and information obtained through this project to manage their infrastructure assets.

Asset Inventory and Assessment Grant Priority Rating System		
Line Item #	Category	Points
1.	Project Benefits	0, 2, 4, 6 or 8
2.	System Management	
2.A	Knowledge base of utility’s internal asset management team	0, 2, or 4
2.B	Current and past rate setting practices, CIPs, etc.	0, 1, or 2
2.C	Management of asset inventory data	0, 2, or 4
2.D	Operating Ratio (OR) is greater than or equal to 1.00 based on a current audit (2 points), or is less than 1.00 and water/sewer rates are high [based on Affordability Criteria-based threshold once determined] (1 point)	0, 1, or 2
3.	Affordability	
3.A	Current Monthly Utility Rate at 5,0000 gallons usage	0, 1, or 2
3.B	Local Government Unit (LGU) Indicators	
3.B.1	3 out of 5 LGU indicators are worse than the state benchmark OR	0
3.B.2	4 out of 5 LGU indicators are worse than the state benchmark OR	1
3.B.3	5 out of 5 LGU indicators are worse than the state benchmark	2
Total Points		24 Max

**Document No. 3. Solicitation of Comments on the Draft Priority System for
Asset Inventory and Assessment Applications Funded through
State Wastewater & Drinking Water Reserves
(Comments Needed by February 19, 2016)**

In 2013, the North Carolina General Assembly created the State Water Infrastructure Authority (Authority) to streamline the state water and wastewater infrastructure funding programs available to local governments, to assess and make recommendations about the state's water infrastructure needs, and to develop a Master Plan to meet those needs. Specifically, the Authority is responsible for defining statewide water and wastewater infrastructure needs, examining funding sources and their adequacy to meet the identified needs, and assessing the role of the State to develop and fund water infrastructure.

The Authority recognizes that the state will best be able to meet its water infrastructure needs by ensuring utilities are, or are on a path to be, viable systems.

In its 2014 Annual Report, the Authority recommended modifications to NCGS 159G (Water Infrastructure) to provide grants to identify and assess a utility's water and/or sewer infrastructure. The General Assembly passed, and the governor signed into law, changes to NCGS 159G as part of Session Law 2015-241 to broaden the use of grant funds to encourage water and wastewater utilities to become more proactive in the management and financing of their systems which is a pathway to viability.

The goal of an asset inventory and assessment grant is to help utility providers take steps to better understand their infrastructure needs by:

- Identifying system components and where they are located;
- Determining the condition of critical components;
- Establishing costs for replacement/repairs/upgrades (capital) and continuous operations and maintenance (O&M);
- Creating a prioritized list of projects to be completed; and
- Preparing a realistic Capital Improvement Plan (CIP) that includes critical projects.

Having information about infrastructure needs, accurate costs and priorities will enable the utility to make informed business decisions about the best use of its funds. The goal of all of these activities is to move a system toward viability.

Master Plan Vision

The State will best be able to meet its water infrastructure needs by ensuring utilities are, or are on a path to be, viable systems.

A viable system is one that functions as a business enterprise, establishes organizational excellence, and provides appropriate levels of infrastructure maintenance, operation, and reinvestment – including reserves for unexpected events – that allow the utility to provide reliable water services now and in the future.

Grant Maximum and Match Requirement

The grants are limited to a maximum of \$150,000 per applicant (159G-36(c)(5)). The Division will require a match based on the how the local government unit's values compare to state benchmarks for median household income (MHI), poverty level, population trend, property valuation per capita, and unemployment. The percentage of match is:

- Applicants with five of the five local government unit indicators that are worse than the state benchmark will have a 5% match.
- Applicants with four of the five indicators will have a 10% match;
- Applicants with three of the five indicators will have a 15% match; and
- Applicants with less than three of the five indicators will have a 20% match requirement.

Asset Inventory and Assessment Grant Application Components

The Asset Inventory and Assessment grant application will consist of: (A) a narrative, which will be used for the Project Benefit and System Management categories in the priority system, and (B) a resolution indicating the commitment of the applicant to implement the inventory and assessment work and to utilize the information obtained through this project as described in the application (e.g., Narrative Items 5. & 6.).

Narrative

Following are items to be addressed by the applicant in a narrative format:

1. What are the top three (3) challenges your system faces in the next 5 years? How will the proposed asset inventory and assessment project help address these challenges? Examples of such challenges might include age of infrastructure, high rates, high debt, public health issues, environmental compliance issues, lack of capacity, water loss, infiltration/inflow, infrastructure at risk of failure, etc. Provide any existing documentation of these challenges. **(Line Item 1)**
2. Has the utility received grant funding in the past for capital improvement plan (CIP) or asset inventory/assessment? How has the utility used the information gained during that work? Provide a copy (hard copy or CD) of any existing asset inventory, map, condition assessment, or asset management plan. **(Line Item 1)**
3. Identify (by title or employee job description) the utility's internal asset management team that will be assembled to develop the asset inventory and assessment project. Describe the experience or training each team member has related to utility management – such as rate setting, CIP development, asset management, etc. In addition, describe how this team will continue to inventory, assess, prioritize, and plan for water infrastructure assets after completion of the project. **(Line Items 1 & 2.A)**
4. How does the utility set rates currently to generate revenue for appropriate levels of infrastructure maintenance, operations, and replacement? Has the process for setting rates changed in the last five (5) years, and how has it changed? How does the rate setting process blend with the CIP planning process? **(Line Item 2.B)**

5. How will the utility use the information developed through this project to develop future infrastructure projects, and how will these projects be prioritized? How will these projects be incorporated into the CIP planning process in the future, and how will the source of funding be determined? **(Line Items 1 & 2.B)**
6. How will the utility's asset inventory developed through this project be kept up to date, and how will the utility pay for this ongoing effort? **(Line Item 2.C)**
7. Provide the System Operating Ratio each year for the past three years. **(Line Item 2.D)**
8. Describe any additional benefits to the utility of receiving this Asset Inventory & Assessment grant that have not been previously mentioned. **(Line Item 1)**

DRAFT

Draft Priority Rating System

Staff will score each application using the following priority rating system.

The Division has structured the draft priority system to prioritize the applications that reflect the greatest likelihood that information obtained through this project will be used in utility management in the future. This furthers the goal of the Authority to fund utilities that will actually use the data and information obtained through this project to manage their infrastructure assets.

Asset Inventory and Assessment Grant Priority Rating System		
Line Item #	Category	Points
1.	Project Benefits	0, 2, 4, 6 or 8
2.	System Management	
2.A	Knowledge base of utility's internal asset management team	0, 2, or 4
2.B	Current and past rate setting practices, CIPs, etc.	0, 1, or 2
2.C	Management of asset inventory data	0, 2, or 4
2.D	Operating Ratio (OR) is greater than or equal to 1.00 based on a current audit (2 points), or is less than 1.00 and water/sewer rates are high [based on Affordability Criteria-based threshold once determined] (1 point)	0, 1, or 2
3.	Affordability	
3.A	Affordability Criteria rate and debt/connection-related information once determined (i.e., highest priority for high rates and high debt/connection) (see table below)	0, 1, or 2
3.B	Local Government Unit (LGU) Indicators (see below)	
3.B.1	3 out of 5 LGU indicators are worse than the state benchmarks OR	0
3.B.2	4 out of 5 LGU indicators are worse than the state benchmarks OR	1
3.B.3	5 out of 5 LGU indicators are worse than the state benchmarks	2
Total Points		24 Max

Line Item No. 3A

**Bill per
5,000
gallons**

>\$33	1 point	2 points
<=\$33	0 points	1 point
	<=\$210	>\$210

**Debt Service/
Connection**

\$210 is the median debt service per connection and \$33 is the median bill for 5000 gallons.

Line Item 3B

The five LGU indicators are as follows:

- **Median Household Income** – The state benchmark will be the 5-year estimate determined by the American Community Survey (ACS).
- **Poverty Rate** – The state benchmark will be the 5-year estimate determined by ACS.
- **Population Change** – The state benchmark will be the change in population over a 5-year period using ACS population estimates.
- **Property Valuation per Capita** – The state benchmark is calculated by summing all county valuations and dividing by the state population.
- **Unemployment** – The state benchmark is the state unemployment rate according to the Employment Security Commission.

For systems that serve multiple local government units, a weighted average of indicators will be used to determine the service area values.

State Water Infrastructure Authority
Meeting Date – March 4, 2016
Agenda Item J – Merger/Regionalization Feasibility Grant

Division of Water Infrastructure Staff Report

Background

North Carolina General Statute G.S. 159G-71 contains the powers and the duties of the State Water Infrastructure Authority (Authority) which includes the following:

- Review the application of management practices in wastewater, drinking water, and stormwater and to determine best practices

The Authority in its 2014 Annual Report recommended modifications to NCGS 159G to provide merger/regionalization study grants. In 2015, the General Assembly approved (SL2015-241) broadening the use of grant funds for proactive activities including a utility's ability to evaluate the feasibility of voluntarily merging or regionalizing with another system. North Carolina General Statute 159G-20 now defines merger and regionalization as follows:

- Merger – the consolidation of two or more water and/or sewer systems into one system with common ownership, management, and operation.
- Regionalization – the physical interconnecting of an eligible entity's wastewater system to another entity's wastewater system for the purposes of providing regional treatment or the physical interconnecting of an eligible entity's public water system to another entity's water system for the purposes of providing regional water supply.

The Division of Water Infrastructure staff presented information about the proposed priority system at the January 21, 2016 meeting, and with the Authority's approval issued the draft priority system for a 21-day public comment period ending February 19, 2016.

Overview

Only one comment was received that specifically related to the Merger/Regionalization Feasibility grants – asking about the timeframe to spend the grant money. Thus, no changes have been made to the priority system as a result of public comments.

On February 22nd, the Division reported on the affordability criteria development to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources. Some concern was expressed at this meeting about whether the proposed criteria incentivized debt. In response to this, the Division proposes removing debt as a priority but keeping debt service/connection as part of the percent grant determination for project grants. Line Item No. 3.A in the attached priority criteria reflects this change and now only considers the current utility rate.

For this agenda item, the Division is seeking approval from the Authority for a priority system that would be used by both the Division and Authority to rank applications for merger/regionalization feasibility grants.

A Guidance Document will be developed for this grant program that will address why the grant was created (assisting achieving viability, etc.) and will provide detailed instructions to the applicants to guide them in preparing their responses to the questions. The application form for these grants will

include the information needed to rank the applications using the priority rating system and to provide additional information for the Authority on the proposed study.

Note that both the applicant and partner system(s) may be more than one entity.

Each application will be scored with respect to the other applications received during the application round. It is intended that the highest priority applications for this grant will, in general, have fewer connections, more compliance issues, smaller staffs, greater financial barriers, or any combination of the above that may hinder system viability and the ability to self-fund or conduct a feasibility study.

The emphasis in the priority rating system is the combination of the Technical and Organizational sections (6 points each) that reflects the utility's situation (versus the situation of the town or city). The Technical and Organizational sections collectively have 50% more points (12 points total) than the Affordability section. Given equal local government demographics, the utility with the most need would be prioritized higher.

Staff Recommendations

For this agenda item, the Division is seeking approval from the Authority for a priority system that would be used by both the Division and Authority to rank applications for merger/regionalization feasibility grants.

Staff recommends that the Authority approve the priority rating system that will be applied, for the first time, in the April 2016 funding round.

North Carolina Division of Water Infrastructure

Merger/Regionalization Feasibility Grant – Description and Application Components

Background

In 2013, the North Carolina General Assembly created the State Water Infrastructure Authority (Authority) to streamline the state water and wastewater infrastructure funding programs available to local governments, to assess and make recommendations about the state’s water infrastructure needs, and to develop a Master Plan to meet those needs. Specifically, the Authority is responsible for defining statewide water and wastewater infrastructure needs, examining funding sources and their adequacy to meet the identified needs, and assessing the role of the State to develop and fund water infrastructure.

The Authority recognizes that the state will best be able to meet its water infrastructure needs by ensuring utilities are, or are on a path to be, viable systems.

Fostering the long-term viability of utilities is one of the most vital roles that the State can play. As a result, in 2015 the General Assembly took action to broaden the use of grant funds to encourage water and wastewater utilities to become more proactive in the management and financing of their systems which is a pathway to viability.

The Division of Water Infrastructure is now able to offer grants to assist water utility providers investigate the feasibility of voluntary merger/regionalization options.

The following definitions from the North Carolina General Statute apply:

- Merger – the consolidation of two or more water and/or sewer systems into one system with common ownership, management, and operation.
- Regionalization – the physical interconnecting of an eligible entity’s wastewater system to another entity’s wastewater system for the purposes of providing regional treatment or the physical interconnecting of an eligible entity’s public water system to another entity’s water system for the purposes of providing regional water supply.

The goal of a merger/regionalization feasibility grant is to allow a utility provider to identify and then work with potential partner utilities to investigate the challenges, benefits, and implications for both systems to potentially merge or regionalize. This allows utilities to explore collaborative opportunities that may improve viability. Both the applicant and partner system(s) may be more than one entity. It is also a goal that the results of the feasibility study be presented to and discussed with the utility providers’ board(s) or council(s) including an analysis of a no-action alternative. The grants are limited to a maximum of \$50,000 per applicant (159G-36(c)(4)).

Master Plan Vision

The State will best be able to meet its water infrastructure needs by ensuring utilities are, or are on a path to be, viable systems.

A viable system is one that functions as a business enterprise, establishes organizational excellence, and provides appropriate levels of infrastructure maintenance, operation, and reinvestment – including reserves for unexpected events – that allow the utility to provide reliable water services now and in the future.

Merger/Regionalization Feasibility Grant Application Components

The Merger/Regionalization Feasibility grant application will consist of: (A) a narrative, which will be used for the Technical Status and Organizational Status categories in the priority system, and (B) an acknowledgement letter as described below.

A. Narrative

Section 1 – General Discussion of Applicant and Partner System(s)

1. Has the feasibility of a merger or regionalization been studied before? What have been the barriers to either conducting a feasibility study or to implementing the recommendations from any previous studies? If a study was previously done, how will this study differ?
2. Describe the benefit to the local government of receiving a Merger/Regionalization Feasibility grant, including the current challenges facing the applicant and potential partners, and why merging or regionalizing might help resolve the challenges. Specifically address the systems' technical, organizational, and financial situations, including:
 - a. Physical assets such as treatment/supply components, distribution/collection systems, storage facilities, etc.
 - b. Sources of drinking water or wastewater disposal/utilization.
 - c. Treatment, discharge, supply, and demand capacities.
 - d. The current level of asset management and capital improvement planning.

Section 2 – Technical Status

1. Describe any ongoing environmental protection and public health issues, such as impaired watersheds, contaminated sources, failing infrastructure, etc. **(Line Item 1.A)**
2. Discuss whether systems adjacent to the applicant appear to have adequate unallocated capacity to accommodate the applying system's needs? **(Line Item 1.B)**
3. Have the applicant and partner system(s) previously collaborated on utility or other issues, either on a project basis or for ongoing management? If so, describe the reasons, achievements, and benefits of the collaboration for both the applicant and partner system(s). **(Line Item 1.B)**

Section 3 – Organizational Status

1. Describe the organizational structure of the applicant, including the number, roles, and responsibilities of the utility and finance staff as well as elected officials, and existing management contracts if applicable. **(Line Item 2.A)**
2. Describe any known challenges the utility is experiencing related to operations of the utility such as treatment complexities, water loss, inflow/infiltration, billing, excessive debt, excessive expenses compared to revenue, loss of large water or sewer accounts, etc. **(Line Item 2.A)**
3. Has the applicant received a Local Government Commission unit letter within the last three (3) years? If so, discuss the issues presented in the letter, and how the application addressed the issues. **(Line Item 2.B)**

B. Acknowledgement Letter

Since it is important for the applying and partnering systems to potentially work together, a letter from each partnering system acknowledging potential collaboration with applying system(s) will be needed. The Division will develop a draft acknowledgement letter that can be used for each board or council's approval.

Priority Rating System

Staff will score each application using the following Priority Rating System.

Each application will be scored with respect to the other applications received during the same application round. The Division has structured the priority system to prioritize the applications that in general have fewer connections, more compliance issues, smaller staffs, greater financial barriers, or any combination of the above that may hinder system viability and the ability to self-fund or conduct a feasibility study.

Merger/Regionalization Feasibility Grant Priority Rating System		
Line Item #	Category	Points
1.	Technical Status	
1.A	Compliance History <i>(Note: applicants with more severe issues receive more points)</i>	0, 1, 2, or 3
1.B	Past Collaboration and Proximity <i>(Note: higher priority for applicants with past collaboration and/or in proximity to other systems)</i>	0, 1, 2, or 3
2.	Organizational Status	
2.A	Size and Capabilities <i>(Note: smaller and less capable applicants receive more points)</i>	0, 1, or 2
2.B	LGC Unit Letter <i>(Note: points if the LGU has received an LGC Unit Letter)</i>	3
2.C	Operating Ratio < 1.00	1
3.	Affordability	
3.A	Current Monthly Utility Rate at 5,0000 gallons usage	0, 2, or 4
3.B	Local Government Unit (LGU) Indicators	
3.B.1	3 out of 5 LGU indicators are worse than the state benchmark OR	0
3.B.2	4 out of 5 LGU indicators are worse than the state benchmark OR	2
3.B.3	5 out of 5 LGU indicators are worse than the state benchmark	4
	Total Points	20 Max

**Document No. 4. Solicitation of Comments on the Draft Priority System for
Merger/Regionalization Feasibility Grants
(Comments Needed by February 19, 2016)**

In 2013, the North Carolina General Assembly created the State Water Infrastructure Authority (Authority) to streamline the state water and wastewater infrastructure funding programs available to local governments, to assess and make recommendations about the state's water infrastructure needs, and to develop a Master Plan to meet those needs. Specifically, the Authority is responsible for defining statewide water and wastewater infrastructure needs, examining funding sources and their adequacy to meet the identified needs, and assessing the role of the State to develop and fund water infrastructure.

The Authority recognizes that the state will best be able to meet its water infrastructure needs by ensuring utilities are, or are on a path to be, viable systems.

In its 2014 Annual Report, the Authority recommended modifications to NCGS 159G (Water Infrastructure) to provide grants to investigate the feasibility of voluntary merger/regionalization. The General Assembly passed, and the governor signed into law, changes to NCGS 159G as part of Session Law 2015-241 to broaden the use of grant funds to encourage water and wastewater utilities to become more proactive in the management and financing of their systems which is a pathway to viability.

The following definitions from the North Carolina General Statute apply:

- Merger – the consolidation of two or more water and/or sewer systems into one system with common ownership, management, and operation.
- Regionalization – the physical interconnecting of an eligible entity's wastewater system to another entity's wastewater system for the purposes of providing regional treatment or the physical interconnecting of an eligible entity's public water system to another entity's water system for the purposes of providing regional water supply.

The goal of a merger/regionalization feasibility grant is to allow a utility provider to identify and then work with potential partner utilities to investigate the challenges, benefits, and implications for both systems to potentially merge or regionalize. This allows utilities to explore collaborative opportunities that may improve viability. Both the applicant and partner system(s) may be more than one entity. It is also a goal that the results of the feasibility study be presented to and discussed with the utility providers' board(s) or council(s) including an analysis of a no-action alternative. The grants are limited to a maximum of \$50,000 per applicant (159G-36(c)(4)).

Master Plan Vision

The State will best be able to meet its water infrastructure needs by ensuring utilities are, or are on a path to be, viable systems.

A viable system is one that functions as a business enterprise, establishes organizational excellence, and provides appropriate levels of infrastructure maintenance, operation, and reinvestment – including reserves for unexpected events – that allows the utility to provide reliable water services now and in the future.

Merger/Regionalization Feasibility Grant Application Components

It is proposed that the Merger/Regionalization Feasibility grant application will consist of: (A) a narrative, which will be used for the Technical Status and Organizational Status categories in the priority system, and (B) an acknowledgement letter as described below.

A. Narrative

Section 1 – General Discussion of Applicant and Partner System(s)

1. Has the feasibility of a merger or regionalization been studied before? What have been the barriers to either conducting a feasibility study or to implementing the recommendations from any previous studies? If a study was previously done, how will this study differ?
2. Describe the benefit to the local government of receiving a Merger/Regionalization Feasibility grant, including the current challenges facing the applicant and potential partners, and why merging or regionalizing might help resolve the challenges. Specifically address the systems' technical, organizational, and financial situations, including:
 - a. Physical assets such as treatment/supply components, distribution/collection systems, storage facilities, etc.
 - b. Sources of drinking water or wastewater disposal/utilization.
 - c. Treatment, discharge, supply, and demand capacities.
 - d. The current level of asset management and capital improvement planning.

Section 2 – Technical Status

1. Describe any ongoing environmental protection and public health issues, such as impaired watersheds, contaminated sources, failing infrastructure, etc. **(Line Item 1.A)**
2. Discuss whether systems adjacent to the applicant appear to have adequate unallocated capacity to accommodate the applying system's needs? **(Line Item 1.B)**
3. Have the applicant and partner system(s) previously collaborated on utility or other issues, either on a project basis or for ongoing management? If so, describe the reasons, achievements, and benefits of the collaboration for both the applicant and partner system(s). **(Line Item 1.B)**

Section 3 – Organizational Status

1. Describe the organizational structure of the applicant, including the number, roles, and responsibilities of the utility and finance staff as well as elected officials, and existing management contracts if applicable. **(Line Item 2.A)**
2. Describe any known challenges the utility is experiencing related to operations of the utility such as treatment complexities, water loss, inflow/infiltration, billing, excessive debt, excessive expenses compared to revenue, loss of large water or sewer accounts, etc. **(Line Item 2.A)**
3. Has the applicant received a Local Government Commission unit letter within the last three (3) years? If so, discuss the issues presented in the letter, and how the application addressed the issues. **(Line Item 2.B)**

B. Acknowledgement Letter

Since it is important for the applying and partnering systems to potentially work together, a letter from each partnering system acknowledging potential collaboration with applying system(s) will be needed. The Division will develop a draft acknowledgement letter that can be used for each board or council's approval.

Priority Rating System

Staff will score each application using the following Priority Rating System.

Each application will be scored with respect to the other applications received during the same application round. It is intended that the highest priority The Division has structured the draft priority system to prioritize the applications that in general have fewer connections, more compliance issues, smaller staffs, greater financial barriers, or any combination of the above that may hinder system viability and the ability to self-fund or conduct a feasibility study.

Merger/Regionalization Feasibility Grant Priority Rating System		
Line Item #	Category	Points
1.	Technical Status	
1.A	Compliance History <i>(Note: applicants with more severe issues receive more points)</i>	0, 1, 2, or 3
1.B	Past Collaboration and Proximity <i>(Note: higher priority for applicants with past collaboration and/or in proximity to other systems)</i>	0, 1, 2, or 3
2.	Organizational Status	
2.A	Size and Capabilities <i>(Note: smaller and less capable applicants receive more points)</i>	0, 1, or 2
2.B	LGC Unit Letter <i>(Note: points if the LGU has received an LGC Unit Letter)</i>	3
2.C	Operating Ratio < 1.00	1
3.	Affordability	
3.A	Affordability Criteria rate and debt/connection-related information once determined (see table below) <i>(Note: highest priority for high rates and high debt/connection)</i>	0, 2, or 4
3.B	Local Government Unit (LGU) Indicators (see below)	
3.B.1	3 out of 5 LGU indicators are worse than the state benchmark OR	0
3.B.2	4 out of 5 LGU indicators are worse than the state benchmark OR	2
3.B.3	5 out of 5 LGU indicators are worse than the state benchmark	4
	Total Points	20 Max

Line Item No. 3A

**Bill per
5,000
gallons**

>\$33	2 points	4 points
<=\$33	0 points	2 points
	<=\$210	>\$210

**Debt Service/
Connection**

\$210 is the median debt service per connection and \$33 is the median bill for 5000 gallons.

Line Item 3B

The five LGU indicators are as follows:

- **Median Household Income** – The state benchmark will be the 5-year estimate determined by the American Community Survey (ACS).
- **Poverty Rate** – The state benchmark will be the 5-year estimate determined by ACS.
- **Population Change** – The state benchmark will be the change in population over a 5-year period using ACS population estimates.
- **Property Valuation per Capita** – The state benchmark is calculated by summing all county valuations and dividing by the state population.
- **Unemployment** – The state benchmark is the state unemployment rate according to the Employment Security Commission.

For systems that serve multiple local government units, a weighted average of indicators will be used to determine the service area values.

State Water Infrastructure Authority

Meeting Date: March 4, 2016

Agenda Item K – Drinking Water SRF: Loan Priority Approval Modification

Division of Water Infrastructure Staff Report

Background:

North Carolina General Statute G.S. 159G-71 contains the powers and the duties of the State Water Infrastructure Authority (Authority) which include the following:

- Review recommendations for grants and loans submitted to it by the Division of Water Infrastructure
- Determine the rank of applications
- Select the applications that are eligible to receive grants and loans

At the January 21, 2016 SWIA meeting, under Agenda Item H.3 (Funding Decisions for Sept. 30, 2015 Funding Round: DWSRF), the Authority approved Projects 1-3, 5, 7-10, 12-21, 23, 25-31.

Following the meeting, staff determined what seemed to be one application for Junaluska Sanitary District was actually two. These are Project No. 29 and the previously not considered New Project No 29A. The effect of revising the project ranking puts the New Project No. 29A as eligible to receive a DWSRF loan. For the Authority's reference, Projects 25-31 are listed below with New Project 29A (highlighted in yellow) included and ranked. Note that there are sufficient funds available for New Project 29A without impacting funding for previously approved projects.

Drinking Water SRF Loans:

Based upon the use of the DWSRF Priority Rating System for each application, staff recommends that the Authority approve New Project 29A as eligible to receive a DWSRF loan:

Project No.	Applicant Name	Project Name	Engineering Firm	Funding Amount	Points Verified	Project Purpose	Project Benefit	System Management	Financial Situation
25	Randleman, City of	City of Randleman South Randleman Transmission Main	MBD Consulting Engineers	\$1,249,130	24.12	2	10	0	12.12
26	Oxford, City of	Water Storage Tank & Associated Water Mains	Martin-McGill	\$3,139,200	23.45	0	6	7	10.45

27	Scientific Water & Sewerage Corp.	Lauradale Water System Required Consolidation	Burgin Engineering	\$4,394,242	16.71	0	3	5	8.71
28	Newton, City of	City of Newton Advanced Metering Infrastructure Project	N/A	\$2,913,843	11.24	0	0	0	11.24
29	Junaluska Sanitary District	Water Meter Replacement	Brown Consultants	\$1,041,750	10.92	0	0	0	10.92
29A	Junaluska Sanitary District	Water Infrastructure	Brown Consultants	\$4,233,194	10.92	0	0	0	10.92
30	Pine Knoll Shores, Town of	2014 Advanced Meter Infrastructure Improvements	McDavid Associates	\$507,000	9.87	0	0	5	4.87
31	Rutherford College, Town of	Town of Rutherford College 2015 Water System Improvements Project	West Consultant	\$474,430	7.32	0	0	0	7.32
Total DWSRF Projects 1-3, 5, 7-10, 12-21, 23, 25-31, 29A :				\$46,919,718					

Staff Recommendation:

Based upon the use of the DWSRF Priority Rating System for each application, staff recommends that the Authority approve New Project 29A as eligible to receive a DWSRF loan.

State Water Infrastructure Authority
Meeting Date – March 4, 2016
Agenda Item L – 2016 Intended Use Plans (IUPs) for DWSRF and CWSRF Programs

Division of Water Infrastructure Staff Report

Background

North Carolina General Statute G.S. 159G-71 contains the powers and the duties of the State Water Infrastructure Authority (Authority) which include the following:

- To establish priorities for making loans and grants consistent with federal law

The Authority has this responsibility for the federal Drinking Water State Revolving Fund (DWSRF) and the Clean Water State Revolving Fund (CWSRF).

The application priority ranking methods used for the evaluation of applications to the DWSRF and CWSRF are proposed to the US Environmental Protection Agency each year, in North Carolina's Intended Use Plan (IUP) for each of the SRF programs. The IUP for each program includes the Priority Rating System which contains the points that are applied by Division staff when an application is evaluated.

For the 2016 IUPs, the Division of Water Infrastructure:

- Proposes to replace the previous Section 4 – Financial Situation is the DWSRF Priority Rating System with a new Section 4 – Affordability that includes prioritizing LGU economic indicators worse than the state benchmark and higher monthly utility rates.
- Proposes to replace the previous Section 4 – Financial Situation is the DWSRF Priority Rating System with a new Section 4 – Affordability that includes prioritizing LGU economic indicators worse than the state benchmark and higher monthly utility rates.

Proposed Change to CWSRF Integrated Priority Rating System for 2015 IUP

The changes to the priority rating system for both the CWSRF and DWSRF reflect the affordability criteria adopted by the Authority in response to 2015 legislative changes. These changes are also consistent with required Federal criteria for determining disadvantaged communities.

The Division of Water Infrastructure will hold a public meeting to receive public comment on the Draft IUP before it is submitted to the EPA. The Division proposes to schedule a public meeting as soon as possible to receive public comment on the Draft IUPs for each program.

At the April 20th 2016 Authority meeting, staff will update the Authority on the public comments received on the Priority Rating Systems and will ask the Authority to approve the Priority Rating Systems so that the IUPs can be submitted to EPA.

Staff Recommendations:

1. Staff recommends that the Authority approve the presentation of the proposed DWSRF Priority Rating System at the public meeting about the IUP.
2. Staff recommends that the Authority approve the presentation of the proposed CWSRF Priority Rating System at the public meeting about the IUP.

DRAFT CWSRF PRIORITY RATING SYSTEM

Line Item #	Category 1 - Project Purpose	Points
1.A	Project will resolve failed infrastructure issues	15
1.B	Project will rehabilitate or replace infrastructure	15
1.B.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old	10
1.C	Project will expand infrastructure	2
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old	10
1.D	Project will provide stream/wetland/buffer restoration	20
1.D.1	Restoration project that includes restoration of a first order stream and includes stormwater infiltration BMPs	5
1.D.2	Restoration project that includes restoration and / or protection of riparian buffers to at least 30 feet on both sides of the stream	5
1.E	Project will provide stormwater BMPs to treat existing sources of pollution	20
1.E.1	Project that includes BMPs or BMPs in series that achieve at least 35% nutrient reduction (both TN and TP) and 85% TSS reduction	10
1.F	Project will provide reclaimed water/usage or rainwater harvesting/usage	15
Subtotal for Category 1 – Project Purpose (max of 30)		
Category 2 – Project Benefits		Points
2.A	Project provides a specific environmental benefit by replacement, repair, or merger; includes replacing failing septic tanks	15
2.B	Project addresses promulgated but not yet effective regulations	10
2.C	Project directly addresses enforcement documents	
2.C.1	Project directly addresses an EPA Administrative Order for a local government applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DENR Administrative Order OR	5
2.C.2	Project directly resolves a Notice of Violation or Notice of Deficiency	3
2.D	Project includes system merger	10
2.E	Project improves treated water quality by adding or upgrading a unit process	3

2.F	Project <u>directly benefits</u> subwatersheds that are impaired as noted on the most recent version of the Integrated Report	20
2.G	Project <u>directly benefits</u> waters classified as HQW, ORW, Tr, SA, WS-I, WS-II, WS-III* or WS-IV* (* these classifications must be covered by an approved Source Water Protection Plan to qualify)	10
2.H	Project will result in elimination of an NPDES discharge	3
2.I	Primary purpose of the project is to achieve at least 20% reduction in energy use	5
	Subtotal for Category 2 – Project Benefits (max of 35)	
	Category 3 – System Management	Points
3.A	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10-years and proposed project is included in the plan OR	2
3.B	Applicant has implemented an Asset Management Plan as of the date of application	10
3.C	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5%	5
	Subtotal for Category 3 – System Management (max of 15)	
	Category 4 – Financial Situation	Points
4.A	Current Monthly Utility Rate at 5,000 gallons Usage	
4.B.1	Greater than \$26 OR	2
4.B.2	Greater than \$33 OR	4
4.B.3	Greater than \$40 OR	6
4.B.4	Greater than \$47 OR	8
4.B.5	Greater than \$58	12
4.B	Local Government Unit (LGU) Indicators	
4.C.1	2 out of 5 LGU indicators worse than state benchmark OR	2
4.C.2	3 out of 5 LGU indicators worse than state benchmark OR	4
4.C.3	4 out of 5 LGU indicators worse than state benchmark OR	6
4.C.4	5 out of 5 LGU parameters worse than state benchmark	8
	Subtotal for Category 4 – Financial Situation (max of 20)	
	Total of Points for All Categories:	

DRAFT DWSRF PRIORITY RATING SYSTEM

Line Item #	Category 1 - Project Purpose	Points
1.A	Project will eliminate, by merger or dissolution, a failing public water supply system	30
1.B	Project will resolve failed infrastructure issues	25
1.C	Project will rehabilitate or replace infrastructure	12
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old	8
1.D	Project will expand infrastructure	2
1.D.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old	8
Subtotal for Category 1 – Project Purpose (max of 30)		
Category 2 – Project Benefits		Points
2.A	Project provides a specific public health benefit to a public water supply system by replacement, repair, or merger; includes replacing dry wells, addressing contamination of a drinking water source by replacing or additional treatment; or resolves managerial, technical & financial issues	20
2.B	Project addresses promulgated but not yet effective regulations	10
2.C	Project directly addresses enforcement documents	
2.C.1	Project directly addresses an EPA Administrative Order for a local government applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DENR Administrative Order OR	5
2.C.2	Project directly resolves a Notice of Violation or Notice of Deficiency	3
2.D	Project includes system merger	10
2.E	Project addresses low pressure in a public water supply system	10
2.F	Project addresses acute contamination of a water supply source	15
2.G	Project addresses contamination of a water supply source other than acute	10
2.H	Project improves treated water quality by adding or upgrading a unit process	3
2.I	Water loss in system to be rehabilitated or replaced is 30% or greater	3

2.J	Project provides a public water system interconnection	
2.J.1	Project creates a new interconnection between systems not previously interconnected OR	10
2.J.2	Project creates an additional or larger interconnection between two systems already interconnected which allows one system's public health water needs to be met during an emergency OR	10
2.J.3	Project creates any other type of interconnection between systems	5
2.K	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including backup electrical power source	3
	Subtotal for Category 2 – Project Benefits (max of 35)	
	Category 3 – System Management	Points
3.A	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10-years and proposed project is included in the plan OR	2
3.B	Applicant has implemented an Asset Management Plan as of the date of application	10
3.C	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5%	5
3.D	Applicant has an approved Source Water Protection Plan and/or a Wellhead Protection Plan	5
3.E	Applicant has implemented a water loss reduction program	5
3.F	Applicant has implemented a water conservation incentive rate structure	3
	Subtotal for Category 3 – System Management (max of 15)	
	Category 4 – Affordability	Points
4.A	Current Monthly Utility Rate at 5,000 gallons Usage	
4.A.1	Greater than \$26 OR	2
4.A.2	Greater than \$33 OR	4
4.A.3	Greater than \$40 OR	6
4.A.4	Greater than \$47 OR	8
4.A.5	Greater than \$58	12
4.B	Local Government Unit (LGU) Indicators	
4.B.1	2 out of 5 LGU indicators worse than state benchmark OR	2
4.B.2	3 out of 5 LGU indicators worse than state benchmark OR	4
4.B.3	4 out of 5 LGU indicators worse than state benchmark OR	6
4.B.4	5 out of 5 LGU parameters worse than state benchmark	8
	Subtotal for Category 4 – Affordability (max of 20)	
	Total of Points for All Categories:	

Theme		North Carolina State Water Infrastructure Authority – DRAFT 2016 Work Plan			
		NCGS 159G Powers and Duties	Authority Accomplishments	Next Steps/On-going Activities	Schedule
Project Funding	1	Review funding recommendations by Division of Water Infrastructure and select applications eligible for funding	From Jan. 2014 – Jan. 2016, awarded a total of \$564 million in grant and loan funds	On-going activity of the Authority	<ul style="list-style-type: none"> July 2016 – approve April 2016 applications Jan. 2017 – approve Fall 2016 applications
	2	Establish priorities for funding consistent w/ federal law	<ul style="list-style-type: none"> Approved major modification of priority criteria to unify criteria across the 5 funding programs while maintaining unique focus of each program; criteria applied to Fall 2015 applications Legislature approved changes to 159G to provide for: <ul style="list-style-type: none"> New Affordability Criteria Two new grants: Asset Inventory & Assessment and Merger/Regionalization 	<ul style="list-style-type: none"> Reviewing new Affordability Criteria; approved to make available for public review Reviewing criteria for two new grants: Asset Inventory & Assessment and Merger/Regionalization; approved to make available for public review On-going activities of the Authority Evaluate program performance; consider modifications as needed 	<p>March 2016 – final approval of:</p> <ul style="list-style-type: none"> New Affordability Criteria Criteria for two new grants
	3	Review criteria for making loans and grants			
	4	Develop guidelines for making loans and grants			
Infrastructure Needs and Funding Sources	5	Develop a water infrastructure master plan	<ul style="list-style-type: none"> Master Plan Committee – 3 members and Division staff Vision statement and concepts presented in 2015 Annual Report to legislature Draft plan in development 	<ul style="list-style-type: none"> Committee continuing its work Engaging UNC-EFC to help define needs and costs Coordinate with Blue Ribbon Commission as needed (*) 	<ul style="list-style-type: none"> April 2016 – draft for Authority review May 2016 – final draft for public review July 2016 – finalize master plan
	6	Assess role of the State in funding water infrastructure	<ul style="list-style-type: none"> Legislature approved changes to 159G to provide for: <ul style="list-style-type: none"> New Affordability Criteria Two new grants: Asset Inventory & Assessment and Merger/Regionalization 	<ul style="list-style-type: none"> Issues are being addressed: <ul style="list-style-type: none"> By new Affordability Criteria By two new grants: Assessment and Merger/Regionalization In the context of the master plan Addressing in master plan On-going activities of the Authority 	<ul style="list-style-type: none"> March 2016 – final approval of: <ul style="list-style-type: none"> New Affordability Criteria Criteria for two new grants Follows master plan schedule
	7	Analyze adequacy of projected funding			
	8	Recommend ways to maximize the use of funding resources			

	NCGS 159G Powers and Duties		Authority Accomplishments	Next Steps/On-going Activities	Schedule
Best and Emerging Practices	9	Review the application of management practices	<p>Legislature approved changes to 159G to provide for:</p> <ul style="list-style-type: none"> • New Affordability Criteria • Two new grants: Asset Inventory & Assessment and Merger/ Regionalization 	<ul style="list-style-type: none"> • Reviewing new Affordability Criteria; approved to make available for public review • Reviewing criteria for two new grants: Asset Inventory & Assessment and Merger/ Regionalization; approved to make available for public review • Develop outreach program/ process for utility decision-makers consistent with master plan • On-going activities of the Authority • Coordinate with Blue Ribbon Commission as needed 	<ul style="list-style-type: none"> • March 2016 – final approval of: <ul style="list-style-type: none"> ➤ New Affordability Criteria ➤ Criteria for two new grants • April 2016 – begin outreach program/process development
	10	Assess the role of public-private partnerships (P3)	Discussed as part of best practices to present in master plan and as potential option for Merger/ Regionalization feasibility	<ul style="list-style-type: none"> • In master plan, addressing variations of P3 including alternate project delivery methods, utility management, and design/ construct alternatives • Coordinate with Blue Ribbon Commission as needed 	Follows master plan schedule
	11	Assess the application of the river basin approach to utility planning and management	(Staff activity: worked with Division of Water Resources as it developed new integrated basin planning approach)	<ul style="list-style-type: none"> • Initially addressing in master plan • Division of Water Resources to update Authority on new integrated basin planning approach that integrates water quantity with water quality 	Division of Water Resources presentation to Authority in spring or summer of 2016

	NCGS 159G Powers and Duties		Authority Accomplishments	Next Steps/On-going Activities	Schedule
Troubled Systems	12	Assess the need for a "troubled system" protocol	<ul style="list-style-type: none"> • Established the need for a troubled system protocol • Legislature approved changes to 159G to provide for: <ul style="list-style-type: none"> ➢ New Affordability Criteria ➢ Two new grants: Asset Inventory & Assessment and Merger/ Regionalization 	<ul style="list-style-type: none"> • Reviewing new Affordability Criteria; approved to make available for public review • Reviewing criteria for two new grants: Asset Inventory & Assessment and Merger/ Regionalization; approved to make available for public review • Joint effort with staff of Local Government Commission (LGC) to develop draft protocols • Standing quarterly meetings with LGC staff • Develop outreach program/ process for utility decision-makers consistent with master plan 	<ul style="list-style-type: none"> • March 2016 – final approval of: <ul style="list-style-type: none"> ➢ New Affordability Criteria ➢ Criteria for two new grants • April 2016: <ul style="list-style-type: none"> ➢ Next meeting with LGC staff ➢ Begin outreach program/ process development

(*) Session Law 2014-42 established the Blue Ribbon Commission to Study the Building and Infrastructure Needs of the State. Governor McCrory appointed JD Solomon to the Commission.