

**State Water Infrastructure Authority**  
**North Carolina Department of Environmental Quality**  
**February 9, 2022**  
**Meeting Minutes**

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**State Water Infrastructure Authority Members Attending Meeting in Person or Via WebEx**

- Sharon Edmundson, Deputy Treasurer, State & Local Finance Division; Secretary, Local Government Commission
- Shadi Eskaf, Chair, Director, Division of Water Infrastructure
- Bill Goins, Commissioner, Surry County
- Leila Goodwin, Water Resources Engineer
- Ed Goscicki (via virtual)
- Maria Hunnicutt, Vice Chair, Manager, Broad River Water Authority
- Dr. Bernadette Pelissier<sup>1</sup>
- Juhann Waller, Principal, JC Waller & Associates, PC<sup>1</sup>

**Division of Water Infrastructure Staff Attending Meeting**

- Cathy Akroyd, Public Information Officer
- Linda Culpepper, Viable Utilities Unit
- Victor D’Amato, Supervisor, Viable Utilities Unit
- Jennifer Haynie, Program Development Coordinator, Viable Utilities Unit
- Susan Kubacki, Program Development Coordinator, Viable Utilities Unit
- Carol McDermott, Supervisor, Administrative Services Unit
- Jon Risgaard, Section Chief, State Revolving Fund Section
- Colleen Simmons, Supervisor, Community Development Block Grant – Infrastructure Unit
- Vincent Tomaino, Supervisor, Drinking Water Projects Unit

**Department of Justice Staff**

- Mary Lucasse, NC Department of Justice, Special Deputy Attorney General, Environmental Division

**Agenda Item A. Call to Order**

Chair Eskaf called the meeting to order and reminded all members 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 State Water Infrastructure Authority (Authority) is required to identify the conflict or potential conflict at the time the conflict becomes apparent.

Chair Eskaf indicated that no one signed up to comment online and that no members of the public were present in person.

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<sup>1</sup> Arrived after meeting began. Arrival is noted in the record.

Mr. Eskaf did a roll call. Ms. Adams was absent, and Mr. Goscicki was present virtually. Dr. Pelissier and Mr. Waller arrived at times noted in the record.

### **Agenda Item B. Approval of Meeting Minutes**

Chair Eskaf presented the December 8, 2021 meeting minutes and asked for questions.

#### **Action Item B:**

- Ms. Goodwin made a motion to approve the meeting minutes. Ms. Edmundson seconded the motion. There was no discussion. The motion passed unanimously.

### **Agenda Item C. Attorney General's Office Report**

Chair Eskaf introduced Ms. Lucasse as the Authority's new Department of Justice attorney.

Ms. Lucasse introduced herself. She had served with the Authority when it was first formed. Since Jill Weese retired, there might be some shuffling, but Ms. Lucasse will remain the Authority attorney until that happens, if it does happen. She offered to meet individually with Authority members if anyone had a question related to conflict of interest. She encouraged Authority members to contact her if needed.

Dr. Pelissier arrived.

### **Agenda Item D. Chair's Remarks**

Chair Eskaf thanked Ms. Lucasse for her attendance and noted that Jill Weese had retired before the Authority had a chance to thank her for her service.

Since the last meeting, Chair Eskaf established the Stormwater Funding Committee (Committee). The committee members are Juhann Waller, Leila Goodwin, Bernadette Pelissier. Chair Eskaf is also part of the committee. The Committee will begin by discussing a proposed Priority Rating System that can be potentially brought before the Authority for approval.

The Bipartisan Infrastructure Law (BIL) is not on the agenda. Funds from BIL are not yet available, but as they do become available in the coming months, Division staff will be communicating regarding that.

The Division continues to have funding for the State Revolving Funds (SRFs) and State Reserve Program (SRP) as well as Community Development Block Grant – Infrastructure (CDBG-I) funding. Funds from the American Rescue Plan Act (ARPA) are part of these funds. Interest in ARPA is currently high, and the final administrative plan was posted. A webinar was scheduled for Thursday, February 10, at 11 a.m. Application materials for the Spring 2022 funding round will be available soon on the website. The Spring 2022 Application Round will be the first round of ARPA funding for drinking water and wastewater. Five in-person training sessions have been scheduled with information on the website. One of the trainings will contain a virtual component. As of the meeting, approximately 160 people have registered, with over a hundred in-person and the remaining virtual. The trainings will occur from February 21 through March 3.

Fall applications are the main focus of the day, including grants from the Viable Utility Reserve (VUR). Those grants were also presented to the Local Government Commission (LGC) at their February 1 meeting. The LGC decided to table approval of the VUR Asset Inventory and Assessment (AIA) grants and Merger / Regionalization Feasibility (MRF) grants due to the funding amounts and the value of the grants. The next vote for approval of these grants will be on March 1.

### **Agenda Item E. Fall 2021 Application Round and Example Funding Scenario for All Projects**

Mr. Risgaard and Ms. Simmons gave the presentation. During the presentation, Mr. Waller arrived.

#### **Summary**

The CDBG-I unit received 12 complete and eligible applications for a total of approximately \$17.2 million requested in funding. In April 2021 and July 2021, the Authority pre-awarded Fiscal Year 2021 funds to four Fiscal Year 2020 funding round applicants. The pre-awards total \$5,224,549. The most recent state budget included \$5 million in funding for the CDBG-I, and Division staff utilized \$224,274 in de-obligated funds to complete the total needed. Therefore, none of the applicants who submitted applications in the Fall 2021 application round will be funded.

Funding available to be awarded at this meeting included funds from the Clean Water State Revolving Fund (CWSRF), Drinking Water State Revolving Fund (DWSRF), SRP (loans and grants) and the VUR.

The VUR had approximately \$4.7 million available in funding for AIA and MRF grants. Division staff set aside a small amount for any Emergency Operating Grants that may be necessary in the future. For the DWSRF, the Division had approximately \$55 million available while the CWSRF had approximately \$87 million available. The grants available in the SRP could be used for AIA or MRF grants or construction grants. Approximately \$11.4 million was available. For SRP loans, approximately \$9.4 million was available. Overall, approximately \$167.5 million was available for the Authority to award this round

The Division received 37 drinking water applications (\$390 million), 30 wastewater applications (\$367 million), 124 applications for the SRP-AIA (\$18 million), 56 applications for the VUR-AIA (\$11.7 million), and 18 MRF applications (\$1.7 million). The total funding requested was approximately \$780 million. Regarding the AIA applications for the VUR, many of these applications were also requesting funding from the SRP-AIA program.

Regarding the SRFs, the DWSRF and CWSRF programs have Principal Forgiveness, targeted interest loans based on the affordability criteria, and loans at half-market rate available. Additionally, the CWSRF has a one-percent interest rate reduction for green projects. Loan limits are \$20 million for the DWSRF and \$30 million for the CWSRF. For construction projects in the SRP, applicants can receive \$3 million per applicant every three years for grants and targeted-rate loans and \$3 million per applicant every year for loans. AIA grants from the SRP have a grant limit of \$150,000 per applicant per system type every three years while MRF grants from the SRP have a grant limit of \$50,000 per applicant per system type every three years.

For the DWSRF, 37 projects were complete and eligible (\$389,551,093 requested) with \$55 million available. For the CWSRF, 30 applications were complete and eligible (\$366,583,124 requested) with

\$87 million available. These same projects were also eligible for construction grants and loans from the SRP.

Regarding the VUR, approximately \$4.7 million was available. A \$15 million funding cap per recipient exists in the VUR. For the Fall 2021 round, only study grant applications (AIA and MRF) were accepted. For these study grants, the statutes do not specify funding limits.

For all of the funding sources, no funds from ARPA would be expended.

### Discussion

There was no discussion.

### **Agenda Item F. Funding Decisions for All Projects**

Mr. Risgaard gave the presentation.

### Summary

Each spreadsheet provided example funding scenarios recommended by the Division.

### Merger / Regionalization Feasibility Grants

For the VUR, all VUR-eligible MRF applications were prioritized using the VUR Priority Rating System for study grants approved by the Authority in 2021. Projects eligible for funding from the SRP were prioritized using the MRF Priority Rating System approved by the Authority in 2021.

There were 18 eligible MRF applications (five projects [\$718,000] for the VUR and 12 projects [\$600,000] for the SRP). Two VUR-eligible projects were within the funding range for the SRP and were recommended by Division staff to be funded from the SRP rather than the VUR. Also, the potential VUR funding scenario maintains the needed buffer for any Emergency Operating Grants.

The Lumber River Council of Government (LRCOG) submitted two applications, one for wastewater and one for drinking water on behalf of the Towns of Fairmont, Fair Bluff, Boardman, Cerro Gordo, Proctorville, and Rowland. The applications consisted of costs for duplicative projects, so staff recommended allowing the LRCOG to combine the project scopes of both applications to fund a combined application of \$383,000.

### Asset Inventory and Assessment Grants

For AIA grants, the Division recommended funding 33 applications, eight from the VUR (\$2,405,900) and 25 from the SRP (\$3,730,000). Staff prioritized the applications to be funded from the VUR utilizing the study grant Priority Rating System that was approved by the Authority in 2021 for the VUR and for the AIA grants recommended from the SRP used the Priority Rating System for AIA grants approved by the Authority in 2021.

Funds within the SRP were available to fund AIA applications with a priority score of 19 or greater. Two VUR-eligible applications were within this funding range, and staff recommended funding them from the SRP rather than the VUR.

The Town of Pikeville submitted two AIA applications for more than \$700,000 of funds to conduct AIA work for their drinking water and wastewater utilities. The applications did not indicate any previously obtained funding; however, the Town received \$300,000 in VUR-AIA funding for their utilities in July 2021. Staff recommended no additional funding at this time.

### Drinking Water Projects

Division staff recommended the funding of ten projects with \$50,184,657 in DWSRF loans, \$3,000,000 in DWSRF Principal Forgiveness, \$2,123,360 as SRP grant, and \$366,000 as SRP loan. After the funding spreadsheets were posted, the Town of Franklin indicated to staff that their project was funded in the Spring 2021. The Town of Pilot Mountain funding amounts were also revised based upon feedback after the funding spreadsheets were posted. Therefore, staff revised the recommendations to further fund the Town of Fuquay-Varina, which is the last funded project after meeting the 15-percent small system funding requirements.

### Wastewater Projects

Division staff recommended the funding of 15 projects with \$79,726,699 as CWSRF loans, \$2,500,000 as CWSRF Principal Forgiveness, \$9,048,494 as SRP grants, and \$4,939,998 as SRP loans. The Cape Fear Public Utility Authority, Walnut Street Pump Station project was eligible for and recommended to receive funding from the CWSRF Green Project Reserve.

### Discussion

Chair Eskaf asked for any questions.

Regarding the projects that were requiring LGC and Authority funding approval, Ms. Goodwin asked if there was any additional information needed regarding these projects. Ms. Edmundson replied that the projects in Agenda Items F-1 and F-2 (funding recommendations for MRFs and VUR-AIA, respectively) were up for consideration the previous week by the LGC. The LGC's concerns related to the dollar amounts being awarded to smaller local government units (LGUs) and what the funding would cover. There was also a basic lack of understanding over the total process. Chair Eskaf added that this funding round was the first time for competitive funding from the VUR. Many of the AIA applications for the VUR were above the \$150,000 limit, and the cost of doing these studies varies. Once a part of the Viable Utilities (VU) program, these LGUs will have to fulfill other programmatic requirements outside of the funding. Division staff will be working with the LGC to provide more information and to better help them understand the process.

Ms. Goodwin suggested that Division staff seek out grant recipients who have completed AIA work in the past to report to the Authority what has been done with the funds. Ms. Hunnicutt stated that she would be happy to discuss what the Broad River Water Authority did with their AIA and MRF funding. She added that her authority is a medium-sized system that still struggled with completing the work. Chair Eskaf agreed. Staff will look into inviting AIA and MRF recipients to come and speak at a meeting in the near future.

Ms. Edmundson also stated that another question from the LGC related to how the grant amounts were determined related to the potential for vendors taking advantage of small towns. Mr. Goscicki stated the Authority conducted similar discussions related to rate studies. The study needs to be

designed around what is most appropriate for the utility's size and complexity. However, the consulting community will design the budget around the product being sold. He expressed concern that the same thing could occur with AIAs. Dr. Pelissier stated that AIA grants at \$150,000 limits might not teach the Authority and LGC about everything that would come out of an AIA grant from the VUR. She added that it would be good to hear from AIA recipients.

Mr. Goins asked if he had a conflict of interest related to Pilot Mountain. Ms. Lucasse replied that if he or a household member would benefit, then it would be a conflict of interest. Also, if he would be biased or preferenced to a positive outcome, then he would have to decide; however, if he like everyone in the county would benefit, then that would not necessarily be a conflict of interest. She also suggested that if he felt there was an appearance of a conflict, he could also recuse himself. Mr. Goins thanked her and determined that he could continue to participate.

**Action Item F:**

- Ms. Hunnicutt made a motion to fund MRF Project Nos. 1, through 5 and 8 from the VUR with Project Nos. 3 and 4 being funded as one project at \$383,000. Dr. Pelissier seconded the motion. The motion passed unanimously. Note: This approval was a conditional approval based upon the results of the LGC meeting on March 1, 2022.
- Dr. Pelissier made a motion to fund MRF Project Nos. 6 and 7, and 9 through 18 from the SRP. Ms. Hunnicutt seconded the motion. The motion passed unanimously.
- Ms. Hunnicutt made a motion to fund AIA Project Nos. 1, 2, 5, 6, 8, 9, 11, and 12 from the VUR. Dr. Pelissier seconded the motion. The motion passed unanimously. Note: This approval was a conditional approval based upon the results of the LGC meeting on March 1, 2022.
- Dr. Pelissier made a motion to fund AIA Project Nos. 1 through 25 from the SRP. Ms. Hunnicutt seconded the motion. The motion passed unanimously.
- Ms. Hunnicutt made a motion to approve the following drinking water projects:
  - Fund from the DWSRF Project Nos. 1, 2, 4, 8, 10, 12, 14, and 20; and
  - Fund from the SRP Project Nos. 3 and 6Dr. Pelissier seconded the motion. The motion passed unanimously.
- Mr. Waller made a motion to approve the following wastewater projects:
  - Fund from the CWSRF Project Nos. 3, 4, 6 through 8, 10, 12, 18, and 20; and
  - Fund from the SRP Project Nos. 1, 2, 3, 13, 15, 17, and 19.Mr. Goscicki seconded the motion. The motion passed unanimously.

**Agenda Item G. Update on Timeline and Plans to Award and Administer State Fiscal Recovery Funds**

Mr. Risgaard gave the presentation.

## Summary

Approximately \$754 million in grants will be awarded for water, wastewater, and stormwater projects in addition to regular SRF and SRP funding. The ARPA funds will be administered through the VUR, SRP, and a new fund entitled the Local Assistance for Stormwater Infrastructure Investment Funds. All projects must be eligible for and comply with federal and state requirements. Additionally, all funds must be expended by December 2026.

Division staff presented the proposed Administration Plan to the Authority on December 8, 2021 and then completed a public review period, which closed on January 12, 2022. Division staff reviewed all comments and made adjustments to the Administration Plan as needed. Chair Eskaf noted that during the comment period, the Division received several comments related to the Priority Rating Systems. Those comments will be considered when the Division reviews the Priority Rating Systems and presents them to the Authority. The final Administration Plan was posted to the Division's website on February 7. Changes to the administration plan were shown in yellow on the slides.

The first round of applications for ARPA will be due on May 2, 2022 (Spring 2022 funding round). In a change from the draft plan, Division staff now anticipate that the Authority will not award all VUR or "At-Risk" funds or planning / study grant funds in the Spring 2022 round. Division staff will evaluate all applications utilizing the existing Priority Rating Systems that were approved by the Authority.

Division staff do anticipate bringing projects for distressed LGUs that have a State Revolving Fund (SRF) that is not in disbursement to the Authority and LGC. This will be pending recipient acknowledgement and authorization from them. Any projects brought forward for funding conversion (see Agenda Item I) must be approved by both the Authority and LGC.

Regarding study grants, the Division will accept applications for water and sewer pre-construction projects. These applications will be evaluated using the approved water and wastewater Priority Rating Systems. Additionally, training and rate studies can be added to these applications and must be related to the project. Training grants will be \$2,000 per applicant and can reimburse mileage and registration costs. Training grants will be provided to LGUs designated as distressed under the VUR (see Agenda Item H).

For eligibility, any LGU currently designated as distressed or newly designated as distressed in April 2022 will be eligible for ARPA funds in the VUR. For "At-Risk" LGUs, Division staff modified one of the eligibility criteria so that LGUs serving one to 1,000 residential connections will be eligible. For systems with the primary purpose being to connect disadvantaged / underserved communities, applicants will need to base their claim on the DEQ Community Mapping System or information on the project area that will be provided in the application.

Related to limits, grants from the VUR will continue to be capped at \$15 million per LGU (or \$30 million for mergers). For "At-Risk" LGUs, the Division amended the administration plan so that in the Spring 2022, caps would be at \$15 million per applicant (\$30 million for regionalization). For the Fall 2022, caps would be the same; however, an additional \$5 million would be applied in priority order for any remaining funds. Spring 2022 awards would apply toward Fall 2022 limits. Last, otherwise-

awarded / appropriated ARPA funds count toward these limits. For other eligible LGUs, Division staff revised the administration plan so that the cap would be \$5 million with an additional increments of \$5 million applied in priority until no funds remained. Otherwise-awarded or appropriated ARPA funds will count toward these limits. Planning and study grants not in the VUR would be limited to \$400,000 for the 2021-2023 biennium.

On May 2, 2022, the Division will receive applications In July 2022 and later. The Authority and LGC (where applicable) will award the Spring 2022 ARPA grants. In March to July 2022, the Authority will review all Priority Rating Systems for approval ahead of the Fall 2022 funding round. On September 30, 2022, the Division will accept applications for the second round of RPA funding for water and wastewater projects. If funding is available, in February 2023, the Authority and LGC (where applicable) will award the Fall 2022 ARPA grants. If any funds remain after February 2023, those funds will be awarded in future application rounds.

Related to stormwater, ARPA contains funding for construction and planning grants. An Authority Stormwater Funding Committee has been formed and consists of Chair Eskaf, Ms. Goodwin, Mr. Waller, and Dr. Pelissier. The committee will work with Division staff to develop the stormwater Priority Rating System. Applications will be accepted in the Fall of 2022 (September 30, 2022) with applications being submitted in Spring 2023 (May 1, 2023) for any remaining funds. The statutory limit for these projects is \$15 million.

The Division plans to hold a webinar announcing the ARPA administration plan on February 10, 2022 and hopes to hold Q&A sessions with resource agency partners at various points in the near future. The Division is also administering application training in five locations across the state, including a virtual option attached to one of the trainings.

### Discussion

Chair Eskaf asked for questions.

Ms. Hunnicutt asked for more information related to swapping funds from other program. Mr. Risgaard replied that the plan is to allow distressed LGUs with loans to do the fund swap with the VUR ahead of time. Then “At-Risk” and other LGUs with loans in place would have the opportunity to apply for funding. They (distressed LGUs) will have the chance to acknowledge that they desire to de-obligate their funding.

Ms. Hunnicutt also wanted to confirm that any “On-Hold” LGUs would be considered to be “At-Risk.” Mr. Risgaard concurred.

### **Agenda Item H. Award of Training Grants to Distressed Local Government Units from the Viable Utility Reserve**

Mr. D’Amato gave the presentation.

### Summary



General Statute 159G-45(b)(2) requires that each distressed LGU must participate in an initial training and educational program approved by the Authority and LGC. The Authority and LGC approved the training program in July 2021. The initial training is called Utility Best Management Practices and is available via two platforms: on-demand for \$72 plus tax per person or in-person at no charge save for travel expenses. Additionally, LGU staff and governing board members must complete continuing education [G.S. 159G-45(b)(3)].

General Statute 159G-32(d) specifies the types of grants that the Department of Environmental Quality (DEQ) is authorized to make from the VUR. This includes training, which would enable LGUs to fulfill the statute, as training of governing board members and LGU staff is essential to ensure viability.

Division staff recommended that the Authority approve \$2,000 training grants to each LGU currently designated as distressed and designated later as distressed through Calendar Year 2025 for eligible training cost reimbursements. These grants would be able to be used for mileage expenses or registration expenses for training programs relevant to G.S. 159G-32(d). The total current commitment would be \$190,000 for the 95 LGUs currently designated as distressed.

#### Discussion

Chair Eskaf asked questions. There was no discussion.

#### Action Item H:

- Ms. Goodwin made a motion for the Authority to approve \$2,000 training grants to each LGU designated as distressed and designated later as distressed through Calendar Year 2025 for eligible training cost reimbursements. Dr. Pelissier seconded the motion. The motion passed unanimously.

#### Agenda Item I. Conversion of Funds from Clean Water State Revolving Fund / Drinking Water State Revolving Fund to Viable Utility Reserve Funds

Mr. Risgaard gave the presentation.

#### Summary

S.L. 2021-180 appropriated more than \$456 million of ARPA funds to the VUR for water and wastewater infrastructure projects in LGUs designated as distressed. Currently, 95 LGUs have been designated as distressed by the Authority and LGC. The Division's ARPA funding administration plan recommends that distressed LGUs have the option to replace existing loan funds with VUR funds provided by ARPA. Replacing funds to distressed LGUs will provide streamlined access to ARPA grant funds, relieve the financial burden of pending debt, and better ensure timely success of existing projects.

Any project eligible for VUR-ARPA funds must be limited by the restrictions in both ARPA and the VUR. Division staff have identified 18 previously funded existing projects as potentially eligible for this fund swap, and four additional projects awarded funding in Agenda Item F are also eligible. The potential conversion will result in \$48,500,000 (~10.6% of ARPA VUR funds) being awarded from the

VUR. Any LGU with an identified project must acknowledge in writing their request to convert funding.

Division staff is in the process of contacting LGUs to (1) verify the project remains eligible for funding and (2) provide the LGU with instructions to swap the funding source. The Division will bring its recommendation to the Authority and LGC for their approval at the March and April meetings.

### Discussion

Chair Eskaf asked for any questions.

Ms. Hunnicutt asked whether a project with disbursements for design but not construction would be disqualified. Mr. Risgaard replied that the Division would look into this issue. Staff would need to identify the costs early on to make sure that they would be eligible.

Mr. Waller asked about what would happen for swapped-out funds if the projects would go beyond the expiration date. Mr. Risgaard replied that if the project would go beyond the December 31, 2026 deadline, then the LGU should not request the swap. Any costs that would remain after that deadline would have to be covered by the LGU.

Ms. Goodwin expressed a concern that some LGUs were being put ahead of the rating process for ARPA. She asked if there would be a potential that these projects would not score high enough to be funded with ARPA. Mr. Risgaard acknowledged the point and added that the projects under considered were already identified as good projects since they were funded.

Mr. Goscicki stated that the biggest challenge facing the Authority and Division is the five-year deadline. Anything to help send out funding would be good. Chair Eskaf agreed, as any unspent funds will go back to the federal government. These projects already went through the competitive process and scored well enough to receive awards so the issue lies in determining if they are eligible for the VUR. If they do swap funding, the swap will count against their \$15 million cap.

### **J. Informal Comments from the Public**

There were no informal comments from the public.

### **K. Remarks by Authority Members, Chair, and Counsel**

Mr. Goscicki thanked the Division staff for a great job.

Mr. Waller echoed Mr. Goscicki's comments.

Dr. Pelissier echoed Mr. Goscicki's comments. She also recognized the growing complexity of the funding programs and thanked staff for listing funding rationales, etc. related to the recommendations.

Ms. Hunnicutt appreciated work by the staff and acknowledged that the work is enjoyable.

Ms. Goodwin thanked staff and other Authority members for the work completed.

Mr. Goins thanked staff and acknowledged what a good learning experience the meeting was.

Ms. Edmundson thanked staff for the work completed to help get the LGC onto the same page.

Ms. Lucasse acknowledged that it was good to be with the Authority and to work with them.

Chair Eskaf thanked staff for their work and acknowledged that it was his first time seeing the process in motion. He also thanked the Authority for their work.

**Agenda Item L – Adjourn**

The meeting adjourned at 11:55.