

State Water Infrastructure Authority
North Carolina Department of Environment and Natural Resources
December 11, 2014
Meeting Minutes

State Water Infrastructure Authority Members Attending Meeting

- Kim Colson, Chair; Director, Division of Water Infrastructure
- Gwen Baker, President, CDM Federal Programs, CDM-Smith
- Leila Goodwin, Water Resources Manager, Town of Cary
- Vance Holloman, Deputy Treasurer, Local Government Commission (LGC)
- Maria Hunnicutt, Manager, Broad River Water Authority
- Dr. Patricia Mitchell, Assistant Secretary, Rural Development Division, Department of Commerce
- JD Solomon, Vice President, CH2MHill
- Cal Stiles, Cherokee County Commissioner
- Charles Vines, Mitchell County Manager

Division of Water Infrastructure Staff Attending Meeting

- Julie Haigler Cubeta, Supervisor, Community Block Development Grant – Infrastructure Unit
- Francine Durso, Project Manager, Special/Technical Issues Unit
- Jennifer Haynie, Supervisor, Environmental and Special Projects Unit
- Seth Robertson, Supervisor, Wastewater Projects Unit
- Vince Tomaino, Supervisor, Water Projects Unit
- Jessica Leggett, Project Manager, Environmental and Special Projects Unit
- Sharon Davis, Supervisor, Administrative Services Unit

Department of Justice Staff Attending Meeting

- Mary Lucasse, North Carolina Department of Justice; Special Deputy Attorney General, Environmental Division
- 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 requires any member who is aware of a known conflict of interest or an appearance of a conflict of interest with respect to matters before the Authority today is required to identify the conflict or appearance of a conflict at the time the conflict becomes apparent. Members stated potential conflicts of interest as follows:

- Ms. Goodwin: DWSRF project for the Town of Cary (DWSRF No. 25) and DWSRF project for the Town of Apex (DWSRF No. 38) because this is a joint project by the Towns of Apex and Cary
- Ms. Baker: CWSRF project for Brevard (CWSRF No. 10) and WWTAG project for Brevard (WWTAG No. 11)
- Mr. Vines: DWSRF project for Bakersville (DWSRF No. 21)

Item B. Approval of Minutes of September and October 2014 Authority Meetings

1. Mr. Colson presented the draft meeting minutes from the September 18, 2014 SWIA meeting for review and approval.

Action Item B.1:

- Dr. Mitchell made a motion to approve the September 18, 2014 SWIA meeting minutes. Ms. Baker seconded the motion. The motion passed unanimously.

2. Mr. Colson presented the draft meeting minutes from the October 14, 2014 Special Meeting via Conference Call for review and approval.

Action Item B.2:

- Mr. Vines made a motion to approve the October 14, 2014 Authority meeting minutes. Ms. Baker seconded the motion. The motion passed unanimously.

3. Mr. Colson presented the draft meeting minutes from the October 27, 2014 Special Meeting via Conference Call for review and approval.

Action Item B.3:

- Ms. Goodwin made a motion to approve the August 8, 2014 Authority meeting minutes. Mr. Vines seconded the motion. The motion passed unanimously.

Item C. Attorney General's Office Report

Ms. Lucasse stated that due to a shift in responsibilities at the Department of Justice, today's meeting would be her last. Phillip Reynolds will be her replacement starting with the January 2015 meeting.

Item D. Chair's Remarks

The Authority's Annual Report was submitted by the Division to DENR's Office of Legislative Affairs on October 29, 2014. DENR submitted the report to the specified committees within the General Assembly on Nov. 19, 2014; the committees are the Senate Appropriations Committee on Natural and Environmental Resources, the House Appropriations Subcommittee on Natural Resources, and the Fiscal Research Division. A courtesy copy of the report was also submitted to the Environmental Review Commission (ERC) since the Authority's May 1 report was required to be submitted to the ERC. The Division also submits its annual reports to the General Assembly and the ERC.

Congress is working on a continuing resolution omnibus bill; one of the potential provisions may impact the timing of submittal of the Intended Use Plans (IUPs) for the CWSRF and DWSRF programs as follows: the capitalization grant from EPA must be awarded by the end of the Federal fiscal year or the grant will no longer be available to a state; previously the EPA has allowed two years to award the grant. The Division must prepare and submit the IUPs in early 2015 to ensure the grants are awarded in a timely manner and will bring this issue to the Authority at its January meeting. Within the bill, both SRF and CDBG funding levels would remain the same as this year.

Item E. Meeting Schedule for 2015

The Internal Operating Procedures of the Authority provide that prior to the first meeting of each calendar year the Authority shall approve a schedule of regular meetings for the subsequent calendar year (regular meetings). However, after the year's schedule has been approved, the Chair is authorized to make changes to the meeting dates if required with at least 7 calendar days' notice. The proposed regular meeting dates for 2015 are: January 15, March 19, May 21, July 23, August 13 and December 10.

Action Item E:

- Dr. Mitchell made a motion to approve the above meeting dates for regular meetings of the Authority. Mr. Holloman seconded the motion. The motion passed unanimously.

Item F. Review of Applications Received for October 2, 2014 Funding Round: State Grant Programs, CDBG-I, CWSRF and DWSRF

Information was presented summarizing the applications that were received on October 2, 2014. A total of 248 applications from 74 counties were received, requesting a total of \$469.6 million; approximately \$166 million in grant and loan funds are available to be awarded. Impacts of the 2014 Budget Bill were reviewed as follows: (1) if a project is located in a Tier 1 county and the project is required due to an EPA Administrative Order, that project is given funding priority, and it was noted that that this requirement affects all Division funding programs; and (2) in addition to the \$5 million in recurring state grant funds, a one-time grant amount of \$500,000 was provided by the General Assembly for project(s) meeting the above criteria. An overview of the requirements of each funding program was presented.

CWSRF Program and State Wastewater Reserve Program

For the CWSRF program, staff noted that the total amount requested of \$44.6 million was below the amount available for award of \$65 million; this is the first time there have been excess CWSRF funds available since 2011. Staff described the periodic oscillations in the CWSRF dollar requests. When significant funds are available, many applications are received; not all can be funded and many are turned away. In the next cycle, marginal projects don't reapply and also the requests for very large dollar amounts drop off. Then, more funding is available than is requested and the oscillation starts again. This is most likely the reason for the lower dollar amounts requested this cycle.

An application from the Town of Lake Lure was discussed. The Town applied for CWSRF funds in September 2013 and was also reconsidered for the April 2014 round but the project was not approved due to lack of funds. The Town later submitted the same CWSRF application requesting state emergency loan funds and it applied for CWSRF funding using the same application. Division staff discussed the application with the Division of Water Resources staff and it was determined that the project did not qualify for an emergency loan. Division staff proposed to the Authority that the project be considered for CWSRF loan funds since the applicant had applied to this funding program as well.

For the State Wastewater Reserve program, staff noted that nearly \$30 million was requested for WWHUC grants which greatly exceeded the amount of funds available. Considering the excess CWSRF funds potentially available, staff proposed to the Authority that CWSRF loan funds could be offered to those not funded with WW HUC funds due to lack of those funds. This would provide an opportunity for those seeking grants to consider a project loan to enable their projects to move forward soon, since no state grant funds will be available until fall 2015. Staff noted that this situation is likely unique to this cycle due to this combination of circumstances.

The Authority discussed the merits and concerns of these proposals. While the actions would advance the goal of better coordinating the funding programs, it could also set precedents. Concerns included that a process should be established and how the actions related to the work done in the past year on the priority criteria. The actions were supported especially if they were a one-time situation. Members discussed having excess funds yet turning away projects and staff noted that it is beneficial for the Division not to accrue funds. It was discussed that any excess funds could be added to the projected \$65 million for the spring 2015 funding round.

DWSRF Program

Regarding the DWSRF program, staff noted that the applications received for this round were the first to be evaluated using priority criteria to rank the projects instead of the previous "ready to proceed" model. The Authority's consideration of an optional line item worth 10 additional points as approved in March 2014 was reviewed; the additional points would be based on readiness to proceed within a given timeframe and for other project-specific factors deemed appropriate by the Authority.

Item G. Funding Decisions for October 2, 2014 Funding Round: State Grant Programs, CDBG-I, CWSRF and DWSRF

State Grant Programs

2014 Budget Bill Provision

Staff stated that two applications qualified for consideration for the \$500,000 that was provided by the General Assembly in the 2014 Budget Bill for project(s) located in a Tier 1 county and required due to an EPA Administrative Order. The City of Eden applied for funding for both projects under the WWHUC program (WWHUC Project Nos. 6 and 21). Staff recommended that WWHUC Project No. 21 be funded pursuant to the Budget Bill provision, noting that the request was for \$560,000 and that consideration of the overage of \$60,000 would be considered in the next discussion of funding for the other WWHUC, WWTAG, DWHUC and DWTAG applications.

Action Item G.1:

- Mr. Solomon made a motion to approve WWHUC Project No. 21 for the City of Eden for the Meadow Greens and Covenant Branch Pump Station/Force-main Relief project in the amount of the \$500,000 provided in the 2014 Budget Bill. Mr. Vines seconded the motion. The motion passed unanimously.

WWHUC, WWTAG, DWHUC and DWTAG

Under NCGS 159G, it is the Authority's responsibility to "determine the distribution of funds between public water system-related projects and wastewater-related projects, depending upon the number of applications for grants received and the priorities established ..."

Staff developed 3 example funding scenarios for consideration for the WWHUC, WWTAG, DWHUC and DWTAG applications. The Authority discussed the scenarios to determine the distribution of the \$5 million available for these awards.

The issue of potentially using CWSRF funds for WWHUC applicants was discussed. Q: is it known which applicants would accept a CWSRF loan if given the opportunity? A: some may not be able to take a loan due to financial issues, but it is not known which applicants would or would not be willing to take a loan. Staff suggested that the decision on WWHUC grant awards be made independently of consideration of which applicants might take a loan so as to avoid inadvertently remove a grant application from consideration. Q: how does staff develop the scenarios? A: staff takes the highest ranked projects in each category to create the scenarios. It was noted that Scenarios 1 and 3 each fund 19 projects, the difference being the level of funding for Franklinton; Scenario 1 partially funds Franklinton and three DWHUC projects while Scenario 3 funds three WWHUC projects and two DWHUC projects; both Scenarios 1 and 3 fund all eligible WWTAGs and DWTAGs.

Q: would Franklinton be able to fund the remainder of the funds through a loan? A: Mr. Holloman stated that Franklinton has recently come to the attention of the Local Government Commission (LGC) due to their financial difficulties and it would likely be difficult for the LGC to approve a loan. Q: under Scenario 3, would WWHUC Project No. 21 for the Town of Eden receive the \$500,000 as previously approved and then an additional \$34,811 from the \$5 million in grant funds; A: yes.

Action Item G.2:

- Mr. Solomon made a motion to approve Scenario 3 which would fund the projects shown in Tables G.2.A through G.2.D below. Mr. Holloman seconded the motion. The vote was taken by show of hands. The motion passed by a vote of 5 to 3.

Table G.2.A.
State Water Infrastructure Fund – Wastewater Reserve High Unit Cost (HUC) Grants Approved on Dec. 11, 2014

No.	Applicant	Project Name	Funding
1	Fremont	Wastewater System Improvements Lagoon	\$1,083,310
2	Franklinton	Wastewater System Rehabilitation Phase II	\$1,879,380
3	Clarkton	Collection System Project	\$480,600
21	Eden	Wastewater PS and Relief Force Main	\$34,811
Total Wastewater HUC Funding Approved:			\$3,478,101

Table G.2.B.
State Water Infrastructure Fund – Drinking Water Reserve High Unit Cost (HUC) Grants Approved on Dec. 11, 2014

No.	Applicant	Project Name	Funding
1	Louisburg	Water Improvements	\$645,000
2	Clarkton	Water System Improvements	\$196,300
Total Drinking Water HUC Funding Approved:			\$841,300

Table G.2.C.
State Water Infrastructure Fund – Wastewater Technical Assistance Grants (TAG) Approved on Dec. 11, 2014

No.	Applicant	Project Name	Funding
1	Asheboro	Penwood Branch Partial Sewer Evaluation and PER	\$49,999
2	Yadkin Valley Sewer Authority	Historical Jonesville Collection System Evaluation/Report	\$50,000
3	Lenoir	Lenoir Biosolids Study	\$50,000
4	Ramseur	Partial SSES Phase 2 and PER	\$50,000
5	Pikeville	Wastewater Treatment and Disposal Evaluation	\$50,000
6	Bailey	Regional Sewer Study	\$50,000
7	Lake Lure	Interconnect CWSRF Fund ER	\$50,000
8	Hookerton	WWTP Improvements Study	\$50,000
9	Woodland	Sanitary Sewer Evaluation Study	\$46,600
10	Brevard	I & I Mapping	\$50,000
12	Lowell	North & South Basins Sewer Investigation	\$50,000
13	Albemarle	Alum Sludge Disposal Study	\$34,000
Number of projects funded = 12; Total Wastewater TAG Funding Approved:			\$580,599

Table G.2.D.
State Water Infrastructure Fund – Drinking Water Technical Assistance Grants (TAG) Approved on Dec. 11, 2014

No.	Applicant	Project Name	Funding
1	Roper	Cause Treatment of TTHM and HAA5 Formations	\$50,000
2	Bessemer City	Water System Evaluation	\$50,000
Total Drinking Water TAG Funding Approved:			\$100,000

CDBG-I Grant Program

An applicant, the Town of North Wilkesboro, emailed a memorandum to each Authority member on December 10, 2014 regarding its project (CDBG-I Project No. 98). Staff explained that the application was determined to be incomplete because the information submitted regarding the two public hearings to be held by the applicant did not meet the requirements detailed in the CDBG-I Application Guidance document.

Five applications scored equally at 113 points. At its February 2014 meeting, the Authority approved the following considerations to be applied in case of a tie:

- Geographic distribution of the projects awarded in the current round
- Presence of matching funds
- Readiness to proceed

Staff developed 2 example funding scenarios for consideration; the Authority discussed the scenarios.

Action Item G.3:

- Ms. Goodwin made a single motion to approve CDBG-I Project Nos. 1 through 10 and to approve Scenario 2, which together would fund the projects shown in Table G.3 below. Ms. Baker seconded the motion. The motion passed unanimously.

Table G.3.

Federal Community Development Block Grant-Infrastructure (CDBG-I) Project Funding Approved on Dec. 11, 2014

No.	Applicant	Project Name	Funding
1	Enfield	Water System Improvements Phase 3	\$1,871,356
2	Fairmont	Sewer Rehab Project Phase II	\$1,765,000
3	Fair Bluff	2014 Sewer Ext & I/I Improvements	\$3,000,000
4	Seaboard	Main St/NC 305 Sewer Imp. & Ext.	\$655,848
5	East Spencer	Water System Improvement Project	\$2,407,000
6	Maxton	Water Loss Reduction Project	\$2,600,000
7	Mount Olive	Water Line Replacement	\$676,300
8	Mount Olive	Sewer Line Replacement	\$595,500
9	Marshall	Phase II Water System Improvements	\$2,045,000
10	Henderson	Newton Dairy Rd Gravity Ext/Birch/ Bobbit St Ext	\$1,532,400
11	Dover	2014 Sanitary Sewer Improvements	\$1,847,131
13	Pollocksville	2014 Water System Improvements	\$1,209,131
14	Robbinsville	Tallulah Cr. & Circle St. Areas Sewer Improvements	\$3,000,000
15	Edgecombe Co.	Sewer to Speed and Vicinity	\$2,981,569
Number of projects funded = 14; Total CDBG-I Funding Approved:			\$26,186,235

CWSRF Program

Action Item G.4:

- Mr. Holloman made a motion to fund CWSRF Project Nos. 1 through 9, and Project Nos. 11 through 21. Mr. Vines seconded the motion. The motion passed unanimously.

Action Item G.5:

- Ms. Goodwin made a motion to fund CWSRF Project No. 10. Dr. Mitchell seconded the motion. Ms. Baker recused herself from the vote due to a conflict of interest. The motion passed.

Action Items G.4 and G.5 together funded the projects shown in Table G.4 below.

Table G.4.

Federal Clean Water State Revolving Funds (CWSRF) Project Funding Approved on Dec. 11, 2014 for Applications to CWSRF Program

No.	Applicant	Project Name	Funding
1	Bay River MSD	Oriental Sewer Rehabilitation	\$745,675
2	Elm City	Pump Station Replacement	\$229,500
3	Yadkin Valley Sewer Authority	WWTP Rehabilitation	\$2,500,000
4	Taylorsville	Sewer Rehabilitation	\$1,085,575
5	Randleman	WWTP Aeration System Replacement	\$515,500
6	Mount Olive	WW Spray Irrigation System Upgrade	\$2,245,000
7	Winston-Salem	WWTP Combined Heat & Power System	\$4,907,676
8	Taylorsville	WWTP Rehabilitation	\$1,500,000
9	Boonville	Sewer Replacement	\$245,970
10	Brevard	WWTP Rehabilitation	\$8,950,000
11	Shelby	WWTP Composting Facility Upgrade	\$3,947,952
12	Boonville	WWTP Improvements	\$369,030
13	Granite Falls	WWTP Sludge Storage	\$600,000
14	Stanley County	Pump Station Expansion & Forcemain	\$1,121,043
15	Williamston	Sewer Extension to Annexed Area	\$4,230,300
16	Eden	Pump Stations Rehabilitation	\$3,000,000
18	Winterville	Sewer and Pump Station Replacement	\$2,127,020
19	Johnston Co.	Sewer Rehabilitation	\$828,764
20	Morehead City	New Pump Station and Forcemain	\$2,500,000
21	Albemarle	Leachate Pump Station and Forcemain	\$2,435,450
SEL1 *	Lake Lure	WWTP Upgrade	\$225,050
Number of projects funded = 21; Total of above projects:			\$44,309,505

* Applicant applied for State Emergency Loan (SEL) & CWSRF funding for this project; project ineligible for SEL.

Funding WWHUC Projects from Remaining CWSRF Funds

Staff clarified that 15 WWHUC projects would be eligible for funding from the CWSRF remaining funds. The Town of Andrews is eligible to receive CWSRF funds but not WWHUC funds because it does not meet the threshold to be eligible for state grant funds. If the Authority votes to offer CWSRF loans to these applicants and the loan offer is not accepted, the applications would be considered in the next State Wastewater Reserve program funding round in the fall of 2015.

Action Item G.6:

- Dr. Mitchell made a motion to the offer CWSRF loan funds for the WWHUC applications shown in Table G.5 below. Mr. Stiles seconded the motion. The motion passed unanimously.

Table G.5.

Federal Clean Water State Revolving Funds (CWSRF) Project Funding Approved on Dec. 11, 2014 for Applications to State Wastewater Reserve WWHUC Program

No.	Applicant	Project Name	Funding
WWHUC4 **	Stantonsburg	Sanitary Sewer Replacement	\$674,975
WWHUC5 **	Fremont	Wastewater System Improvements	\$611,740
WWHUC7 **	Elm City	WWTP Improvements	\$2,902,000
WWHUC9 **	Franklinton	Wastewater System Rehab Phase III	\$543,020
WWHUC10 **	Richmond	Cordova Sewer Rehab	\$2,347,315
WWHUC11 **	Ramseur	Wastewater System Improvements	\$843,900
WWHUC12 **	Clarkton	Equalization Basin Project	\$421,000
WWHUC13 **	Bay River MSD	Oriental Lagoons Rehab & Repair	\$1,379,500
WWHUC15 **	Yadkin Valley Sewer Authority	2015 WWTP Rehabilitation Project	\$2,500,000
WWHUC17 **	Louisburg	WWTP Improvements	\$350,000
WWHUC19 **	Hookerton	WWTP Improvements	\$2,922,200
WWHUC20 **	Hamlet	Walls Trailer Park PS & Force Main Replace.	\$687,500
WWHUC22 **	Dublin	Hwy 410 Pump Station Replacement	\$311,000
WWHUC23 **	Ranlo	West Pump Station Removal Project	\$314,855
WWHUC24 **	Andrews	WWTP Rehabilitation	\$1,107,600
Number of projects funded = 15; Subtotal of above projects:			\$17,916,605

** Applicants applied for WWHUC funds, but funds were not available; the Authority approved offering CWSRF loan funds to these applicants to provide an alternate means of funding

DWSRF Program

At its March 2014 meeting, the Authority approved the consideration of an optional line item worth 10 points based on a project's ready to proceed status if the application was filed before Sept. 30, 2013 and became ready to proceed by March 20, 2014. One DWSRF application met this criteria – DWSRF Project No. 20 for Buncombe County to install new water lines to 115 connections in an area with wells contaminated by a nearby EPA Superfund site.

Action Item G.7:

- Mr. Solomon made a motion to fund DWSRF Project Nos. 1 through 12 and to add ten points to Project No. 20 (Buncombe County) making it Project No. 13 as shown in Table G.6 below. Ms. Goodwin seconded the motion. The motion passed unanimously.

Table G.6.
Federal Drinking Water State Revolving Funds (DWSRF) Project Funding Approved on Dec. 11, 2014

No.	Applicant	Project Name	Funding
1	Gastonia	WTP Renovation: Membranes	\$30,000,000
2	Gastonia	WTP Renovation: Clearwell	\$5,000,000
3	Calypso	WTP Rehabilitation	\$1,642,000
4	Boonville	Water System Improvements	\$1,171,142
5	Elizabethtown	Water Well Replacement	\$436,050
6	Yadkin County	Water System Improvements	\$4,175,000
7	Albemarle	WTP Rehabilitation	\$8,953,500
8	Lenoir	WTP Rehabilitation	\$6,540,000
9	Morganton	WTP Clearwell Replacement	\$1,273,552
10	Asheboro	WTP Filter Replacement	\$2,082,070
11	Johnston Co.	WTP Filter Addition	\$3,381,700
12	Franklin	WTP Upgrade	\$3,578,750
13	Buncombe Co.	Asheville-Buncombe Co. CTS Water System Extension	\$1,726,782
Number of projects funded = 13; Total DWSRF Funding Approved:			\$69,960,546

Item H. 2015 Work Planning

At its September 2014 meeting, the Authority requested that time be made available at the December meeting to discuss work planning for 2015. Division staff suggested that the Authority's 12 powers and duties contained in the enabling legislation could be placed into four primary categories: Project Funding, Infrastructure Needs and Funding Sources, Best and Emerging Practices, and Troubled Systems. The Authority's discussion centered on the master planning element and the troubled systems element.

The audience and the purpose of the master plan was discussed; thoughts included: creating a high level compilation of best practices/guidance with suggestions for prioritization in line with those practices; would the plan be at the state or local level; a combination of traditional master/growth planning with emphasis on economic and environmental concerns; demonstrating the economic advantages of asset/master planning; communicating with local government units via the plan as well as addressing financial and technical issues; and to incorporate the other 11 powers and duties into the master plan under the four primary categories.

The Authority discussed what constitutes a ‘troubled system’; thoughts included: financials such as low cash balances; systems that are not sustainable because they do not charge enough to cover system maintenance and debt; possibly system size; the lack of regionalization opportunities; and the existence of serious public health and sanitation issues. The Authority also recognized that systems that are being sustainably managed should be rewarded for their proactive behavior in some way.

Each Authority member also ranked each of the 12 powers and duties. Division staff will present more information about the priority ranking and next steps at the January 2015 meeting.

Item I. 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 comments from the public.

Item J. Concluding Remarks by Authority Members, Chair, and Counsel

Ms. Baker stated that this was her last Authority meeting as she has been appointed to the Coastal Resources Commission. Ms. Lucasse advised that the Authority members should be looking to receive their evaluation letter based on their statements of economic interest and that these letters would need to be read into the meeting minutes when received. Mr. Colson thanked Ms. Baker for her work and Ms. Lucasse for advising the Authority as it started up.

Item K. Adjourn – The meeting was adjourned.
