

**State Water Infrastructure Authority**  
**North Carolina Department of Environmental Quality**  
**December 14, 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
- Dr. Patricia Mitchell, Assistant Secretary, Rural Development Division, Department of Commerce

**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
- Amy Simes, Senior Program Manager
- Anita Reed, SRF Wastewater Unit Supervisor
- Jessica Leggett, Project Manager, Environmental and Special Projects Unit
- Cathy Akroyd, Public Information Officer

**Department of Justice Staff Attending Meeting**

- Phillip Reynolds, NC 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 following draft meeting minutes for approval:

**Action Item B.1:**

- Dr. Mitchell made a motion to approve the Sept. 21, 2016 Authority meeting minutes. Ms. Goodwin seconded the motion. The motion passed unanimously.

**Action Item B.2:**

- Ms. Hammond made a motion to approve the Oct. 19, 2016 Authority meeting minutes. Ms. Goodwin seconded the motion. The motion passed unanimously.

**Item C. Attorney General's Office Report**

Mr. Reynolds had no items to report.

**Item D. Chair's Remarks**

The Chair noted that this is the last Authority meeting at which Ms. Robin Hammond and Dr. Patricia Mitchell are members of the Authority. The Chair introduced Ms. Melody Adams with the Department

of Commerce who has been appointed by Secretary Skvarla to represent the Department on the Authority.

The Division submitted the Authority's 2016 Annual Report prior to the Nov. 1, 2016 deadline. On Oct. 25, 2016, Division staff presented information about project prioritization, the Statewide Infrastructure Master Plan, and Asset Inventory and Assessment grants to the Blue Ribbon Commission to Study the Building and Infrastructure Needs of the State. Regarding Session Law 2016-95, Coal Ash Management Act Modifications, staff will present additional information as it becomes known. Regarding Hurricane Matthew funds, Community Development Block Grant (CDBG) funds were federally appropriated and the General Assembly directed the funds to the Division of Emergency Management.

The EPA has invited the Division to participate in its Financial Leadership Best Practices Discussion Group in Washington, DC, in mid-January. The Authority's Master Plan has come to the attention of the EPA and as a result it is possible that NC is the only state that has been invited to participate in the Group.

At its Jan. 18, 2017 meeting, the Authority will be making funding decisions on applications received for every program that is administered by the Division and under the purview of the Authority.

The Chair presented certificates of appreciation to Ms. Hammond and Dr. Mitchell and thanked them for their dedicated service to the Authority and the citizens of the state of North Carolina.

#### **Item E. Authority Members' "Evaluation of Statement of Economic Interest"**

The following evaluations were read for the purpose of recording them in the minutes of this meeting.

- "This evaluation letter was based on Ms. Goodwin's 2015 SEI which was filed on March 1, 2016, and changes have occurred since then. This is an excerpt from a letter addressed to Senator Berger regarding the evaluation of Statement of Economic Interest Filed by Leila Rhue Goodwin.

Dear Senator Berger:

Our office is in receipt of Leila Rhue Goodwin's 2016 Statement of Economic Interest and 2015 No Change Form as an appointee to the State Water Infrastructure Authority ("Authority"). We have reviewed them for actual and potential conflicts of interest pursuant to Chapter 138A of the North Carolina General Statutes ("N.C.G.S."), also known as the State Government Ethics Act.

We did not find an actual conflict of interest, but found the potential for a conflict of interest. The potential conflict identified does not prohibit service on this entity.

Ms. Goodwin is the Water Resources Management Consultant for the Town of Cary. She fills the role of a member knowledgeable about urban wastewater or water systems on the Authority. Her spouse is a Principal Engineer for CH2M HILL, which provides environmental consulting to entities regulated by the State of North Carolina. Thus, she has the potential for a conflict of interest and should exercise appropriate caution in the performance of her public duties should either of these entities have issues come before the Authority for official action or otherwise seek to conduct business with the Authority."

- "This is an excerpt from a letter addressed to the Department of Commerce Secretary John Skvarla regarding the evaluation of Statement of Economic Interest for Dr. Patricia Mitchell.

Dear Secretary Skvarla:

Our office is in receipt of Dr. Patricia Mitchell's 2015 Statement of Economic Interest and 2016 No Change Form as a designee to the State Water Infrastructure Authority ("Authority"). We have reviewed them for actual and potential conflicts of interest pursuant to Chapter 138A of

the North Carolina General Statutes (“N.C.G.S.”), also known as the State Government Ethics Act.

We did not find an actual conflict of interest or the potential for a conflict of interest.

Dr. Mitchell is the Secretary of Commerce’s designee and an ex-officio member of the Authority.”

Copies of each Statement of Economic Interest will be kept on file.

#### **Item F. Communications Update**

Ms. Cathy Akroyd, the Division’s Public Information Officer, presented an update about the Division’s communications activities. She highlighted Chair Colson’s selection as the 2016 Water Finance & Management Award winner and provided copies of the Dec. 2016 article in the Water Finance & Management Journal featuring an interview with Chair Colson. The article highlights the work of the Authority, the Master Plan and the integration of the funding programs so that funds can be used most effectively.

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

Division staff solicited public comments on the draft master plan for four weeks, from mid-October through mid-November 2016; over 20 organizations were notified of the comment solicitation. Several comments were received and reviewed with the Committee, which determined that no changes were needed to the draft based on the comments. The Master Plan Committee recommended to the Authority that the draft Plan be approved as final.

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

- Dr. Mitchell made a motion to approve the draft “North Carolina Statewide Water and Wastewater Infrastructure Master Plan: The Road to Viability” as final. Ms. Hunnicutt seconded the motion. The motion passed unanimously.

The Chair will appoint an Outreach Committee to assist Division staff in developing the work plan to promote the Master Plan; staff will implement the work plan in conjunction with resources partners. Authority members interested in participating on the Committee should let the Chair know.

#### **Item H. CDBG-I Funds for Public Schools**

The fiscal year 2016-2017 budget transferred about \$4.5 million in de-obligated CDBG funds from the Dept. of Commerce to the Dept. of Environmental Quality specifically for water and sewer infrastructure for public schools. The Division proposes new priority criteria that would target schools with on-site water and wastewater systems, which, if they fail, typically do not have an option to connect to a public water or sewer system. Eligible schools would be required to have 51% of the student population eligible for free and reduced price lunches to meet the low-to-moderate income requirements of the program; the Dept. of Public Instruction (DPI) will certify the percentage. Water or sewer issues that may cause human or environmental health problems would receive priority. Maintenance-type projects cannot be funded with CDBG funds.

Priority criteria would target areas of low income, low property valuations and high tax burdens. Staff presented new priority criteria consisting of four categories: Project Purpose, Project Benefit, Financial Situation & Demographics, and Project Readiness. Applicants would need to be invited to apply and the Division will work with DPI, DEQ regional inspectors and DHHS inspectors to identify potential applicants. The Authority questioned if there were projects that were ready to proceed; staff responded that are several that have been designed and are ready to proceed. At its April 2017 meeting, staff will request that the Authority approve the new criteria.

**Action Item H:**

- Ms. Hammond made a motion to approve as draft the proposed priority criteria and directed staff to hold a public hearing on the proposed criteria in January 2017. Ms. Goodwin seconded the motion. The motion passed unanimously.

**Item I. Sept. 2016 Application Round Update and Planning for Jan. 2017 Meeting**

Staff presented a brief overview of the applications that had been received in Sept. 2016 which will be presented to the Authority for approval at its Jan. 2017 meeting. Staff is seeking input on several issues related to how it will present the applications, specifically regarding pairing state grants with state loans to attempt to fully fund projects (subject to funding caps); AIA funding for both water and wastewater for the same applicant, and the amount of funds that might be made available for AIA and MRF grants.

Staff presented thoughts on “best available funding” in the following order:

- A. Grants and grant-like options
  1. State grants if affordability criteria provide for 100% grant
  2. CDBG-I grants which are 100% grant funds
  3. State grants if affordability criteria provide for 75% or 50% grant
  4. Principal forgiveness in CWSRF and DWSRF programs (50% up to \$500,000)
  5. State grants if affordability criteria provide for 25% grant
- B. Low-interest loans
  1. State loans
  2. SRF loans

Authority members commented that it will be important to pair state loans with state grants so that good state grant projects can be accomplished. An applicant should not receive more than the percentage of grant that it is eligible to receive under the affordability criteria (which could occur if SRF principal forgiveness were paired with a grant). The AIA applications should be shown in order of points scored and the Authority may or may not choose to fund both water and wastewater for the same applicant. Concerns about AIA grants county water districts were discussed because a single county that has multiple water districts could be eligible for multiple AIA grants. The Authority would like to learn more about the ownership, management and size of water districts that have applied for AIA grants at its January meeting.

Authority member JD Solomon called in to the meeting at approximately 10:35 AM. He had provided an email to staff on Dec. 13, 2016 and staff had distributed hard copies of the email to the Authority members at the meeting. Mr. Solomon reiterated several points from his email: bond funds should be used early to take advantage of low interest rates which are expected to rise; the need to focus funding on renewal and replacement projects rather than expansion-type projects; consider funding AIA grants with about 15% of available grant funds noting that this is not a firm number; and, funding the highest quality projects.

The Authority requested that this type of overview be presented again at the January meeting, prior to starting the discussion on specific project funding.

**Item J. Local Government Finance**

Mr. Greg Gaskins, Deputy Treasurer and Secretary of the Local Government Commission (LGC) spoke about recent activities of the LGC. He previously addressed the Authority at its April 2016 meeting. Mr. Gaskins has met with Treasurer-elect Folwell and described the partnership between the Division and

the LGC, which Mr. Folwell supports. The members of the LCG are also very supportive of the collaboration.

Mr. Gaskins discussed the draft report of the Blue Ribbon Commission to Study the Building and Infrastructure Needs of the State. The LGC provided input to a number of the Commission's ten recommendations; five of these deal directly with local government facilities and address operating budgets, performance audits, long range planning, regionalization, and recognizing the hardships of rural communities. He has spoken with both the NC League of Municipalities and the NC Association of County Commissioners about the Commission's recommendations and the changes that will be coming for local governments.

Mr. Gaskins also described the LGC's work to craft sustainable solutions "on the ground" for the management of small local government water and wastewater utilities. Since April, he and his staff have worked extensively with several communities with water and/or wastewater utilities that do not appear to be viable for the long-term. The goal of this work has been to develop agreements to move the communities toward improved utility provision and viability together.

Based on this work, he sees two keys to collaboration between communities: the first is trust between the entities, and the second is a person who will lead the effort and who has the trust of all parties. He has been in discussions that began as potentially positive and dissolved into having no basis to move forward because one or both of these components were lacking. Even though some communities are facing critical timelines, the discussions are not moving forward. Some of these communities only have water or wastewater systems today because they were awarded grants in the past. The message to communities is that the state can provide incentives and assistance to develop viable paths forward, but if communities choose non-viable paths, there will be no state assistance.

The LGC is beginning a pilot training program on local government finance at several community colleges in early 2017 and will report to the General Assembly about the program before the end of the upcoming session. They may consider including some of these elements in a course for elected leaders in order to teach the right things to the right people in the right places.

The Authority expressed appreciation for Mr. Gaskins' and his staff's efforts in working closely with many local governments, and looks forward to partnering with the LGC to find permanent solutions.

#### **Item K. Planning for 2017 Work**

Staff presented the following key work tasks for 2017:

- Six Authority meetings
  - Jan. and July meetings – funding approvals
  - April, Sept. and Dec. meetings – work sessions
  - Oct. meeting – Annual Report approval
- Master Plan outreach
- Troubled System Protocol development
- Review changes to priorities, criteria, etc., as identified during the year

#### **Item L. 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 M. Concluding Remarks by Authority Members, Chair, and Counsel**

Ms. Hunnicutt stated that the USA Today headline deals with dangerous drinking water in rural communities and how these issues continue to gain national attention; the Authority's work on helping rural systems is timely and important.

Dr. Mitchell appreciates having served on the Authority and looks forward to continuing to work with the Division on its local government leader education initiatives as part of her economic development course in the Master of Public Administration program at Appalachian State University.

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

---