

State Water Infrastructure Authority
North Carolina Department of Environmental Quality
March 4, 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 (by conference call)
- Dr. Patricia Mitchell, Assistant Secretary, Rural Development Division, Department of Commerce
- JD Solomon, Vice President, CH2MHill
- Cal Stiles, Cherokee County Commissioner

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
- Seth Robertson, State Revolving Funds 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

- 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 AA. Oath of Office for New Authority Member Johnnie Carswell

The following excerpt was read aloud from the letter that Mr. Carswell had received from the State Ethics Commission:

“This letter was dated March 3, 2016 and addressed to the Honorable Patrick L. McCrory, Governor of North Carolina:

Dear Governor McCrory:

Our office is in receipt of Commissioner Johnnie W. Carswell, Jr.’s 2016 Statement of Economic Interest as a prospective appointee to the State Water Infrastructure Authority (“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, but found the potential for a conflict of interest. The potential conflict identified does not prohibit service on this entity.

Commissioner Carswell will fill the role of an individual who is knowledgeable about, and has experience related to, direct federal funding programs. He is a Burke County Commissioner. Burke County could seek to receive loans or grants from the Authority. As such, he has the potential for a conflict of interest and should exercise appropriate caution in the performance of his public duties should Burke County come before the Authority for official action or otherwise seek to conduct business with the Authority.

Pursuant to N.C.G.S. 138A-15(c), when an actual or potential conflict of interest is cited by the Commission under N.C.G.S. 138A-24(e) with regard to a public servant sitting on a board, the conflict shall be recorded in the minutes of the applicable board and duly brought to the attention of the membership by the board’s chair as often as necessary to remind all members of the conflict and to help ensure compliance with the State Government Ethics Act.”

The Oath of Office was then administered to Mr. Carswell by Teresa G. Murray, Notary Public, Wake County; Ms. Murray is with the Clean Water Management Trust Fund within the Department of Environment and Natural Resources.

Item B. Approval of Meeting Minutes

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

Action Item B:

- Ms. Goodwin made a motion to approve the January 21, 2016 Authority meeting minutes. Mr. Stiles seconded the motion. The motion passed unanimously.

Item C. Attorney General’s Office Report

Mr. Reynolds had no items on which to report.

Items D. and E. Chair’s Remarks and Legislative Update

Chair Colson presented to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources (ANER) about the proposed affordability criteria and new grant types that will be available this spring. Two questions were raised: one about eligibility and who could apply, and one about whether or not inclusion of debt or debt service in the affordability criteria might incentivize communities going into debt in order to be eligible.

A member of the legislature asked that a concern be brought to the Authority regarding the funding decision made at the January 21, 2016 meeting for the Town of Yanceyville. The Town currently has a \$1.25 M CWSRF loan (approved in May 2014) which included \$0.5 M in principal forgiveness and the remaining \$0.75 M at 0% interest. Project costs had increased and in the 2015 fall application round, the Town applied for the entire project cost of \$2 M in grant funds from the CDBG-I program. In January 2016, the Authority awarded the Town \$0.75 M in grant funds to provide for the project cost increase. The concern: had the Town never applied for CWSRF funds, they might have been able to receive the entire project cost in grant funds. Q: Does the Authority want to reconsider this funding decision? A: Several Authority members stated that in January, the Authority had devoted quite a bit of time to the discussion of funding for this project; that if the Town was able to afford the loan previously they should

continue to utilize the loan funds; the Authority did assist the Town with grant funds to cover the increased project cost; the Authority did not change its funding decision.

The work for today includes making final decisions regarding the affordability criteria, state reserve project grants, asset inventory and assessment grants, and merger/regionalization feasibility grants. The spring application round deadline is April 29, 2016; the Authority will review the projects at its July 20 meeting. The Division will be conducting 5 application training sessions throughout the state at the end of March. Today the Authority will also consider proposed changes to the SRF Intended Use Plans; this will allow the Division to make its grant application to the EPA and draw down this year's funds as soon as possible.

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

Item G. Affordability Criteria

Public comment had been solicited on the draft affordability criteria starting on January 29 and ending on February 19. Six comments were received. The Authority had been provided copies of the comments along with the Division's response; each comment and response was presented to the Authority.

Action Item G:

- Ms. Hammond made a motion to approve the affordability criteria methodology as final. Ms. Goodwin seconded the motion. The motion passed unanimously.

Item H. State Project Grant Priority System

Public comment had been solicited on the draft state grant priority system starting on January 29 and ending on February 19. Five comments were received. The Authority had been provided copies of the comments along with the Division's response; each comment and response was presented to the Authority. Several comments dealt with water loss and Mr. Solomon commented that developing a good water loss audit program for the state should be kept in mind. One comment recommended that the due date for resolutions and other board action documents should be 30 days following the application submission deadline; the Division will accept resolutions and other board action documents until June 15 for the April 29 funding round. The comment received by the Chair at the ANER presentation regarding incentivizing debt had been considered by staff; staff proposed that the debt service/connection be removed from all of the state grant priority systems.

Action Item H:

- Ms. Hammond made a motion to approve the revised State Drinking Water Reserve and State Wastewater Reserve project priority systems. Mr. Stiles seconded the motion. The motion passed but with two "nay" votes.

Item I. Asset Inventory and Assessment Grant

Public comment had been solicited on the draft asset inventory and assessment grant starting on January 29 and ending on February 19. Six comments were received. The Authority had been provided copies of the comments along with the Division's response; each comment and response was presented to the Authority. There was discussion that two years might be needed for grantees to complete the scope of work. There was discussion regarding whether the grant funds could be used for the purchase of software for asset management and the concern that an entire grant might be used for this purpose; the Authority made it clear that software purchase alone is not the intent of these grants. Staff has and

will continue to convey the message that the funds are not intended only for software; the application which includes a narrative and responses to questions will define the intent of the applicant.

Action Item K:

- Ms. Hammond made a motion to approve the revised Asset Inventory and Assessment grant priority rating system. Ms. Goodwin seconded the motion. The motion passed unanimously.

Item J. Merger/Regionalization Feasibility Grant

Public comment had been solicited on the draft merger/regionalization feasibility grant starting on January 29 and ending on February 19. One comment was received regarding the timeframe to complete the work. The Division suggested one year; the Authority discussed that two years might be needed in order to coordinate with other systems and to encourage thoughtful consideration and a good stakeholder process.

Action Item J:

- Mr. Carswell made a motion to approve the revised Merger/Regionalization Feasibility grant priority rating system. Ms. Hammond seconded the motion. The motion passed unanimously.

Item K. Drinking Water SRF: Loan Priority Approval Modification

At its January 21, 2016 meeting for Agenda Item H.3 (Funding Decisions for Sept. 30, 2015 Funding Round: DWSRF), the Authority approved 26 projects. Following the meeting, staff determined what seemed to be one application for Junaluska Sanitary District was actually two. These are Project No. 29 and the previously not considered New Project No. 29A. The effect of revising the project ranking puts the New Project No. 29A as eligible to receive a DWSRF loan. DWSRF Project Nos. 27-31 are shown below with New Project 29A (highlighted in yellow) included. Staff noted that there were sufficient funds available for New Project 29A without impacting funding for previously approved projects.

Action Item K:

- Mr. Stiles made a motion to approve as eligible for funding New DWSRF Project No. 29A for the Junaluska Sanitary District. Dr. Mitchell seconded the motion. The motion passed unanimously.

Revised List of Federal Drinking Water State Revolving Funds (DWSRF) Project Funding Approved by Authority on Jan. 21, 2016 and March 4, 2016

| Project No. | Applicant Name | Project Name | Funding |
|-------------|-----------------------------------|---|-------------|
| 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 |
| 29A | Junaluska Sanitary District | Water Infrastructure | \$4,233,194 |
| 30 | Pine Knoll Shores | 2014 Advanced Meter Infrastructure Improvements | \$507,000 |
| 31 | Rutherford College | Town 2015 Water System Improvements | \$474,430 |

Item L. 2016 Intended Use Plans (IUPs) for CWSRF and DWSRF Programs

Each year, the application priority ranking methods used for the evaluation of applications to the DWSRF and CWSRF are proposed to the U.S. EPA in North Carolina's Intended Use Plan (IUP) for each program. Each IUP includes the Priority Rating System which contains the points that are applied by Division staff when an application is evaluated. Changes proposed for the 2016 IUPs are:

- Replace previous Section 4 – “Financial Situation” in the DWSRF Priority Rating System with a new Section 4 – “Affordability” that includes prioritizing LGU economic indicators worse than the state benchmark and higher monthly utility rates.
- Replace the previous Section 4 – “Financial Situation” in the CWSRF Priority Rating System with a new Section 4 – “Affordability” that includes prioritizing LGU economic indicators worse than the state benchmark and higher monthly utility rates.

The changes to the priority rating system for both the CWSRF and DWSRF reflect the affordability criteria adopted by the Authority in response to 2015 legislative changes. These changes are also consistent with required Federal criteria for determining disadvantaged communities.

The Division will hold a public meeting to receive public comment on each Draft IUP before it is submitted to the EPA; the public meeting will be scheduled as soon as possible.

Action Item L:

- Dr. Mitchell made a motion to approve the draft CWSRF and draft DWSRF priority rating systems for public review. Mr. Carswell seconded the motion. The motion passed unanimously.

Item M. Master Plan Committee Report

Master Plan Committee Chair Hunnicutt summarized the on-going work of the Committee. The first draft of the plan will be ready in early April for the Authority's review and will be discussed at the April 20, 2016 Authority meeting.

Dr. Mitchell noted that the Master of Public Administration (MPA) programs offered in the state don't specifically address water and wastewater infrastructure systems, yet it is one of the biggest challenges to newly-graduated town managers because they know very little about it. It may be important to consider how infrastructure management could potentially be added to the curricula of these programs.

Item N. Troubled Systems Protocol Update

The Division presented information obtained from the Local Government Commission (LGC) about unit letters that are sent to local government units by the LGC after review of the unit's yearly audit if there are findings that need to be addressed. Ms. Hammond, the Authority's LGC representative, presented information about the LGC Intervention Task Force; the goal of the Task Force will be to provide on-site intensive assistance to local government units that are in fiscal distress, and to partner with community colleges to help create teaching modules.

Item O. Planning for 2016 Work

Staff presented the Authority's 2015 accomplishments which include having awarded a total of \$564 million since January 2014. Focus areas for work by the Authority and Division in 2016 are aligned to the Authority's twelve duties per NCGS 159G.

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 Q. Concluding Remarks by Authority Members, Chair, and Counsel

The next Authority meeting date is April 20, 2016.

Item R. Adjourn – The meeting was adjourned.
