

State Water Infrastructure Authority
North Carolina Department of Environmental Quality
July 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
- JD Solomon, Vice President, CH2M
- 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
- 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. Members stated potential conflicts of interest as follows:

- Mr. Solomon: Will identify projects during the applicable Agenda Item.
- Ms. Hunnicutt: Will identify projects during the applicable Agenda Item.

Item B. Approval of Meeting Minutes

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

Action Item B:

- Mr. Vines made a motion to approve the April 20, 2016 Authority meeting minutes. Mr. Carswell 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 to report.

Item D. Chair's Remarks

The next funding application deadline is Sept. 30, 2016. Staff will hold application training at eight locations across the state during the first two weeks of August. The press release about the training was provided to the Authority members. Staff provided details about the Authority's next meeting to be held on Sept. 21, 2016 in Asheville.

Funding decisions will be made today for the Clean Water State Revolving Fund (CWSRF) loan program, State Wastewater Reserve projects, State Drinking Water Reserve projects, and – for the first time – the new Asset Inventory and Assessment grants and new Merger/Regionalization Feasibility study grants (Agenda Item J). The Chair requested feedback from the members during discussion of the new grants as to the quality of the applications, how the projects were described by the applicants, whether the priority system is working as intended, and any additional information that staff could present to applicants during training to help clarify the Authority's expectations for these applications.

Item E. Legislative Update

The governor signed the fiscal year 2016-2017 budget. The budget contains a non-recurring additional appropriation of nearly \$18.8 million. However, four projects are specified to be funded using these funds, leaving a net increase of \$2.1 million. The specified projects are for wastewater infrastructure improvements to a municipality located in a development tier three county, where the municipality has a population under 100 and has been issued Notices of Violation by the County and the Division of Water Resources (i.e., Love Valley), B.F. Grady Elementary School, the Town of Fontana Dam, and an as-yet-to-be-formed water and sewer authority in Rockingham and Guilford counties. The budget also transferred some de-obligated CDBG funds from the Department of Commerce to the Department of Environmental Quality, specifically for water and sewer infrastructure for public schools; more details will be presented during Agenda Item F.

A bill to consolidate the Authority's and Division's annual reports to the General Assembly was not passed during the session. The Authority had been included in a new coal ash bill but that portion was removed and the Authority will not be involved in determining water line extensions around coal ash basins.

Authority members Mr. Solomon, Mr. Stiles and Mr. Vines have been reappointed to the Authority with appointments ending in June 2018.

Authority member Ms. Hammond explained that House Bill 1059 allows the Local Government Commission (LGC) to put in place minimum education requirements for finance officers. The LGC has seen issues with small towns not having resources to hire or train staff. Rulemaking may be needed. The LGC is starting a pilot program at two community colleges and is working with the UNC School of Government and the community colleges to set up the pilot program. It is anticipated that the course would be similar to continuing education programs at the community colleges.

The Blue Ribbon Commission to Study the Building and Infrastructure Needs of the State will meet on August 1, 2016. Authority member Mr. Solomon is a member of the Commission and explained that before the short session began, the Commission conducted informational sessions. The Commission will begin planning for a decision-making process at their next meeting.

Item F. CDBG-I Funds for Public Schools

The fiscal year 2016-2017 budget transferred about \$4.5 million in de-obligated CDBG funds from the Department of Commerce to the Department of Environmental Quality for water and sewer infrastructure improvements for public schools. These funds have accumulated over about the past ten years. It will be necessary to amend the Annual Action Plans for each of these years and conduct public hearings for the amendments.

Typical problems include onsite wastewater systems and drinking water wells. Funds can be used to address issues with lead, but these funds will not re-plumb schools. The grantees must contribute a 10% match to cover the cost of grant administration, which consists of conducting the environmental review, preparing the engineering report, and ensuring compliance with the Fair Housing Act, the Davis-Bacon Act, and Section 3 requirements for hiring low income people for the project. The Division is working with the Department of Public Instruction to determine where there are schools with both a student population where 51% of students receive free or reduced cost lunches, and also a need for assistance resolving a water or sewer problem. Staff is working with the U.S. Department of Housing and Urban Development (HUD) to establish possible criteria for ranking potential projects.

Item G. Communications Update

The Division's Public Information Officer, Cathy Akroyd, presented an update on the Division's efforts to communicate the work of the Authority and the Division. These efforts have been extensive and include communication through press releases, print and broadcast media, the Department's blog and website, the Division's website, and Facebook and Twitter. The Division is developing a funding application webinar and holds training sessions, attends ribbon-cutting ceremonies, and attends and presents at conferences and meetings where a staff-designed booth with displays and informational materials is used.

Item H. Funding Program Decision Flow Charts

Staff presented recently-developed flow charts designed to provide more transparent information for the public about the Division's funding programs including the new Connect NC bonds funding. Three flow charts were presented: (1) Funding Program Applicability Decision Tree; (2) Connect NC Bonds Information; and (3) Affordability Criteria Applicability.

Item I. Funding Programs Cash Flow

The Chair presented an overview of the funding programs cash flow anticipated for the Fall 2016, Spring 2017 and Fall 2017 funding rounds. The cash flow includes both the anticipated federal and state funding levels and includes the Connect NC bond funds. The Connect NC bonds provide that any projects that will address wastewater-related EPA Administrative Orders (AO) will be eligible to receive up to one-third of the grant funds that are part of the bonds. To date, the Division is aware of two systems under an AO. As a result, it is possible that there could be relatively few wastewater bond grant funds available for systems that are not under an AO. The Division's loan fees are at 2%, which is slightly under the cost of administering the federal SRF programs; note that the Division administers these loans for 20 years as the loans are paid back. The fee is offset because interest is not charged during the several-year project construction period. The Division's loan and grant fees are one-and one-half percent and are set by statute.

Item J. Funding Decisions for April 29, 2016 Funding Round

Staff presented an overview of the funding decisions to be made for the CWSRF program, the State Reserve projects, the new Asset Inventory and Assessment (AIA) grants and new Merger/Regionalization Feasibility (MRF) grants.

- Ms. Hunnicutt identified a conflict of interest with AIA Project No. 7 and with MRF Project No. 3 because the applicant for both of these projects is the Broad River Water Authority.
- Mr. Solomon identified potential conflicts of interest with AIA Project No. 1 and No. 8 (the applicant for both of these projects is the City of Rocky Mount) and with AIA Project No. 31 (the applicant is the Town of Carolina Beach).

Ms. Lucasse stated that the test for Authority members regarding conflict of interest is whether they or their employers would benefit financially from a project being funded and/or whether the applicant was related to the Authority member. She noted that, as always, the determination of whether there is a conflict of interest is a personal decision. In response to a question, Ms. Lucasse explained that the mere fact that an applicant is located within a particular county does not automatically create a conflict of interest for the County Commissioners on the Authority who represent the county in which the applicant is based.

Item J.1 – Clean Water SRF

Sixteen complete, eligible applications were received with requests totaling \$117.8 million; the approximate amount available for this round is \$120 million. Question: if several large dollar projects are funded, how will it impact the amount available for the fall CWSRF funding round? Answer: approximately \$60 million will be available for the fall round and it is critical to obligate the federal funds because unobligated funds can signal that a state does not need the funds awarded to it. In addition, wastewater loan funds will be available from the Connect NC bonds. Question: Should there be a requirement for a minimum number of project benefit points for SRF projects? Answer: No; a low project benefit score does not indicate that there is no benefit from the project; it indicates that the particular benefit is not specifically prioritized in the criteria. In addition, this program loans funds that will be paid back; if a community is willing to take on this debt at the local level, it sees value in the project.

Action Item J.1:

- Mr. Solomon made a motion to approve as eligible for funding CWSRF Project Nos. 1 through 16. Mr. Stiles seconded the motion. The motion passed unanimously.

Federal Clean Water State Revolving Funds (CWSRF) Project Funding Approved by Authority on July 20, 2016

Project No.	Applicant Name	Project Name	Funding Approved
1	Lake Lure	Greenline	\$12,580,261
2	Albemarle	Sanitary Sewer Rehab. Phase 2 & WWTP Rehab.	\$4,384,000
3	Lumberton	Sanitary Sewer System Rehab.; 2016 Repairs	\$1,000,000
4	Charlotte	Sugar Creek WWTP Reliability Improvements	\$20,881,929
5	Cape Fear Public Utility Authority	Air Relief Valve Replacement	\$2,046,200

6	Cape Fear Public Utility Authority	Southside WWTP Interim Rehabilitation	\$6,158,625
7	Goldsboro	Phase 4 Sewer Collection Rehabilitation Project	\$6,268,382
8	Mocksville	Dutchman's Creek WWTP Renovation	\$3,000,000
9	Raleigh	Neuse River RRF Bioenergy Recovery Program - Anaerobic Digester Project	\$50,000,000
10	Hendersonville	Multi-area Streambank Restoration Project	\$2,982,484
11	Cape Fear Public Utility Authority	PS 137 Quail Woods Elimination	\$461,950
12	Johnston County	Swift Creek Interceptor	\$1,675,000
13	Taylorsville	Taylorsville WWTP Renewable Energy Project	\$306,500
14	Cape Fear Public Utility Authority	Pump Station 10 Force Main Replacement	\$3,923,500
15	Cape Fear Public Utility Authority	Pump Station 12 Force Main Replacement	\$1,766,000
16	Cape Fear Public Utility Authority	Greenfield Lake Outfall Phase 3 Sewer Replacement	\$344,451
Total CWSRF Funding Approved:			\$117,779,282

Item J.2 – State Reserve Projects – Drinking Water and Wastewater

Four complete, eligible applications were received for drinking water projects with requests totaling \$7.2 million. Thirteen complete, eligible applications were received for wastewater projects, with requests totaling \$26.8 million. A wastewater grant application was received from the Town of Fremont. Staff suggested that the Authority could add a condition that, if funded, the Town would need to participate in an analysis of consolidation with the Town of Eureka and/or Wayne County as a path toward a permanent infrastructure solution for both towns.

Item J.3 – Asset Inventory and Assessment Grants

One-hundred-eighty-two complete, eligible applications were received for AIA projects with requests totaling \$20 million. The priority system includes points for Project Benefits, System Management and Affordability. The Authority commented that the logic used by staff for project review and scoring was consistent with the intent of the Authority when it approved the priority criteria. Division staff noted that some applicants had applied for an AIA grant for drinking water and separately from an AIA grant for wastewater. During training, staff had told applicants that this was an acceptable approach that the Authority had previously discussed and approved. Division staff noted that several of the potential funding scenarios included funding only one type of AIA grant per applicant. The Authority discussed the possibility of partial funding of applications so that more applicants could receive some amount of funding.

Item J.4 – Merger/Regionalization Feasibility Grants

Ten complete, eligible applications were received for MRF projects with requests totaling \$490,000. The priority system includes points for Technical Status, Organizational Status and Affordability. The Authority commented that the quality of the applications and the number received was as anticipated.

Funding Decisions for Agenda Items J.2, J.3 and J.4

The total funding requested for Agenda Items J.2, J.3 and J.4 equals \$54.5 million; the amount available is \$8.69 million. Staff presented four potential funding scenarios that were discussed by the Authority.

Action Item J.2 for State Reserve Projects:

- Ms. Goodwin made a motion to approve as eligible for grant funding the Wastewater Reserve Projects No. 1 and No. 2 using grant funds, with no condition added for the Town of Fremont. Ms. Hunnicutt seconded the motion. The vote was 3 for and 4 against. The motion failed.
- Mr. Solomon made a motion to approve as eligible for grant funding Wastewater Reserve Project No. 1. Mr. Stiles seconded the motion. The motion passed unanimously.

State Wastewater Reserve Project Grant Approved by Authority on July 20, 2016

Project No.	Applicant Name	Project Name	Funding Approved
1	Trenton	2016 Wastewater Improvements Project	\$3,000,000

Action Item J.3 for Asset Inventory and Assessment Grants:

- Mr. Stiles made a motion to fund staff Scenario No. 4 which included only one application per applicant. The motion was not seconded.
- Mr. Solomon made a motion that the Authority could, as a matter of policy, allow a single applicant to receive separate funding for both a drinking water AIA grant and a wastewater AIA grant based on the Authority’s review of the points received for each project and that applicants would not be limited to receiving funding for only one type of AIA project. Ms. Hunnicutt seconded the motion. The vote was 6 for and 1 against. The motion passed.
- Ms. Goodwin made a motion to either fund an application in the full amount requested by the applicant or not fund an application at all (no partial funding of applications). The motion was not seconded.
- Ms. Hunnicutt made a motion to approve as eligible for funding AIA Project Nos. 1 through 6 and Nos. 8 through 39. Ms. Goodwin seconded the motion. Mr. Solomon recused himself from discussion of the motion and the vote. The motion passed.
- Ms. Goodwin made a motion to approve as eligible for funding AIA Project No. 7. Mr. Vines seconded the motion. Mr. Solomon recused himself from discussion of the motion and the vote. Ms. Hunnicutt recused herself from discussion of the motion and the vote. The motion passed.
- Ms. Hunnicutt made a motion to approve as eligible for funding AIA Project No. 40. Mr. Vines seconded the motion. Mr. Solomon recused himself from discussion of the motion and the vote. The motion passed.

- Ms. Goodwin made a motion to approve as eligible for funding AIA Project Nos. 41 and 42. Mr. Stiles seconded the motion. Mr. Solomon recused himself from discussion of the motion and the vote. The motion passed.

State Reserve Asset Inventory and Assessment Grants Approved by Authority on July 20, 2016

Project No.	Applicant Name	Project Name	Funding Approved
1	Rocky Mount	2016 AIA Wastewater Project	\$ 150,000
2	Henderson	Wastewater Infrastructure Assessment	\$ 125,000
3	Salisbury	Asset Inventory and Assessment Grant for Water	\$ 130,000
4	Lenoir	Sewer AIA Grant	\$ 140,000
5	Kinston	Wastewater Asset Management Plan	\$ 150,000
6	Pittsboro	Sewer Asset Inventory, Condition Assessment and Asset Management Planning	\$ 150,000
7	Broad River Water Authority	Water Asset Inventory and Assessment	\$ 150,000
8	Rocky Mount	2016 AIA Drinking Water Project	\$ 150,000
9	Mount Olive	Asset Inventory & Assessment Grant for Sewer	\$ 150,000
10	Winterville	Sanitary Sewer System Asset Inventory and Assessment	\$ 150,000
11	Tuckaseegee Water and Sewer Authority	Drinking Water Asset Inventory and Assessment - Phase 1	\$ 75,225
12	Tuckaseegee Water and Sewer Authority	Wastewater Asset Inventory and Assessment - Phase 1	\$ 74,801
13	Lenoir	Water AIA Grant	\$ 80,000
14	Wilson	Wastewater System Asset Inventory and Assessment	\$ 108,200
15	Lumberton	Sewer Mapping and Asset Management Plan	\$ 150,000
16	Newton	Water System Asset Management	\$ 150,000
17	Dublin	FY 16 Asset Management Plan - Wastewater System	\$ 15,000
18	Smithfield	Water Asset Inventory and Assessment	\$ 150,000

19	Montgomery County	Water Asset Management Plan	\$ 150,000
20	Salisbury	Asset Inventory and Assessment Grant for Sewer	\$ 130,000
21	Wilson	Water System Asset Inventory and Assessment	\$ 106,700
22	Roper	System-wide Wastewater Asset Inventory and Assessment	\$ 100,225
23	Newton	Wastewater System Asset Management	\$ 150,000
24	Smithfield	Wastewater Asset Inventory and Assessment	\$ 150,000
25	Taylorsville	Drinking Water AIA	\$ 54,268
26	Robbins	Water Asset Management Plan	\$ 97,587
27	Burlington	Sewer Asset Inventory, Condition Assessment and Asset Management Planning	\$ 150,000
28	Stantonsburg	Sewer System Asset Inventory & Assessment	\$ 100,000
29	Plymouth	Wastewater Asset Management Plan	\$ 146,585
30	Stoneville	Sewer Asset Inventory & Assessment Program	\$ 90,000
31	Carolina Beach	2016 AIA Wastewater Project	\$ 150,000
32	Pembroke	Wastewater AIA	\$ 150,000
33	Granite Falls	Water System Asset Management	\$ 150,000
34	Williamston	Water System Asset Inventory Assessment	\$ 150,000
35	Rutherford College	Drinking Water AIA	\$ 52,541
36	Bertie County Water District IV	Drinking Water Asset Inventory and Assessment	\$ 88,800
37	Sanford	Sewer Asset Inventory, Condition Assessment and Asset Management Planning	\$ 150,000
38	Hendersonville	Sanitary Sewer System Asset Inventory and Assessment	\$ 150,000
39	Wilkesboro	Water System Asset Inventory and Condition Assessment	\$ 150,000

40	Wilson County - Southeast Water District	Drinking Water District Asset Inventory and Assessment	\$ 90,000
41	Clyde	Water System Asset & Inventory Assessment	\$ 50,000
42	Robersonville	Water Asset Management Plan	\$124,512
Total Asset Inventory and Assessment Funding Approved:			\$5,129,444

Action Item J.4 for Merger/Regionalization Feasibility Grants:

- Mr. Vines made a motion to approve as eligible for funding MRF Project Nos. 1 through 2 and Nos. 4 through 10. Ms. Goodwin seconded the motion. The motion passed unanimously.
- Mr. Solomon made a motion to approve as eligible for funding MRF Project No. 3. Mr. Carswell seconded the motion. Ms. Hunnicutt recused herself from discussion of the motion and the vote. The motion passed.

State Reserve Merger/Regionalization Feasibility Grants Approved by Authority on July 20, 2016

Project No.	Applicant Name	Project Name	Funding Approved
1	Grover	Wastewater Treatment Merger/ Regionalization Feasibility Study	\$ 50,000
2	Handy Sanitary District	Sewer System Merger Study	\$ 50,000
3	Broad River Water Authority	Merger/Regionalization Study	\$ 50,000
4	Cleveland County	Merger/Regionalization Feasibility Grant for Sewer	\$ 50,000
5	Claremont	Wastewater Treatment Merger/ Regionalization Study	\$ 50,000
6	Handy Sanitary District	Water System Merger Study	\$ 50,000
7	Laurel Park	Water System Merger Feasibility Study	\$ 40,000
8	Pilot Mountain	Water Merger/Regionalization Feasibility Grant	\$ 50,000
9	Pilot Mountain	Sewer Merger/Regionalization Feasibility Grant	\$ 50,000
10	Lumberton	Regional Wastewater Study	\$ 50,000
Total Merger/Regionalization Feasibility Funding Approved:			\$490,000

Item J.5 – Duplin County Wastewater State Reserve Project No. 12

House Bill 1030 – 2016 State Appropriations Act provided an appropriation of \$1 million in grant funding to the Duplin County B. F. Grady Elementary School project. Duplin County had applied for a \$2.175 million grant for the same project (State Wastewater Reserve Program Project No. 12). Staff recommended that the Authority approve a loan in the amount of \$1.175 million for the project.

Action Item J.5:

- Mr. Solomon made a motion to approve as eligible for loan funding Wastewater Reserve Project No. 12. Mr. Stiles seconded the motion. The motion passed unanimously.

State Wastewater Reserve Project Loan Approved by Authority on July 20, 2016

Project No.	Applicant Name	Project Name	Funding Approved
12	Duplin County	B. F. Grady Elementary School Sanitary Sewer Improvements	\$ 1,175,000

Item K. Connect NC Bond Administration

Item K.1 – State Drinking Water Reserve Priority Rating System Proposed Modification

Staff recommended that a line item be added to the State Drinking Water Priority Rating System to make it consistent with the Drinking Water State Revolving Fund (DWSRF) Priority Rating System. The change will facilitate the development of clear and simplified application materials.

Action Item K.1:

- Ms. Goodwin made a motion to approve the change to the State Drinking Water Priority Rating System so that it is consistent with the DWSRF Priority Rating System. Mr. Stiles seconded the motion. The motion passed unanimously.

Item K.2 – Grant Percentage Matrix Proposed Modification

During application training for the April 2016 funding cycle, Division staff received comments and feedback about the affordability criteria. While no comments were received about Steps 1 through 3 of the methodology, several commented that the grant percentage matrix (Step 4) was too restrictive for small communities. Had Division staff received these comments during the public comment period, the comments would have been considered before the Authority approved the methodology.

The proposed modified matrix would provide 25% grant funding for some entities that have higher than median debt service per connection but lower than median monthly bills, as opposed to 0% grant funding using the current matrix. Division staff presented an example illustrating the difference in funding scenarios when using the current matrix and when using the proposed modified matrix.

Action Item K.2:

- Ms. Hunnicutt made a motion to approve the use of the modified matrix in Step 4 of the affordability criteria methodology during the funding rounds in which Connect NC bond funds will be available. Mr. Solomon seconded the motion. The motion passed unanimously.

Item L. Master Plan Committee Report

The Committee reported that since the Authority’s review of the Master Plan at its April 20, 2016 meeting, it has incorporated the Authority’s comments and made revisions, including the addition of an Executive Summary. The plan identifies near-term and longer-term activities for the Authority and the Division. A formatted version of Section 4 of the plan, which includes infographics, was provided to the

Authority. As the next step, staff will engage with key stakeholders to receive comments about the draft plan and continue working with the Master Plan Committee to finalize the draft document.

Item M. Proposed 2017 Authority Meeting Schedule

Staff proposed the following dates for regular meetings of the Authority in 2017: January 18, April 19, July 19, September 20, October 18, and December 13 or 20. The Authority preferred December 13. The Authority will take action to approve the 2017 regular meeting schedule at its September 2016 meeting.

Item N. 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 O. Concluding Remarks by Authority Members, Chair, and Counsel

The Authority appreciated receiving the applications electronically well in advance of the meeting date and had a better grasp on the time taken by applicants to prepare the applications and the time and level of detail with which staff reviewed the applications. The Authority remarked that it is evident when an applicant takes ownership and is involved in developing an application. The applicant's detailed understanding of the project may be reflected in a higher score for the application.

The next Authority meeting date is September 21, 2016; the meeting will be held in Asheville, NC.

Item P. Adjourn – The meeting was adjourned.
