

**State Water Infrastructure Authority**  
**North Carolina Department of Environmental Quality**  
**December 10, 2015**  
**Meeting Minutes**

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**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
- JD Solomon, Vice President, CH2MHill
- Charles Vines, Manager, Mitchell County

**Division of Water Infrastructure Staff Attending Meeting**

- Julie Haigler Cubeta, Supervisor, Community Block Development Grant – Infrastructure Unit
- Francine Durso, Project Manager, Special/Technical Issues Unit
- Jennifer Haynie, Supervisor, Environmental and Special Projects Unit
- Seth Robertson, Chief, State Revolving Funds Section
- Amy Simes, Project Manager, Drinking Water Projects Unit
- Jessica Leggett, Project Manager, Environmental and Special Projects Unit
- Matthew Rushing, Project Manager, Drinking Water Projects Unit
- 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.

**Item B. Approval of Meeting Minutes**

Mr. Colson presented the draft meeting minutes from the September 2015 Authority meeting and the October 15 and 22, 2015 Authority meetings for approval.

**Action Item B:**

- Ms. Goodwin made a motion to approve the September 17, 2015 Authority meeting minutes. Ms. Hammond seconded the motion. The motion passed unanimously.
- Mr. Vines made a motion to approve the October 15, 2015 Authority meeting minutes. Ms. Goodwin seconded the motion. The motion passed unanimously.
- Ms. Hammond made a motion to approve the October 22, Authority meeting minutes. Mr. Vines 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 Authority's Annual Report was transmitted to the Department of Environmental Quality on October 29, and to the NC General Assembly on November 2, 2015.

The Authority is nearing making decisions that will have direct implications for the spring 2016 funding round including the affordability criteria, asset inventory and assessment grants, and merger/ regionalization grants. Staff will seek approval to solicit stakeholder and public review.

As part of the master plan development, the Division has been working with the UNC Environmental Finance Center (EFC) to assess infrastructure needs across the state and hopes to have a contract in place soon to begin the work.

Ms. Vargas provided an update on the five training sessions she held with grantees of the Community Development Block Grant-Infrastructure program regarding changes in HUD requirements and to assist them in better understanding the program and sharing expectations of what is required to comply with the unique requirements of the CDBG-I grants. Attendance was good including many elected officials of the local government units.

### **Item E. Legislative Update**

The Connect NC Bond Act was passed by the legislature and will go to public vote in March 2016. The bill provides guidance regarding the relationship of loans and grants which ties in with the affordability criteria and would provide significant resources if passed. Regarding the federal programs, Congress has not yet passed a budget that contains final appropriations.

### **Item F. Ethics Education and Statement of Economic Interest Filing**

The Authority was reminded of their requirements for Ethics Education which must be completed every two years and the Statement of Economic Interest filing which is due every year by April 15<sup>th</sup>. The requirements for Conflict of Interest and the gift ban were reviewed. Mr. Solomon added that Professional Engineers have a higher standard than that required by the Ethics Commission in putting the public's welfare above their own.

### **Item G. 2016 Meeting Schedule**

Under the Authority's Internal Operating Procedures, prior to the first meeting of a calendar year it must approve a schedule of regular meetings for the subsequent calendar year. A list of meeting dates for 2016 was presented noting that the Authority has already approved the meeting date of January 21.

#### **Action Item G:**

- Ms. Goodwin made a motion to approve the 2016 meeting schedule. Mr. Solomon seconded the motion. The motion passed unanimously.

### **Item H. Summary of Applications Received for September 30, 2015**

The applications received in the September 2015 round for the Clean Water State Revolving Fund (CWSRF), Drinking Water State Revolving Fund (DWSRF) program, and the Community Development Block Grant-Infrastructure (CDBG-I) programs were summarized. 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 will have only \$14.1 million to award. The Authority will review these applications at its January 21, 2016 meeting.

Staff provided binders to each Authority member which contain the application project descriptions and additional information provided by the applicants for the CWSRF and CDBG-I programs. This funding round is the first one in which applicants could provide written additional information for consideration by the Authority. The binders also contain the guidance provided to applicants regarding the additional information that could be provided.

### **Item I. Affordability Criteria Development**

With the approved revisions to NCGS 159G, the previous criteria using the High Unit Cost (HUC) threshold for the state grant programs no longer exists, and the criteria are now to be based on affordability. The Division presented its proposal for the affordability criteria and explained the development of each step of the potential screening process, using four tests that include both local government unit (LGU) parameters and system parameters, all of which had been discussed with and generally supported by the Authority at previous meetings. One goal of the affordability criteria is to use it as a method to pair a grant with a loan offer which will maximize the current funding resources. This pairing of funding could potentially be implemented for the spring 2016 application round.

Discussion and questions by the Authority included: the initial dataset used for the analysis and the need to consider county/special systems; whether population was the right parameter for Test 1; the use of Test 2 as a gateway (a binary yes or no) instead of bins; county and special systems; and the need for a 30 day public review period given these potential significant changes to the funding priorities.

Items that were supported by the Authority included benchmarking to overall state data, using separate datasets for water and wastewater, and using a future operating ratio of 1.3 as the boundary for Test 3.

Based on the Authority's discussion and questions, staff will conduct additional analyses which will be presented to the Authority at its January 2016 meeting. With the additional time needed to complete the analyses, present details to the Authority in January, and provide for a 21 day public review period, staff presented a schedule that would include accepting applications for the spring round on April 29, 2016 instead of the usual deadline of the end of March. An additional Authority meeting likely in March would need to be scheduled.

#### **Action Item I:**

- Ms. Goodwin made a motion to approve receiving the spring 2016 applications by April 29, and scheduling an additional Authority meeting in March 2016. Mr. Solomon seconded the motion. The motion passed unanimously.

### **Item J. State Project Grant Priority System Update**

Staff presented proposed changes to the existing State Drinking Water Reserve Priority System and the State Wastewater Reserve Priority System with the goal to use criteria similar to the DWSRF and CWSRF Priority Rating Systems and to incorporate the new affordability criteria in place of the existing Financial Situation category. In the past, the State Reserve programs have had \$3.5 million to \$5 million in funds. Due to the General Assembly providing additional funding, this year there will be \$12.4 million in funds, and next year \$15 million will be available.

There was discussion regarding providing for green project funding similar to that available in the CWSRF program, which encompasses stormwater, energy efficiency and reuse projects. Staff suggested that with all the other changes being made to the Reserve programs, adding green projects to the mix at

this point would further increase complexity. At this time, with the high demand for water/sewer infrastructure in small, disadvantaged towns, it might be preferable to continue the focus on funding water/sewer projects without the added complexity of considering stormwater projects. In addition, the focus of the first version of the Master Plan is on water and wastewater issues and will state that stormwater and other green projects will be investigated in a later version.

Since the affordability criteria will be reviewed again by the Authority, staff will bring this item back at the January 2016 meeting.

#### **Item K. Asset Inventory and Assessment Grant**

With the approved revisions to NCGS 159G, State Reserve grant funds for infrastructure asset inventory and assessment (AIA) work can potentially be implemented for the spring 2016 application round. Staff presented draft grant application components review which included a detailed narrative and Priority Rating System.

Discussion and questions by the Authority included the need for: the narrative to explain the current situation, the system's challenges, current staffing, what the applicant intends to do with the grant funds and how it will move them toward viability; addressing service to critical customers such as hospitals and schools; addressing public health and environmental impacts; and a resolution by the governing body that commits it to use the results of the AIA grant as part of their capital improvement plan and to set rates. There was also discussion about the need for staff to meet with a grantee before they begin work to set out expectations and ensure that all parties understand what needs to be completed.

Based on the Authority's discussion and questions, staff will present revised application components to the Authority its January 2016 meeting.

#### **Item L. Merger/Regionalization Feasibility Grant**

With the approved revisions to NCGS 159G, State Reserve grant funds for merger/regionalization feasibility work can potentially be implemented for the spring 2016 application round. Staff presented draft grant application components which included a detailed narrative, Priority Rating System, and a letter from each partner utility agreeing to cooperate in the study. Staff would meet with a grantee before they begin work to set out expectations, agree on the alternatives to be evaluated and ensure that all parties understand what needs to be completed. The study would include at a minimum four analyses: the applicant maintaining sole responsibility for its system and ensuring future viability; merging; regionalizing; and one more alternative of the applicant's choosing.

Discussion and questions by the Authority included the parallels between this grant and the AIA grant regarding items to be addressed in the narrative and the need for the applicant to address whether they have ever considered or studied merger/regionalization in the past and why it failed.

Based on the Authority's discussion and questions, staff will present revised application components to the Authority its January 2016 meeting.

#### **Item M. Master Plan Committee Report**

Master Plan Committee Chair Hunnicutt summarized the on-going work of the Committee. Mr. Reynolds noted that any member of the Authority could attend the Committee meetings. Staff will develop a more detailed schedule for the draft report, Authority review, stakeholder input and report finalization. The Authority agreed that short bios of each member would be included in an appendix.

**Item N. Troubled Systems Protocol Update**

Staff presented three potential scenarios under which struggling LGUs might be considered for the troubled system protocol (TSP). The goal of the TSP will be to help the LGU identify and address the core reason(s) that it is troubled with the expectation that the LGU is committed to take the steps necessary to address the issues. Staff proposed and the Authority supported the concept that the analyses could be performed by an independent 3<sup>rd</sup> party contracted by the Division with the goal of using the same process of evaluation for any participating LGU. Division staff will meet with Local Government Commission (LGC) staff in February to start development of the protocol.

**Item O. Planning for 2016 Work**

Staff briefly presented ideas for areas of focus for work by the Authority and Division in 2016; these will be discussed further at the January 2016 meeting.

**Item P. 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 January 21, 2016 at the NC Rural Economic Development Center. The Authority will be approving the eligibility for funding for applications received in the September 2015 round for the CWSRF, DWSRF and CDBG-I programs.

**Item P. Adjourn** – The meeting was adjourned.

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