

State Water Infrastructure Authority
North Carolina Department of Environmental Quality
April 20, 2016
Meeting Minutes

State Water Infrastructure Authority Members Attending Meeting

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

Division of Water Infrastructure Staff Attending Meeting

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

Department of Justice Staff Attending Meeting

- Mary Lucasse, NC Department of Justice; Special Deputy 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.

Item B. Approval of Meeting Minutes

Mr. Colson presented the draft meeting minutes from the March 2016 Authority meeting for approval.

Action Item B:

- Ms. Hammond made a motion to approve the March 4, 2016 Authority meeting minutes. Ms. Goodwin seconded the motion. The motion passed unanimously.

Item C. Attorney General's Office Report

Ms. Mary Lucasse substituted for Phillip Reynolds today. She had no items on which to report.

Item D. Chair's Remarks

The revised version of NC General Statute 159G is provided in each member's meeting materials packet. The State Treasurer's Conference on Sustainability was held on April 7, 2016; the UNC School of Government will develop a paper summarizing ideas from the conference which will be shared with the Authority when it is completed. For the fall application round for the CDBG-I program, training will be held across the state in May in order to give potential applicants enough time to conduct surveys, hold required public hearings and gather other information needed for the application.

The recently passed Connect NC bond provides \$100 million in grant funds and \$209.5 million in low-interest loan funds with 50% allocated to water projects and 50% allocated to wastewater projects. It includes a provision that priority must be given to projects required to be completed due to an EPA administrative order or consent decree, and are capped as follows: (i) for grant funds from the Wastewater Reserve, the cap is the lesser of 50% of the project costs or one-third of the proceeds allocated to the Wastewater Reserve per applicant, and (ii) for loan funds from the Wastewater Reserve, the cap is the lesser of all project costs minus grant funds received for the project or \$15 million per applicant.

The Authority requested a presentation at its July 2016 meeting about cash flow and the decisions that it will need to make about the bond fund distribution, as well as decisions it will need to make about all of the Division programs' fund distribution.

The NC Rural Water Association is holding its annual conference May 17-19 in Greensboro. Authority member Maria Hunnicutt and the Authority Chair will be making separate presentations.

A suggestion has been made to hold the Authority's Sept. 21, 2016 meeting in western North Carolina. Members supported this suggestion and staff will move forward with plans.

Item E. Blue Ribbon Commission to Study the Building and Infrastructure Needs of the State

Authority Member JD Solomon is a Governor's appointee to the Blue Ribbon Commission to Study the Building and Infrastructure Needs of the State. Mr. Solomon updated the Authority on the Commission's work and meeting that was held on April 18, 2016:

The Commission began its work in January 2016 and has heard presentations from the State Construction Office, UNC and the community college system, and at the April 18 meeting, from the public school system and the Division. The Authority and the Division are thinking about long-term water and wastewater infrastructure needs at a much deeper level than some of the other groups making presentations to the Commission. The Commission will reconvene after the short session to formulate recommendations. There are common threads among all the information they have received: few entities are keeping up with needed maintenance across all sectors; a common prioritization system is lacking; there is a lot of work to keep costs down for the public at the local government level; and the Connect NC bond funds are not enough to address the identified needs.

The Division presented information to the Blue Ribbon Commission about: the funding programs; preliminary estimates of the state's water and wastewater needs for the next 20 years (recently prepared by the UNC Environmental Finance Center); federal and state funding availability; the vision for system viability; and new affordability criteria, asset inventory and assessment grants, and merger/regionalization feasibility grants that were legislated by the revisions to NCGS 159G in 2015.

Item F. 2016 Intended Use Plans (IUPs) for CWSRF and DWSRF Programs

Each year, the application priority ranking methods used for the evaluation of applications to the CWSRF and DWSRF are proposed to the U.S. EPA in North Carolina's Intended Use Plan (IUP) for each program.

Each IUP includes the Priority Rating System, which contains the points that are applied by Division staff when an application is evaluated. Changes proposed for the 2016 IUPs were presented to the Authority at its March 4, 2016, meeting at which the Authority approved the draft CWSRF and draft DWSRF priority rating systems for public review. The Division noticed the public comment period on March 29, 2016, and held a public meeting on April 11, 2016 to present the draft IUPs containing the proposed changes to the Priority Rating Systems. The comment period closed on April 15. No comments were received.

Action Item F:

- Mr. Vines made a motion to approve the revised CWSRF and DWSRF Priority Rating Systems for use in the 2016 IUPs. Ms. Goodwin seconded the motion. The motion passed unanimously.

Item G. Local Government Finance

Mr. Greg Gaskins, Secretary of the Local Government Commission (LGC), is head of the State and Local Finance Division of the Department of the State Treasurer. Mr. Gaskins presented an extensive overview of the LGC's work with over 1,300 local government units and cited three factors that can signal potential weaknesses: internal controls, fund balance and water/sewer enterprise fund issues. The LGC has begun an initiative to address some of these weaknesses by offering courses on how to comply with NCGS 159, "Local Government Finance". In addition, the State Treasurer's Conference on Sustainability opened the discussion on the continuing imbalance of the economic recovery, which has left many smaller systems with closed industries and shrinking customer bases, coupled with the need for local governments to become fiscally stronger.

The LGC and the Division share concerns about the viability of a number of local governments operating water and sewer utilities which can drive the financial problems of the community. Such communities may benefit from the Authority's "troubled system protocol". While the LGC, Authority, Division and local government agencies can work together to address some issues with some communities, in reality the issues are much deeper and more comprehensive than even these entities can jointly address. It may be that a separate body needs to be charged with looking at these issues within a bigger picture framework. This is especially true with regard to those communities that are on the edge of becoming troubled.

The Authority agreed with the issues discussed by Mr. Gaskins and agreed that the Division and LGC need to work together toward a "troubled system protocol". The Authority expressed appreciation for Mr. Gaskins' efforts and the effort by his staff in working so closely with the many local governments across the state.

Item H. Master Plan Committee Report

The Committee sent the first draft of the master plan by email to the Authority on April 11, 2016 seeking input on the draft plan. The Authority provided comments suggesting the need for stronger wording in some portions of the plan and to continue to streamline the plan as much as possible, and requested that examples from North Carolina local governments be included. The Committee reported that it planned to draft a concise Executive Summary to engage elected officials and decision makers. There was debate about whether to "tell entities what they have to do" versus providing the tools and resources that can help them move toward viability. The Authority recognized that the philosophy of the plan from the beginning has not been to require specific actions but to support utilities in becoming viable. The Master Plan Committee will discuss the comments received in more detail with the staff and continue working on the draft plan.

Item I. Units Declining Loan and Grant Offers

The Division recently received letters from two local governments which had previously been awarded funding by the Authority. The Town of Stantonsburg appreciated the offer of a 0% loan but intends to resubmit its application in hopes of receiving grant funding instead. The Town of Yanceyville did not accept its offer of partial grant funding and loan funding (discussed in detail by the Authority at its March 2016 meeting), noting it would need to raise rates to cover payment of a loan. It hopes to be considered for full grant funding in the future. Authority members discussed the need to make sure the message is being conveyed that fewer applicants will qualify for full grant funding, that the Connect NC bond grant funds will not be able to fund very many projects, and that utilities will ultimately need to raise rates. The Division is presenting this message clearly in every speaking engagement and will conduct training to help applicants understand what funding levels will be available for the fall 2016 funding round.

Item J. State Reserve Program Update

In preparation for the April 29 application deadline, staff conducted application training sessions at five locations across the state in March attended by nearly 180 people. Attendees expressed great interest in the Asset Inventory and Assessment grants and in the Merger/Regionalization Feasibility grants.

The Authority may want to consider some minor changes to the affordability criteria that will be applied to the Connect NC bond grant funds. Staff will present options at the Authority's July 2016 meeting.

The Chair asked the Division's Public Information Officer to speak about the communications efforts that have been on-going by the Department related to the Connect NC bonds.

Item K. Informal Comments from the Public

Chair 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 L. Concluding Remarks by Authority Members, Chair, and Counsel

The next Authority meeting date is July 20, 2016.

Item M. Adjourn – The meeting was adjourned.
