State Water Infrastructure Authority
North Carolina Department of Environmental Quality
July 14, 2021
Meeting Minutes

State Water Infrastructure Authority Members Attending Meeting via WebEx or by Phone

- Jon Risgaard, Acting Chair, Director, Division of Water Infrastructure
- Melody Adams, Director, Rural Grants/Programs, Rural Development Division, NC Dept. of Commerce
- Sharon Edmundson, Deputy Treasurer, State & Local Finance Division; Secretary, Local Government Commission
- Leila Goodwin, Water Resources Engineer
- Ed Goscicki
- Maria Hunnicutt, Manager, Broad River Water Authority
- Dr. Bernadette Pelissier
- Juhann Waller, Principal, JC Waller & Associates, PC

Division of Water Infrastructure Staff Attending Meeting

- Cathy Akroyd, Public Information Officer
- Kavitha Ambikadevi, Project Engineer, Drinking Water Projects Unit
- Linda Culpepper, Viable Utility Reserve Support
- Victor D’Amato, Supervisor, Viable Utilities Unit
- Sharon Davis, Technical Support, Business Office
- Jennifer Haynie, Program Development Coordinator, Viable Utilities Unit
- Logan Kluttz, Project Engineer, Wastewater Projects Unit
- Stephanie Morris, Grant Representative, CDBG-I Unit
- Ken Pohlig, Supervisor, Wastewater Projects Unit
- Susan Kubacki, Program Development Coordinator
- Allysa Rouse, Grant Representative, CDBG-I Unit
- Matthew Rushing, Project Engineer, Wastewater Projects Unit
- Colleen Simmons, Acting Supervisor, CDBG-I Unit
- Stacey Starkey, Grant Coordinator, CDBG-I Unit
- Vincent Tomaino, Supervisor, Drinking Water Projects Unit

Department of Justice Staff Attending Meeting via WebEx

- Jill Weese, NC Department of Justice; Assistant Attorney General, Environmental Division

Agenda Item A. Call to Order

Acting Chair Risgaard opened the meeting and reminded the members of the State Water Infrastructure Authority (Authority) of General Statute 138A which states that any member who is aware of a known conflict of interest or potential conflict of interest with respect to any matters before the Authority today is required to identify the conflict or potential conflict at the time the conflict becomes apparent.
Agenda Item B. Approval of Meeting Minutes

Acting Chair Risgaard presented the draft meeting minutes from the April 14, 2021 Authority meeting for approval.

**Action Item B:**
- Dr. Pelissier made a motion to approve the meeting minutes listed above. Ms. Goodwin seconded the motion. The motion passed unanimously.

Agenda Item C. Attorney General’s Office Report

Ms. Weese gave the Attorney General’s Office Report. She stated that all should be aware of ransomware attacks. The Attorney General’s Office has information related to ransomware attacks on their website. Additionally, North Carolina was the first state to settle a lawsuit with Juul, an e-cigarette company. This has been a major accomplishment for the State.

Agenda Item D. Chair’s Remarks

Acting Chair Risgaard congratulated Dr. Pelissier on her reappointment. Division staff have not received any information related to who will be appointed to fill the seat vacated when Cal Stiles resigned.

Acting Chair Risgaard stated that the current North Carolina Senate budget and Governor’s budget contain information related to American Rescue Plan (ARP) funds; however, nothing will be final until the final budget is approved. Both budgets contain a lot of funding, but huge differences exist between the Senate budget and Governor’s budget.

The Senate budget has $500 million for the Viable Utility Reserve (VUR). The Governor’s budget has funds related to distressed local government units (LGUs) but not specifically related to the VUR. An additional $550 million would go to the State Reserve Program (SRP); half of those funds are specially appropriated for specific projects.

The other half is designated mostly to “at risk” communities with the definition of “at risk” left to the discretion of the NC Department of Environmental Quality (DEQ). It could potentially be tied to the distressed community definition or the affordability criteria. $80 million are designated for study grants that would flow through the SRP while $100 million could support stormwater (both studies and construction projects). Those potential funds are not coming through a specific fund. It may go through DEQ, but it was not clear if the Authority would have purview over those funds. It is a lot of funding coming through and a lot of work. There may be an opportunity to take another look at prioritization.

Regarding the ARP funds, any project eligible under the State Revolving Fund (SRF) program would be eligible for ARP funds. This eligibility will open the door for the best use of those funds. All funding must be obligated by December 31, 2024 and be closed out by December 31, 2026, meaning that all funds would need to be distributed by December 31, 2026.

Agenda Item E. Division Overview and History

Jennifer Haynie gave the presentation.
**Summary**

Prior to 2013, water and wastewater funding was scattered across various agencies in the state, including the old Department of Environment and Natural Resources, Department of Commerce, and the Clean Water Management Trust Fund. This led to a variety of different funding deadlines and requirements as well as paperwork. In its 2013 budget, the NC General Assembly created the Division of Water Infrastructure (Division) as well as the Authority. The different funding programs (Community Development Block Grant – Infrastructure [CDBG-I], Clean Water Stater Revolving Fund [CWSRF], Drinking Water State Revolving Fund [DWSRF]) were all incorporated into the Division.

Once the Division was formed, several programs began. The Division worked with the Authority to develop and approve the affordability criteria. The Authority also approved the new planning grant programs, the Asset Inventory and Assessment (AIA) and Merger / Regionalization Feasibility (MRF) grant programs. These launched in March of 2016. In the Fall of 2016, the Division took applications related to the Connect NC Bonds. Funding for this program began in the Spring of 2017 and finished in the Spring of 2018. Additionally, the Authority approved the Master Plan, which launched in 2017. In conjunction with the Master Plan, the Division expanded its outreach program to discuss the Master Plan with various Councils of Government across the state.

Currently, the Division has almost 50 positions and is working to fill vacancies within the Division.

**Discussion**

Acting Chair Risgaard asked for discussion. There was none.

**Agenda Item F. Additional Funding Recommendations for CDBG-I Grants**

Colleen Simmons gave the presentation.

**Summary**

In the September 2020 funding round, the City of Elizabeth City submitted a joint water and sewer application for $930,000. This project would replace water and sewer lines co-located under Ray Street. When claiming Line Item 2.L points related to receiving credit for water and sewer infrastructure in the same footprint, the City received erroneous information related to how to complete the requirements related to this line item, which resulted in the City’s application falling outside of the fundable range for the CDBG-I program. The City contacted the Division and presented evidence of the erroneous information provided. Based on the information provided by the City, Division staff rescored the information, and the application was now within the fundable range.

Due to the increase in points so that the project landed within the fundable range, Division staff recommended to the Authority that the project at a cost of $930,000 be funded utilizing money from the upcoming 2021 CDBG-I grant.

**Discussion**

There was no discussion.
**Action Item F:**

- Mr. Goscicki made a recommendation that the Ray Street project be approved for funding. Mr. Waller seconded the motion. The motion passed unanimously.

**Agenda Item G. Funding Decisions for All Projects**

Vincent Tomaino gave the presentation.

**Summary**

For the Spring 2021 funding round, only funds from the DWSRF and CWSRF were available to be awarded. The DWSRF received 35 complete and eligible applications for a total of $331 million in requests. The DWSRF had approximately $74 million available. The CWSRF received 29 complete and eligible applications for a total of $280 million in requests. The CWSRF had approximately $75 million available. Related to the DWSRF, Division staff received feedback from applicants after the spreadsheets were posted. As a result of the feedback, staff re-reviewed the applications for the City of Sanford, Town of Fuquay-Varina, and Davie County. Sanford’s score shifted them into the funding range while Fuquay-Varina’s did not. Funding amounts for Davie County were adjusted.

Division staff proposed DWSRF funding for 12 projects for a total of $74,088,304 with $3,378,775 of that being Principal Forgiveness. Staff also proposed CWSRF funding for 13 projects for a total of $75,217,119 with $2,500,000 or that being Principal Forgiveness.

**Discussion**

Acting Chair Risgaard asked for discussion.

Ms. Goodwin asked for additional information related to the comments received. Mr. Tomaino replied that after the spreadsheets with funding recommendations were posted, Sanford and Fuquay-Varina provided several comments, which led Division staff to re-evaluate these applications. The most significant revision was a request for priority under Line Item 2.K.1 (a new interconnection for systems not previously connected). The interconnection did not appear as a separate line item in the budget but was, indeed, in the project.

Acting Chair Risgaard added that it is a typical process to post spreadsheets ahead of the meeting. It enables applicants to see the information and provide any comment.

Ms. Goodwin asked if any other projects had notable items. Acting Chair Risgaard replied that there were no additional projects of note. Staff were able to exceed the funding caps for this round and were able to offer $50 million in loans. Exceeding the cap was most likely related to the uncertainty surrounding the ARP. Additionally, fewer projects were received on the wastewater side, again, most likely due to the uncertainty associated with the ARP.

Mr. Goscicki noted that many highly ranked projects on the wastewater side were not funded because they would not take the funding offer. Acting Chair Risgaard stated that with the upcoming application training, staff would focus on this item. If applicants indicate they will not go below a certain percentage, they get skipped. It is an important tool in the application because staff do not
want to award Principal Forgiveness and loan to an application who will most likely not accept it. Staff wanted to do education to ensure applicants understand the ramifications of getting skipped.

Dr. Pelissier asked if some LGUs were asking for more Principal Forgiveness than was available and if any of those LGUs were distressed. Acting Chair Risgaard agreed. Some LGUs fit into that category. These LGUs have projects but either cannot or desire not to take on a loan. In theory, the Authority and Division could support those LGUs with VUR funds. Mr. Tomaino added that for the DWSRF, it has been fairly common to exceed the $500,000 Principal Forgiveness cap.

**Action Item G:**

- Dr. Pelissier made a motion to approve Project Numbers 1, 3, 6 through 14, and 20 for the DWSRF and Project Numbers 1, 2, 9 through 11, 15, 16, 18, 22, 24, and 26 through 28. Mr. Goscicki seconded. The motion passed unanimously.

**Agenda Item H. Approval of Revisions to Affordability Criteria**

Acting Chair Risgaard gave the presentation.

**Summary**

The affordability criteria consist of four steps that incorporate system size, LGU economic indicators, existing revenues, and a comparison of monthly utility bills and project cost per connection. Division staff re-evaluated the affordability criteria and identified three major issues that are discussed as follows:

- The data used to develop the affordability criteria come from a 2015 dataset and are out of date;
- The DWSRF program has routinely struggled to meet the minimum Principal Forgiveness amounts required by the capitalization grant from the U.S. Environmental Protection Agency (USEPA); and
- Local government units designated as distressed under G.S. 159g-45 may not meet all of the affordability criteria in steps 1 through 3.

At the April 10, 2021 Authority meeting, Division staff proposed updates to the affordability criteria, which were

- Utilize a combined utility bill for grant / Principal Forgiveness eligibility;
- Use conversion factors for single-service utilities;
- Use project cost per connection per month to determine grant / Principal Forgiveness eligibility; and
- Offer a provision for LGUs designated as distressed to move straight to step 4 of the affordability criteria.

At the April meeting, the Authority authorized the Division to take the affordability criteria out for public comment. The public comment period opened on May 7, 2021 and closed on June 4, 2021. The Division received comments from Carolina Water Service. These comments and responses were
summarized in the staff report for this agenda item. As a result of the comments, the Division proposed no changes to the affordability criteria. Division staff did recommend periodic re-evaluations of the affordability criteria.

Discussion

Acting Chair Risgaard asked for discussion.

Ms. Hunnicutt asked if single-service providers would use the conversion factor. Acting Chair Risgaard replied that they would.

Mr. Gosicki added for the record that the Authority had much discussion related to the affordability criteria.

Action Item H:
- Mr. Gosicki made the motion to approve the affordability criteria with the following:
  - Utilize a combined utility bill for grant / Principal Forgiveness eligibility;
  - Use conversion factors for single-service utilities;
  - Use project cost per connection per month to determine grant / Principal Forgiveness eligibility; and
  - Offer a provision for LGUs designated as distressed to move straight to Step 4 of the affordability criteria.

Ms. Goodwin seconded the motion. The motion passed unanimously.

Agenda Item I. Approval of Priority Rating Systems for the State Revolving Fund and State Reserve programs

Acting Chair Risgaard gave the presentation.

Summary

The Priority Rating Systems are applied to both the State Revolving Fund (SRF) and State Reserve Program (SRP) for construction projects. For the CWSRF and DWSRF programs, the Priority Rating Systems are part of the Intended Use Plans, which tells the USEPA how the Division will operate these programs and are submitted as part of the capitalization grant application. The Intended Use Plans are updated annually. The Priority Rating Systems are utilized to prioritize projects. They contain four major categories: project benefits, environmental benefits, system management, and affordability.

At the April 10, 2021 meeting, Division staff proposed no changes to the Priority Rating Systems. At the April meeting, the Authority authorized the Division to take the Priority Rating Systems for the SRF and SRP out for public comment. The public comment period opened on May 7, 2021 and closed on June 4, 2021. The Division received comments from Aqua North Carolina. These comments and responses were summarized in the staff report for this agenda item. As a result of the comments, Division staff recommended no changes to the Priority Rating Systems. Division staff
did recommend to revise Category 4: Affordability Criteria, to update Line Item 4.B in accordance with revisions made to the affordability criteria.

Discussion

Acting Chair Risgaard asked for discussion.

There was no discussion.

**Action Item I:**

- Ms. Goodwin made a motion to approve the Priority Rating Systems for the SRF and SRP programs with changes made to Line Item 4.B to reflect updates to the affordability criteria. Ms. Hunnicutt seconded the motion. The motion passed unanimously.

**Agenda Item J. Approval of Priority Rating Systems for the AIA / MRF Programs**

Matthew Rushing gave the presentation.

**Summary**

For the Asset Inventory and Assessment (AIA) grant program, Division staff have taken into consideration the creation of the Viable Utility Reserve (VUR) program as it relates to the Priority Rating System. In Line Item 1 (Project Benefits), Division staff determined that it would be best to add an additional line item (Line Item 1.A) that would provide two points for LGUs willing to participate in the viable utility process. The maximum amount of points in the Project Benefits category will not change, nor will the overall maximum points available change.

Related to the Merger / Regionalization Feasibility (MRF) grant program, Division staff proposed two modifications to the Priority Rating System. The first relates to clerical modifications to make the structure of the MRF Priority Rating System more parallel to the Priority Rating System for the AIA grant program. The name of Category 1 would change from Technical Status to Project Benefits. The name of Category 2 would change from Organizational Status to System Management. Second, Division staff proposed to modify Line Item 2.B to remove the requirement for a Unit Letter from the Local Government Commission (LGC) and in its place require that a LGU be designated as distressed.

At the April 10, 2021 Authority meeting, Division staff proposed to the Authority to revise the AIA and MRF Priority Rating Systems as discussed above. At the April meeting, the Authority authorized the Division to take these Priority Rating Systems for the AIA and MRF programs out for public comment. The public comment period opened on May 7, 2021 and closed on June 4, 2021. The Division received comments from Aqua North Carolina and WithersRavenel. These comments and responses were summarized in the staff report for this agenda item. As a result of the comments, Division staff recommended the following change to the Priority Rating System: Align the descriptions in Line Item 1.A of the AIA Priority Rating System and Line Item 2.B of the MRF Priority Rating System.

Regarding the AIA and MRF Priority Rating Systems, Division staff made the following recommendations to the Authority:
• AIA Priority Rating System: Add Line Item 1.A. and modify the description to match the description of Line Item 2.B. in the MRF Priority Rating System.

• MRF Priority Rating System
  o Modify category names for Category 1 from Technical Status to Project Benefits and Category 2 from Organizational Status to System Management and
  o Modify Line Item 2.B. from requiring an LGC unit letter to claim these points to requiring that an LGU be designated as distressed to receive these points.
  o Modify the description of the new Line Item 2.B. to match that of Line Item 1.A in the AIA Priority Rating System.

Discussion
Acting Chair Risgaard asked for discussion.

Ms. Adams asked how the Division would measure and evaluate the question for Line Items 1.A and 2.B. Mr. Rushing replied that the intent of the addition of Line Item 1.A in the Priority Rating System was to incentivize LGUs designated as distressed to apply for AIAs as well as to help them understand what the initial requirements are related to being designated as distressed and part of the Viable Utilities (VU) program.

Action Item J:
• Ms. Adams made a motion to approve the Priority Rating Systems for the AIA and MRF programs as follows:
  o AIA Priority Rating System: Add Line Item 1.A. and modify the description to match the description of Line Item 2.B. in the MRF Priority Rating System.
  o MRF Priority Rating System
    ▪ Modify category names for Category 1 from Technical Status to Project Benefits and Category 2 from Organizational Status to System Management and
    ▪ Modify Line Item 2.B. from requiring an LGC unit letter to claim these points to requiring that an LGU be designated as distressed to receive these points.
    ▪ Modify the description of the new Line Item 2.B. to match that of Line Item 1.A in the AIA Priority Rating System.

Mr. Goscicki seconded the motion. The motion passed unanimously.

Agenda Item K. Approval of Priority Rating System for Viable Utility Reserve Study Grants
Linda Culpepper gave the presentation.

Summary
Due to the limited amount of funding currently available in the VUR ($9 million non-recurring), the proposed Priority Rating System is focused on supporting study grants that will provide a good foundation for LGUs entering the program. The Priority Rating System contains two categories.
Category 1 consists of LGUs that have been taken over by the LGC. Category 2 consists of all other LGUs that have been designated as distressed. Category 2 is broken into bins related to the amount of Assessment Criteria points an LGU received. If LGUs have received the same score, “tiebreaker” points related to moratoriums, revenue outlook, service population, and addressing multiple LGUs would be used.

At the April 10, 2021 Authority meeting, Division staff proposed to the Authority to take the Priority Rating System for the VUR program study grants out to public comment. At the April meeting, the Authority authorized the Division to take this action. The public comment period opened on May 7, 2021 and closed on June 4, 2021. The Division received comments from Aqua North Carolina and WithersRavenel. These comments and responses were summarized in the staff report for this agenda item. While the Division recommended no changes to the Priority Rating System based on the comments, the Division did recommend that the Authority consider expanding prioritization to non-distressed LGUs as funds become available.

The Division proposed to the Authority that the Authority approve the Priority Rating System for the VUR program study grants as follows:

- **Category 1** – Distressed LGUs where the LGC has assumed control of fiscal affairs and distressed LGUs participating with these units in regional solutions
- **Fund all Category 1 study grant applications before considering those in Category 2**
- **Category 2** – All other distressed LGUs
  - >13 pts (16 units)
  - 11-12 pts (32 units)
  - 8-10 pts (39 units)
  - When LGUs have the same Assessment Score
    - Revenue Outlook: 15 points
    - Moratorium: 15 points
    - Service Population <1,000: 10 points
    - Address multiple distressed LGUs: 5 points
  - As needed, other factors that reflect the LGU's situation

**Discussion**

Acting Chair Risgaard asked for discussion.

Ms. Adams asked a question related to the objective piece of the process. She asked what the Division would require to say that they are engaged in, have initiated, and continue to make progress on committing to addition action items. Ms. Culpepper replied that as the Division has worked with LGUs that are designated as distressed, staff have focused on those LGUs under LGC control. Different LGUs are differently engaged in the process. Acting Chair Risgaard replied that the
resolution required to be completed by LGUs was important to ensure that all LGUs involved in the VUR process as partners were aware of the commitment rather than just the applicant.

**Action Item K:**
- Ms. Goodwin proposed to approve the Priority Rating System for the VUR study grants as follows:
  - Category 1 – Distressed LGUs where LGC has assumed control of fiscal affairs and distressed LGUs participating with these units in regional solutions
  - Fund all Category 1 study grant applications before considering those in Category 2
  - Category 2 – All other distressed LGUs
    - >13 pts (16 units)
    - 11-12 pts (32 units)
    - 8-10 pts (39 units)
    - When LGUs have the same Assessment Score
      - Revenue Outlook: 15 points
      - Moratorium: 15 points
      - Service Population <1,000: 10 points
      - Address multiple distressed LGUs: 5 points
    - As needed, other factors that reflect the LGU’s situation

Ms. Edmundson seconded the motion. The motion passed unanimously.

**Agenda Item L. Approval of Educational Component Required Under Session Law 2020-79**

Jennifer Haynie gave the presentation.

**Summary**

Under S.L. 2020-79, elected officials and utility staff of LGUs designated as distressed are required to attend initial education. The Division has developed an initial education training program that consists of four modules: Utility Management Basics, Infrastructure Best Practices, Organizational Best Practices, and Financial Best Practices. Details related to these modules may be found in the staff report for Agenda Item J of the March 10, 2021 Authority meeting.

Division staff plan to offer the education module via two different delivery mechanisms. The first will be offered by Division staff and resource agency partners. It will be in an in-person format and will consist of interaction between attendees in table groups as well as a full class, case studies, and networking during and between classes. To assess education effectiveness, a pre- and post-class quiz will be utilized. This training will be offered on a regional basis, hopefully placed with the Councils of Governments across the state for convenience of those attending the training. This training will be offered for free.
The other delivery mechanism will be via the NC League of Municipalities (NCLM) via their Advanced Municipal Leadership (AML) program. For this format, students will access each module online. To complete each module, they must take and pass a quiz before they can go on to the next module. At the end of the modules, the NCLM will require trainees to attend a live webinar discussion. This training will be a go-at-your-own-pace type of training and will be offered at a price set by the NCLM.

The Division recommended that the Authority approve the following:

- **Education scope** – Four modules: utility management basics, infrastructure best practices, organizational best practices, and financial best practices
- **Delivery mechanism** – In-person training or the NCLM’s AML program as described above

**Discussion**

Acting Chair Risgaard asked for discussion.

Ms. Goodwin asked if the participant would pay for the NCLM training or if the state would pay for it as part of the VU program. Ms. Haynie replied that if the NCLM would most likely ask its members to pick up the cost. This will be determined at a later date.

Dr. Pelissier asked what would happen if the trainings were held in the fall before an election and then a huge turnover happened. The LGUs that have been initially designated, Division staff desire to go ahead and begin the trainings in the fall. As new LGUs are designated, staff anticipate rethinking the initial training approach. Ms. Goodwin agreed. A point of entry might be when funding would become involved and elected officials would have to get training as part of the grant. Ms. Haynie agreed. There is no “hook” for LGUs to take initial training until they apply for funding and receive it.

Mr. Waller asked about the timeframe for completing the training. Ms. Haynie replied that the Division hopes to complete the training by the end of FY 2021-2022. A lot would depend on who comes in for funding. Staff will provide periodic updates on the training.

Ms. Hunnicutt asked if it was the intent to have peer-to-peer discussions at the local trainings. Ms. Haynie agreed that the Division would like to have keynote speakers who are local come and speak or resource agencies. Additionally, the in-person training would allow for networking.

Mr. Goscicki asked if training would be conducted by the Councils of Governments (COGs), resource agencies, or others. Ms. Haynie replied that all resource agencies would participate in conducting the trainings. Staff intend to place trainings at COGs if at all possible. Many COGs are willing to help in any way possible as well as other resource agencies.

**Action Item L:**

- Mr. Goscicki made a motion to approve the educational scope and delivery mechanism as follows:
- Education scope – Four modules: utility management basics, infrastructure best practices, organizational best practices, and financial best practices
- Delivery mechanism – In-person training or the NCLM’s AML program as described above

Dr. Pelissier seconded the motion. The motion passed unanimously.

**Agenda Item M. Approval of Timing for Reassessment of Distressed Designation and Eligibility of Non-Distressed Systems**

Linda Culpepper gave the presentation.

**Summary**

The legislation related to the VU program (§159g-45[d]) requires that the Authority and LGC review the distressed criteria on a frequency of no less than two every years. The Identification Criteria are as follows:

- Fiscal control by the LGC
- Missing audits
- Assessment Criteria
- Other information

For Identification Criterion #1 (LGC fiscal control), designation would be pre-approved based upon LGC action.

For Identification Criterion #2 (missing audits), notification would be sent to LGUs upon the first late audit. If a second year of audit information is missing, the LGU would be pre-approved by the LGC and Authority upon LGC notification.

For these designations, the LGC and Authority would concurrently consider these designations.

For Identification Criterion #3, the Division would conduct an annual review of the Assessment Criteria during the spring period (April to July). If a LGU has an assessment score above nine for a combined system or eight for a single-service provider, then the Division would provide notice of pending designation. Once notice of designation is received, the LGU could (1) contact the Division and LGC to request designation; (2) contact the Division and LGC to seek technical assistance; or (3) take no action. Consideration for designation would occur after the second year of exceeding the thresholds of the Assessment Criteria.

Regarding the 18 LGUs that were put “on hold,” the Division would provide notice of pending designation with reassessment to occur in the Spring of 2022. Potential designation would occur after this reassessment. FY 2019 audits were submitted for seven LGUs. These LGUs will be reassessed in 2022.

For Identification Criterion #4, new information considered should be related to the other Identification Criteria. The designation timeframe will depend upon specific information provided, and Division staff will provide notification to ensure a transparent process.
Ms. Culpepper also discussed non-designated systems in regional solutions. The potential regional partnerships are located in Cleveland County, Martin County, and Wayne County. Division staff identified two situations where a non-distressed LGU might be a potential candidate for VUR funding. First, a non-distressed LGU might partner with a distressed LGU as a potential partner for sharing resources or as part of regionalization with a larger LGU. Second, the non-distressed LGU might be a potential regionalization / merger partner.

When distressed and non-distressed LGUs agree to work together, Division staff would encourage these LGUs to meet together and to provide justification showing that such partnerships are reasonable. The LGUs would then be required to submit a resolution showing a willingness to work together and a commitment to the VU process. All partners would have to submit separate applications for funding from the VUR; however, one MRF study would occur for all partners. All project scopes would have to consist of a MRF study, which would be conducted first or simultaneously with the AIA and rate studies, which would be conducted to provide data for the MRF study.

Division staff recommended that the Authority approve the following:

- Assessment frequency
  - Identification Criterion #1 – Pre-approved by LGC and Authority upon assumption of fiscal control by LGC
  - Identification Criterion #2 – Pre-approved by LGC and Authority upon a second year of missing audit data
  - Identification Criterion #3 – Notification of potential designation after the first year above Assessment Criteria threshold, potential designation after the second year above Assessment Criteria threshold
  - Identification Criterion #4 – Designation timeframe dependent upon specific timeframe

- Non-distressed LGUs
  - Make VUR funds available to non-distressed LGUs willing to partner with distressed LGUs

**Discussion**

Acting Chair Risgaard asked for discussion.

Acting Chair Risgaard asked Ms. Culpepper to discuss the strategies related to the AIA and MRF and how Division staff were trying to identify recipients for MRFs and timing. Ms. Culpepper stated that the AIA would start first with the rate study beginning shortly after that. The rate study could not be completed until the alternatives related to the MRF are determined. There would need to be a discussion about the rate component and merger options. Acting Chair Risgaard stated that the Division had been receiving applications for AIAs, MRFs, and rate studies, and currently, Division staff had not identified a single LGU for the MRF, as the process had been an iterative process that staff were working through.

Ms. Goodwin stated that regarding Identification Criteria #1 and #4, she wanted to make sure the Authority would be allowed to automatically designate LGUs as distressed without taking further
action. Ms. Weese replied that she would like to investigate this further and suggested delaying approval for the timing of the reassessment of these two criteria until the next meeting. Acting Chair Risgaard suggested making a motion on Identification Criteria #3 and #4 and withholding approval of the reassessment for Identification Criteria #1 and #2 until September.

**Action Item M:**
Ms. Goodwin made a motion to approve the reassessment of Identification Criteria #3 and #4 and approve eligibility of non-distressed LGUs for VUR funds as follows:

- Identification Criterion #3 – Notification of potential designation after first year above Assessment Criteria threshold, potential designation after second year above Assessment Criteria threshold;
- Identification Criterion #4 – Designation timeframe dependent upon specific timeframe; and
- Make VUR funds available to non-distressed LGUs willing to partner with distressed LGUs.

Mr. Goscicki seconded the motion. The motion passed unanimously.

**Agenda Item N. Approval of VUR Study Grant Applications**
Victor D’Amato gave the presentation.

**Summary**
At its April 10, 2021 meeting, the Authority approved the Division to accept applications from LGUs that fall under Category 1 of the VUR Priority Rating System. This enabled distressed LGUs under LGC control (the Town of Robersonville, the Town of Eureka, Cliffside Sanitary District, and the Town of Kingstown), as well as associated potential partners, to submit applications for VUR study grants. In the months of May and June, the Division received applications from the following LGUs in Martin County: the Town of Robersonville, the Town of Everetts, the Town of Jamesville, Martin County, the Town of Parmele, and the Town of Williamston. The following LGUs in Wayne County submitted applications: the Town of Eureka, the Town of Pikeville, the Town of Fremont, the City of Goldsboro, the Town of Mount Olive, and Wayne County. The following LGUs in Cleveland County submitted applications: the Town of Kingstown, Cleveland County Water, the Town of Lawndale, and the Town of Polkville.

Division staff recommended that the Authority approve funding from the VUR for all of the AIA applications submitted by LGUs and MRF grants and rate studies $100,000 each for each of the three County-based partnerships (e.g., a total of $300,000 of MRF funding and $300,000 for rate studies).

**Discussion**
Acting Chair Risgaard asked for discussion.

Acting Chair Risgaard stated that some of the applications went before the LGC at their July 13, 2021 meeting. Ms. Edmundson replied that all of the AIA grants were approved by the LGC. None of
the rate studies and the MRF grants were approved pending Authority action. Approval could occur on August 3.

Acting Chair Risgaard asked, regarding the three partnership areas, which of them had a utility identified to receive the MRF and rate study grants. Mr. D’Amato replied that the Authority has approved the process and enabled LGUs not designated as distressed to receive funding, which allows for more latitude. For Cleveland County, Cleveland County Water is a natural lead due to its capacity.

Mr. Goscicki stated that in the Viable Utility Committee (VUC) meetings, the complexities and challenges related to having partners designate a lead has been an issue. He had not heard anything that would prevent a regional study. The Authority is not requiring an interlocal agreement or resolution that would recognize the lead; there is nothing that would prevent other LGUs from creating other partnerships. Acting Chair Risgaard agreed. Mr. D’Amato added that all applicants have submitted resolutions indicating their interest in working with potential partners.

Acting Chair Risgaard stated that Division staff have noted this challenge. The Division desires for the LGUs to choose the lead LGU. It has become clear that the Division needs to first help LGUs identify the lead LGU, then receive the application for the MRF and rate study. Mr. Goscicki stated that if the study shows that a group of LGUs is coming together successfully, the dollar limit could be increased if the scope of the study is increasing as well as the level of commitment. The challenge is to ensure the funding is spent wisely, which requires Division staff to work out the details. Ms. Goodwin agreed. Related to MRF grants, merging utilities is not necessarily the only solution; it does not mean that all LGUs would lose autonomy. Instead, it should be a very open process. There needs to be leadership within the LGUs as to who will run the grants. The expectation with the MRF grants would be to look at several alternatives, not just at who would be the leader, and to find the one alternative that would work.

Mr. D’Amato stated that within the Viable Utilities Unit, the Division is more hands-on and has a different level of ownership than in the past. Ms. Goodwin suggested that the guidance could have some confusion around who the grant applicant is. The lead LGU would be whoever is willing to lead the process in evaluating alternatives. She added that the Authority might not be ready to make a motion related to the MRF and rate study grants. She wanted to see applications with a clearer process. She asked if the AIA projects should move forward without a clear direction of the MRF work. Mr. D’Amato replied that all distressed LGUs are required to have an asset inventory and assessment completed. Non-distressed LGUs would apply their AIA funding to portions of their systems directly related to specific portions of the system. Ms. Goodwin asked if there was enough information to do so. Mr. D’Amato replied that he saw no risk in approving AIA grants for distressed LGUs. The non-distressed LGUs would be put on hold until the applicable portions of their systems could be determined. Mr. Goscicki stated that the Authority would need to see who the lead would be before approving MRF and rate study grants.

**Action Item N:**

- Mr. Goscicki made a motion to approve AIA study grants for the following LGUs:
Ms. Goodwin seconded the motion. The motion passed unanimously.

Agenda Item O. Approval of Potential for MRF Study Between Town of Jackson and Northampton County

Matthew Rushing gave the presentation.

Summary

Northampton County has unsuccessfully applied for a CDBG-I grant to run sewer to the Barrows Mill community. In the most recent application round, the cost per connection was $220,000 per connection. Rather than award funding, the Authority recommended further investigating alternatives to address this issue.

Northampton County has applied for a MRF from the SRP with the Town of Jackson as the partnering LGU to investigate alternatives to address failed septic systems in the Barrows Mill community (nine homes and two churches). These alternatives would need to be eligible for CDBG-I funding. Division staff will meet with the County and the Town to determine CDBG-I eligible activities.

The Division recommended that the Authority fund the $50,000 MRF grant for which the County has applied.

Discussion

Acting Chair Risgaard asked for discussion.

Dr. Pelissier asked what the options were for looking at decentralization and having the Town or County be responsible for it and how the Division would ensure that those alternatives would be examined. Mr. Rushing replied that traditionally, decentralization would not be an eligible activity to investigate. The centralized option would be considered, but the costs are always high. Non-centralized option sill be investigated, but the applicant would not be told what to do. Ms. Goodwin noted that regionalization does not have to be physical interconnection. If decentralization is the option, then the Authority and Division would need to be committed to that.

Mr. Rushing stated that the area has very poor soils, but decentralized options could be investigated off the property. Acting Chair Risgaard stated that it will very likely come back to a high connection cost, but the MRF grant would allow for the applicant to look for other alternatives. Mr. Goscicki stated that if the study were funded, it would need to look at other kinds of solutions. Ms. Goodwin agreed that the MRF study would need to look for solutions outside of the box. Mr. Goscicki stated that he would like to put into motion parameters that would not limit the scope but would provide...
options that would have to be in the scope such as distributive, onsite technologies. Ms. Hunnicutt stated that for grants, the scope could be worked out in the contract.

**Action Item O:**

- Mr. Goscicki made a motion to approve funding of the study for Northampton County with consensus that the Authority has given guidance for the objectives of the study. Ms. Hunnicutt seconded the motion. The motion passed unanimously.

Note: Dr. Pelissier left the meeting.

**Agenda Item P. Draft Fiscal Year 2020-2021 State Water Infrastructure Annual Report**

Jennifer Haynie gave the presentation.

**Summary**

The annual report for the Authority is a chapter of the Division’s report that is submitted to the NC Legislature and is a requirement in the General Statutes.

Regarding accomplishments, the Authority made over $500 million in funding awards, including over $100 million related to the Additional Supplemental Appropriations for Disaster Relief Act (ASADRA) program. The Authority also worked to establish the Identification Criteria and Assessment Criteria related to distressed LGUs in the VU program and began implementing the VU program, including awarding the first grants from the VUR (Emergency Operating Grants and study grants for Category 1 LGUs).

Related to construction programs, the CWSRF program continued to see the most projects funded and the most Principal Forgiveness used. For the first time, the Authority awarded loans from the SRP for wastewater projects and made its first grant award for the SRP for a drinking water project. Thirty-one AIA projects were awarded ($4.6 million) and ten MRF projects were warded ($500,000). Twenty-eight percent of complete and eligible projects (110 applications) were funded. For the VUR, the Authority warded approximately $150,000 in Emergency Operating Grants (EOGs) to LGUs under LGC control and made its first study grant awards of approximately $750,000.

Regarding water infrastructure needs and funding, the Division and Authority are in the process of updating the water and wastewater needs across the state. The work is being undertaken by the UNC Environmental Finance Center. The Authority also began utilizing the best practice areas found in the Master Plan for the VU program.

The Authority also heard information related to emerging practices across the state. Members heard from the Isothermal Regional Development Commission (now called the Foothills Regional Commission) about LGUs within their jurisdiction (the Counties of McDowell, Cleveland, Rutherford, and Polk). Envirolink provided an update on conditions at Cliffside Sanitary District. The DEQ Asheville Regional Office discussed water and wastewater infrastructure issues in their part of the state, which is the western portion of the state. Last, the NCDEQ Division of Environmental Assistance and Customer Service shared information related to the Environmental Stewardship Initiative.
The Authority also worked with Division staff to develop many aspects of the VU program, including the development of the Identification and Assessment Criteria utilized to designate LGUs as distressed. The Authority, in conjunction with the LGC, also made the first designations of distressed LGUs in April. The initial education scope and delivery mechanisms were also underway (approval occurred under Agenda Item L). The Authority began developing the Priority Rating System for VUR study grants (approval occurred under Agenda Item K). Last, the Authority worked with the Division to begin developing other aspects of the VU program.

The Authority noted potential issues related to notification for distressed designations. To address this issue, Division staff conducted VU orientation sessions virtually for all LGUs designated as distressed. Additionally, Division staff presented a reassessment methodology, which was partially approved under Agenda Item M.

During FY 2021-2022, the Authority will work with the Division to further implement the VU program. This will include the initial education for distressed LGUs, development of the Short-Term Action Plan, the Long-Term Action Plan, and Long-Term Financial Plan. The Authority will also continue to award study grants from the VUR and, funds permitting, construction grants.

In terms of recommendations, the Authority made the following recommendations:

- Provide secure source of adequate funding for Viable Utility Reserve;
- Limit or eliminate the pre-allocation of project funding; and
- Provide additional flexibility in establishing grant conditions.

Ms. Haynie asked for Authority members to provide comments by August 15.

**Discussion**

Acting Chair Risgaard asked for discussion. There was no discussion.

**Agenda Item Q. Draft 2022 Authority Meeting Dates**

Ms. Haynie presented the draft meeting dates for Calendar Year 2022. She asked for Authority members to provide any comment at the next meeting, where they would take action on these meeting dates.

**Agenda Item R. Informal Comments from the Public**

There were no informal comments from the public.

**Agenda Item S. Remarks by Authority Members, Acting Chair, and Counsel**

Acting Chair Risgaard thanked the Authority and Division staff for their hard work. Application training will begin shortly. Additionally, he anticipated a lot of funds going into the VUR.

Ms. Adams thanked staff for their preparation for the many agenda items.

Ms. Edmundson thanked staff and acknowledged the great relationship between the LGC and Authority as well as their staffs.
Ms. Goodwin thanked the Division for their hard work.

Mr. Goscicki stated that it was great to finally meet everyone in person.

Ms. Hunnicutt had nothing additional to add.

Mr. Waller thanked staff, and it was good to see everyone in person.

Ms. Weese stated that it was great to see everyone in-person after meeting virtually for 15 months.

**Agenda Item T – Adjourn**