

**State Water Infrastructure Authority**  
**North Carolina Department of Environmental Quality**  
**February 28, 2018**  
**Meeting Minutes**

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**State Water Infrastructure Authority Members Attending Meeting**

- Kim Colson, Chair; Director, Division of Water Infrastructure
- Melody Adams, Director, Rural Grants/Programs, Rural Development Division, NC Dept. of Commerce
- Greg Gaskins, Deputy Treasurer, State & Local Finance Division; Secretary, Local Government Commission
- Leila Goodwin, Water Resources Engineer
- Maria Hunnicutt, Manager, Broad River Water Authority
- Bernadette Pelissier
- Cal Stiles, Cherokee County Commissioner
- Charles Vines, Mayor of Bakersville

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

**Department of Justice Staff Attending Meeting**

- Jill Weese, 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. Authority Members' Information Update**

Mr. Colson stated that there have been changes in the appointees to the Authority. Mr. Carswell was not reappointed and Mr. Solomon resigned from the Authority. Governor Cooper appointed Dr. Bernadette Pelissier in early February 2018 to the seat previously held by Mr. Carswell. Dr. Pelissier was administered the Oath of Office on February 19, 2018. The Chair welcomed Dr. Pelissier to the Authority. Ms. Leggett read Dr. Pelissier's Statement of Economic Interest into the meeting minutes.

- This is an excerpt from a letter dated February 6, 2018 addressed to the Honorable Roy A. Cooper, III, Governor of North Carolina, regarding the evaluation of the Statement of Economic Interest filed by Bernadette Pelissier:

Dear Governor Cooper:

Our office is in receipt of Dr. Bernadette Pelissier's 2018 Statement of Economic Interest as a prospective appointee to the State Water Infrastructure Authority (the "Authority"). We have reviewed it 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. Pelissier will fill the role of a knowledgeable person with experience related to direct federal funding programs on the Authority.

Dr. Pelissier introduced herself and each Authority member introduced themselves.

### **Item C. Approval of Meeting Minutes**

Mr. Colson presented the draft meeting minutes from the December 13, 2017 Authority meeting for approval.

#### **Action Item C:**

- Mr. Vines made a motion to approve the December 13, 2017 Authority meeting minutes. Ms. Goodwin seconded the motion. The motion passed unanimously.

### **Item D. Attorney General's Office Report**

Ms. Weese had no items to report. Ms. Weese stated that she has been assigned as the Attorney General's Office representative to the State Water Infrastructure Authority. Authority members should contact her with any questions they may have. She noted that Phillip Reynolds has been promoted to the role of Special Deputy Attorney General.

### **Item E. Chair's Remarks**

The spring application deadline is April 30<sup>th</sup>. Staff will conduct training next week in Kinston, Hickory and Raleigh. The next meeting of the Authority will be held in New Bern, April 18-19; several utilities and local governments in the eastern part of the state will be speaking to the Authority. The meeting information is in members' packet and will also be emailed.

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

Ms. Akroyd, the Division's Public Information Officer, presented an update about the Division's communications activities. She highlighted the Department of Environmental Quality's work with local media outlets, not only the larger markets, and asked Authority members to contact her with local stories. Mr. Colson stated the presentation about the Statewide Water and Wastewater Infrastructure Master Plan at the national AWWA/WEF Utility Management Conference in San Antonio on February 21, 2018 by Mr. Solomon and Ms. Durso was very well received; multiple states provided positive feedback.

### **Item G. Ethics Education & Statement of Economic Interest Filing Reminder**

Statements of Economic Interest by each Authority member are due April 16, 2018. Ms. Leggett will let Authority members know if they are due to take the Ethics Education course this year.

### **Item H. Legislative Update**

The Governor is working on changes in the budget for the General Assembly to consider in the short term. The Connect NC Bond dollars will end with this funding round, which means that grant dollars going forward will be dramatically less.

A Committee to Study Rates and Transfers/Public Enterprises, comprised of members of the General Assembly, has been established to look at enterprise fund rates and transfers out of those enterprise funds, mainly focusing on water and sewer. The Committee is looking at rate setting, collections, what

rates need to be to ensure proper maintenance and repair, and proper accounting controls to assure transparency. The Committee may consider potential legislation for the proper funding of infrastructure and whether regionalization can help facilitate financially healthy systems. On February 12, 2018, a presentation was made to the Committee by the UNC School of Government's Environmental Finance Center (Jeff Hughes and Kara Millonzi), the Local Government Commission (Greg Gaskins and Sharon Edmondson), and the Division of Water Infrastructure (Kim Colson). Through the presentations, it is becoming obvious that no single agency or entity acting alone can address these issues.

Mr. Gaskins stated that there may be misconceptions about the purpose of the Local Government Commission's Unit Assistance List but the goal is to assist local governments in not being on the list. Also, the fund transfers are leading to complaints that utility rates are too high and/or unfair. He has heard that some believe the Asset Inventory & Assessment grants are not a good idea because they identify condition issues, demonstrate that more money is needed, and that rates may need to be increased. The work with this Committee will be a long, educational process and it will be critical to be involved in any solutions. The Committee's general response was positive.

#### **Item I. Introductions to Funding Decisions for Fall 2017 Application Round**

Mr. Robertson reviewed the funding methodology and decision order for this round. This is the last round of the Connect NC Bond funds. The interest rate for this round for loans is 1.82% which is half the current market rate. Applications received this round were for all funding programs. The materials provided to the Authority members was reviewed.

#### **Item J. Funding Recommendations for CDBG-I Grants**

Ms. Cubeta presented the CDBG-I funding allocations. As requested by the Governor's Office and approved by the Authority, \$10 million will be allocated to projects providing relief to local governments that were affected by Hurricane Matthew, and special training, outreach, and a news release were used to publicize the availability of these funds. The remaining \$12.4 million in CDBG-I grants will be allocated to areas not claiming Hurricane Matthew impacts.

Mr. Colson stated that the existing priority point system was not designed specifically to fit Hurricane Matthew projects but that the projects all fit the need for Hurricane Matthew relief. Eight Hurricane Matthew projects are recommended for funding. Ms. Goodwin added that staff did a good job of publicizing the Hurricane Matthew relief grants but sees the difficulties in quickly adding something new to a grant program.

##### **Action Item J.1:**

- Mr. Vines made a motion to approve funding for Hurricane Matthew Project Numbers 1-3, 5-7, 9 and partially fund Project Number 4. Mr. Gaskins seconded the motion.
- Discussion: Mr. Stiles asked whether the Hurricane Matthew projects would have scored competitively if they had been ranked with the other CDBG-I projects. Ms. Cubeta stated that a few would have been competitive.
- The motion passed unanimously.

Ms. Cubeta then presented the recommended projects for the areas not claiming Hurricane Matthew impacts. Mr. Vines asked if CDBG-I Project Number 9 for the Town of Rich Square would be able to move forward since there were not enough funds to fully fund their request; Ms. Cubeta stated that the project could be scaled because it is a water line rehabilitation project.

##### **Action Item J.2:**

- Mr. Gaskins made a motion to approve funding for Project Numbers 1-3, 6-9 and partially fund Project Number 5. Mr. Vines seconded the motion. The motion passed unanimously.

### **Item K. Example Funding Scenario for Drinking Water Projects**

Mr. Robertson presented the potential funding scenario for the drinking water projects. This is the first funding round in which a combination of funding from the DWSRF program and the State Drinking Water Reserve program is recommended. Ms. Hunnicutt identified a conflict of interest with DWSRF Project Number 1 for the Broad River Water Authority.

#### **Action Item K.1:**

- Mr. Gaskins made a motion to approve DWSRF Project Number 1. Mr. Stiles seconded the motion. Ms. Hunnicutt recused herself from the action item due to a conflict of interest. The motion passed.

#### **Action Item K.2:**

- Ms. Goodwin made a motion to approve Drinking Water State Reserve Projects Numbers 2-6, 8-10, 12-20, 22-26, 28-32, and 35; and DWSRF Project Numbers 3, 8-9, 11, 14, 26, 28-29 and 35. Ms. Hunnicutt seconded the motion. The motion passed unanimously.

### **Item L. Example Funding Scenario for Wastewater Projects, Asset Inventory and Assessment (AIA) Grants, and Merger/Regionalization Feasibility (MRF) Grants**

Mr. Robertson presented the potential funding scenario for the wastewater projects, Asset Inventory and Assessment grants, and Merger/Regionalization Feasibility grants. This is the last funding round with Connect NC Bond dollars. As in past funding rounds, the Authority must decide between funding construction projects and funding AIA and MRF grants. The following topics were discussed:

- The City of Greenville stormwater BMP project (approved by the Authority in Jan. 2014 for \$7.3 million in CWSRF loan funds) has a \$13 million cost overrun after taking bids. The key reasons for the increase are the current bid environment (few bidders and costs are rising) and the increased complexity of the project work, an example of which is coordination with a large NCDOT project in downtown Greenville. Funding for the next round will be not be impacted by these cost overruns.
- For Wastewater State Reserve Project Number 10 for the Town of Belhaven (the first project not recommended for funding), could the application have been stronger. Staff responded yes but it was not a substantially deficient application. However, the applicant indicated the project would not move forward without grant funds, and since there are not sufficient grant funds available, the project is not recommended for funding.
- Wastewater State Reserve Project Number 38 for the Town of Saratoga was discussed. This project is linked to CDBG-I projects. Saratoga currently sends their wastewater to Stantonsburg for treatment. The proposed project would instead send Saratoga's wastewater to the City of Wilson which will provide a better long-term solution. However, if funded, it would impact revenue for Stantonsburg. Staff will evaluate more aspects of this project with the LGC and in the engineering report phase of this process.

#### **Action Item L:**

- Mr. Stiles made a motion to approve Wastewater State Reserve Project Numbers 1-9, 17, 21, 24-25, 28, 30-31, 33, 35, 37-38 and 43; CWSRF Project Numbers 10, 12, 20-23, 28, 40, and 45; Asset Inventory & Assessment Project Numbers 1-37; and Merger/Regionalization Feasibility Project Numbers 1-5. Mr. Gaskins seconded the motion. The motion passed unanimously.

Mr. Robertson presented an issue that staff became aware of last week with a previously approved project for the Town of Lake Lure (approved by the Authority in July 2016 for \$12.6 million in CWSRF loan funds). The approved project scope would have eliminated their existing wastewater treatment plant and pumped wastewater to the Town of Spindale for treatment. Lake Lure has significant

infiltration/inflow issues because a major sewer line is located on the bed of the lake. Spindale has raised concerns about this approach because, if the sewer on the lake bed were to break, it is possible that the entire lake would be drained and would pass through Spindale's wastewater treatment plant. Lake Lure now prefers to replace their sewer system with a low-pressure system to a new package wastewater treatment plant. This is a very substantial scope change but staff wanted to inform the Authority. The following topics were discussed by staff and the Authority:

- Mr. Colson stated that the intent and benefits of the project remain the same, and the new approach would help mitigate future risks by no longer using the sewer line on the lake bed. If the project costs are the same between the two alternatives, it may make more financial sense for Lake Lure given Spindale's concerns.
- Mr. Gaskins added Lake Lure is not currently on the Unit Assistance List but has been in the past. It is critical to ensure that Lake Lure will appropriately fund, operate and manage a low-pressure system and package plant. As originally approved, the advantage of sending the wastewater to Spindale was that it has the proper expertise in wastewater treatment.
- Ms. Goodwin stated that in December 2017, the Authority discussed the process for project changes. Because this is such a large scope change, did staff look at the points to make sure that this scope would have qualified for the funding they were awarded. Mr. Robertson stated that staff had reviewed the points, and that the scope change would not have made a difference in points and the type of funding for which they qualified.
- Mr. Stiles stated that sewer lines on the lake bed is not a good situation and supports the scope change.
- Ms. Hunnicutt stated that the pressure from the lake water above the sewer lines means that water from the lake is entering the sewer, not that wastewater is flowing out of the sewer into the lake. Failing septic tanks are located at the edge of the lake. She supports the change in scope which she believes will be an overall benefit to Rutherford County.

Mr. Colson and Mr. Robertson stated that based on the Authority's discussion at the December 2017 meeting regarding the process for project changes, the Authority did not need to act on the City of Greenville project or the Town of Lake Lure project. The Authority took no action.

#### **Item M. 2018 Intended Use Plans (IUPs) for CWSRF and DWSRF Programs**

Mr. Robertson presented information about the Intended Use Plans for the CWSRF and DWSRF Programs. The public comment period for the IUPs was noticed on Feb. 1, 2018; information about the IUPs was presented at a public meeting on Feb. 13, 2018; and, the public comment period closed on Feb. 15, 2018. No comments were received. Staff recommended that the Authority approve the IUPs so that the capitalization grant applications could be submitted to EPA. Mr. Colson stated that if the Authority makes changes across all the funding programs resulting from the metrics analysis that will be presented at the April 2018 Authority meeting, the IUPs can be modified. The Division prefers to obtain the capitalization grant from the EPA as quickly as possible as it earns interest in the program accounts.

Dr. Pelissier inquired whether the Division had received public input when the priority rating systems were developed. Mr. Robertson answered yes, that comments had been received on the substantial changes made to the priority criteria by the Authority in July 2015. Historically, however, the Division does not receive any public comment but did receive many comments for the IUPs that were developed at the time of the American Recovery and Reinvestment Act of 2009 (known as ARRA).

#### **Action Item M:**

- Mr. Gaskins made a motion to approve the CWSRF and DWSRF Priority Rating Systems for use in the 2018 Intended Use Plans. Mr. Vines seconded the motion. The motion passed unanimously.

#### **Item N. Key Program Metrics Update**

Ms. Haynie presented the purpose of the metrics review and the items that will be presented for discussion at the April 2018 Authority meeting: (1) a detailed metrics analysis with the current priority points system, and (2) the impact of the affordability criteria. Mr. Colson stated that if there are additional items on which the Authority would like information, please let staff know as soon as possible.

Ms. Goodwin also stated that with the amount of funding that has been provided for the Asset Inventory & Assessment grants, it will be important to know the outcomes and that the Authority is not funding “reports that will sit on a shelf.” At the December 2017 meeting, the Authority suggested the possibility of a questionnaire to recipients of the AIA and MRF grants to learn if they found the process valuable. Mr. Colson stated that staff will address this, but as of now, very few of the AIA and MRF grants have been completed.

Mr. Colson stated that the Authority will not need to make final decisions at the April meeting regarding potential priority system changes based on the metrics analysis. If the Authority prefers, a conference call could be held in May or June to approve the changes.

#### **Item O. Master Plan Outreach Activities Update**

Ms. Durso presented on the local, legislative and national exposure of the Authority’s Statewide Water and Wastewater Infrastructure Master Plan and the positive feedback that has been received following presentations. Ms. Durso also updated the Authority on future presentations on the Master Plan, including at meetings with each of the 16 Councils of Government (COGs) across the state; these meetings are currently being scheduled.

Two members of the Master Plan Outreach Committee are no longer members of the Authority, and two additional members are needed. Ms. Adams volunteered to serve on the Committee. Mr. Colson requested that anyone else that is interested should contact him.

#### **Item P. 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 Q. Concluding Remarks by Authority Members, Chair and Counsel**

The Authority noted that from the information presented for the meeting today, it appears that the “points submitted” by the applicant have become much closer to the “points verified” by staff. This is indicative of good training provided for the applicants by the Division staff; this work of the staff is noticed and appreciated. As the Authority continues to fund AIA grants, it is interested in knowing about the grants awarded to systems in which the water and/or sewer rates are not adequate to support operations and maintenance (O&M) and capital needs, as well as not sufficient to support their debt. This will also be a good measure of the effectiveness of the grants.

The Authority is impressed with the state’s steps forward with the Master Plan and the foresight presented in the Plan for the infrastructure, organizational and financial management of systems.

The next Authority meeting will be a two-day meeting, April 18-19, 2018 in New Bern, NC.

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