

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 CDDBG-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.
