

State Water Infrastructure Authority
North Carolina Department of Environment and Natural Resources
May 12, 2014
Meeting Minutes

State Water Infrastructure Authority Members Attending Meeting

- Kim Colson, Chair; Acting 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, Review Engineer, Design Management Unit
- Jennifer Haynie, Supervisor, Facilities Evaluation unit
- Mark Hubbard, Assistant Chief, Project Management Branch
- Seth Robertson, Supervisor, Design Management Unit
- Vince Tomaino, Supervisor, Drinking Water State Revolving Fund Unit
- Jessica Leggett, Review Engineer, Facilities Evaluation 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

Item A. Call to Order

Mr. Colson opened the session 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:

- Mr. Holloman: CDBG-I Project No. 59 – Town of Princeville
- Ms. Baker: Wastewater TAG Project No. 14 – City of Brevard High-strength WW Study; CWSRF Project No. 10 – City of Brevard Neely Road Pump Station & Force Main Rehabilitation; and CWSRF Project No. 17 – City of Charlotte McAlpine Creek WWTP Combined Heat and Power
- Mr. Colson – CWSRF Project No. 25 – Cumberland County Bragg Estates Sewer Extension

Item B. Approval of Minutes of March 20, 2014 Authority Meeting

Mr. Colson presented the draft meeting minutes from the March 20, 2014 SWIA meeting for review and approval. Ms. Goodwin requested a modification to Action Item E.3 to clarify that she had recused herself from this action item because it involved a joint project by the towns of Apex and Cary. Mr. Solomon requested a modification to the questions and answers following the Item J Presentation and stated that the reference to the LGC in the answer should be deleted.

Action Item B:

- Dr. Mitchell made a motion to approve the revised March 20, 2014 Authority meeting minutes with the two modifications described above. Mr. Vines seconded the motion. The motion passed unanimously.

Item C. Attorney General's Office Report

Ms. Lucasse inquired as to whether the members had completed their statement of economic interest and reminded members of the Ethics and Lobbying Education training that needs to be completed by September 11, 2014 which could be completed online. Ms. Lucasse addressed the issue of speaking opportunities for members of the Authority, recommending that members take a common sense approach and not speak for the Authority unless they had been authorized to do so. Ms. Lucasse stated that it is fine to speak at presentations, conferences, and meetings so long as a member is clear that they are speaking in their individual capacity.

Item D. Chair's Remarks

Mr. Colson discussed nominating a Vice Chair who would temporarily run a portion of a meeting if the Chair had a conflict with that portion.

Action Item D:

- Mr. Colson moved to nominate Ms. Hunnicutt as the Vice Chair. Mr. Vines seconded the motion. The motion passed unanimously.

Regarding speaking engagements, the Chair inquired as to whether procedures should be formalized in the Internal Operating Procedures (IOP) or could be handled on a common sense basis; members agreed that a common sense approach should be taken with no changes to the IOP. Ms. Lucasse stated that members could speak about what the Authority has already done as documented in meeting minutes and presentations, as well as items from the statute. Regarding discussion of items that might be addressed by the Authority in the future, she cautioned that the Authority is not a lobbying group. The Division was asked to prepare a standardized presentation, Frequently Asked Questions, and talking points for the Authority's use.

The Division submitted the Authority's Report to the appropriate Legislative Committees on May 1, 2014; as previously approved by the Authority, this report will be revised and resubmitted following today's meeting to include funding actions that will be taken today.

Item E. Review of Applications Received for April 1, 2014 Funding Round: Clean Water SRF, CDBG-I and State Grant Programs

Information was presented summarizing the applications that were received on April 1, 2014 and the state grant program requirements. Q: How does the amount of funds requested for the state grants compare with past requests? A: This program has not been funded in over a decade, so no recent comparisons are available. Q: Do the priority criteria for the state grant program set by the Authority

allow those in violation or those who may come into violation to get funding? A: This is factored into the priority system by looking at notices of violation, special orders of consent, and proactive management in system management. Q: Does the Authority have the ability to provide partial funding to a project? A: The Authority has the ability to approve the requested amount or less but the primary issue is whether an applicant could complete the project with less money; it is possible that while a project could receive a portion of the requested amount, the project might not be completed and this is particularly true for grant-funded projects where there is often no other source of funding available.

Wastewater High Unit Cost Grants

The Wastewater High Unit Cost (WW-HUC) grant spreadsheet showing the applications received was reviewed. Q: Is the Town of Yanceyville recommended for CWSRF funding? A: The total CWSRF loan request was for \$1.5 million but this project is eligible for principal forgiveness (PF) so the total recommended PF is \$497,000 while \$752,000 would be offered as a CWSRF loan. Q: Regarding Robbinsville, was a business case presented for installing the belt filter press that has been onsite for many years? A: The application does not require a business case however, even if the town did not have the belt filter press onsite, the application would have scored the same WWTP rehabilitation/ replacement because the plant permitted capacity is not being increased. Q: Regarding Andrews, what is the condition of the trickling filter plant? A: Based on the application documentation, the plant condition appears to be poor; the town also applied for a technical assistance grant (TAG) to evaluate WWTP modifications. Q: Do the application forms request information about property taxes that local government units charge? A: No. Mr. Holloman added that the number of towns that do not charge a tax is very small and that any town with a water and sewer system will most likely charge a property tax.

Wastewater Technical Assistance Grants

The Wastewater Technical Assistance Grant (WW-TAG) spreadsheet showing the applications received was reviewed.

Drinking Water High Unit Cost Grants

The Drinking Water High Unit Cost (DW-HUC) grant spreadsheet showing the applications received was reviewed. Discussion occurred about the project application by the Town of Fontana Dam to replace its water treatment plant. Authority members discussed the age of the plant, the purpose for which it was built, the formation of the Town and institution of water fees, and the nature of the permit violations (violations are bacteriological causing frequent boil water notices). Mr. Holloman stated that the town owns the system and described the town's financial situation related to a DWSRF loan: much of the town is located on federal land so there is no property tax except for vehicles; for over one year, the LGC has been unable to approve the town to take on a DWSRF loan of \$877,000 due to its lack of security for the loan and the LGC does not see how this situation can be changed. Staff stated that the grant was intended to replace the DWSRF loan and noted the cost has increased since that time; if the grant were approved, the DWSRF loan money would then be available to offer to other projects to be reviewed this fall. Concerns were raised over the potential of essentially providing a grant to a private entity since the town of 190 fulltime residents has one primary customer, the Fontana Village Resort, and that most of the residents work for and live at the resort. Mr. Holloman stated that would not be the case because the town owns the system and the grant would be to the town. There are 272 connections to the water system which includes a few residential customers and businesses, but are primarily for the Resort's cabins, lodges, restaurants, gift shop, etc. A \$500,000 North Carolina Rural Economic Development

Center grant was awarded to Graham County; the grant is still available and Graham County agrees that the town should receive it.

Regarding the Town of Clarkton's project: Q: Why are 1.5-inch water lines going to be replaced with 6-inch lines? A: The smallest water line that can be approved is a 2-inch water line but best engineering practice is to install 6-inch lines to provide for fire flow; only a compelling reason will allow for a smaller size. Q: Is this project eligible for a DWSRF loan? A: Yes as installing in 6-inch lines to replace a smaller line is not considered to be upsizing. Regarding the Town of Saluda's project: Q: Is the interconnection for emergency purposes or regular use? A: Emergency purposes only.

Drinking Water Technical Assistance Grants

The Drinking Water Technical Assistance Grant (DW-TAG) spreadsheet showing the applications received was reviewed.

Community Development Block Program – Infrastructure

The spreadsheet showing the applications received for the CDBG-I grant program was reviewed. Dr. Mitchell asked whether, as a previous county manager who worked with West Jefferson, she had a conflict because West Jefferson was an applicant. Ms. Lucasse stated that her occupation was a past occupation. So long as Dr. Mitchell had no role in the project or monetary investment, then there would be no conflict.

Q: Have any applicants made funds available? A: Yes; if new lines are being extended to existing homes, the applicant must provide the funds to connect the homes; Farmville has made \$40,000 available and Hoffman has made \$75,000 available. Q: Hoffman has requested a \$500,000 loan from CWSRF, out of a total project cost of \$7 million; is the CDBG-I application for the same project? A: The request is for the same project but the CDBG-I program has a \$3 million cap; the \$7 million is for the entire town; these smaller amounts will fund Phase I of the project.

Clean Water State Revolving Fund

The spreadsheet showing the applications received for the CWSRF program was reviewed. The Authority requested that the county tiers be included in the spreadsheet as additional information although it is not related to priority points. Mr. Colson stated that the Division has an EPA-mandated goal related to green projects but even without the goal, the two green projects that are recommended for funding scored high enough to be funded.

Item F. Funding Decisions for April 1, 2014 Funding Round: Clean Water SRF, CDBG-I and State Grant Programs

State Grant Programs

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 ..." Discussion occurred about several scenarios to determine the distribution of the \$3.5 million available for these awards.

Action Item F.1:

- Ms. Hunnicutt made a motion to fund the projects shown in Tables F.1.A through F.1.D below. Dr. Mitchell seconded the motion. The motion passed unanimously.

Table F.1.A: State Water Infrastructure Fund – Wastewater Reserve High Unit Cost (HUC) Grants Approved by SWIA on May 12, 2014

| Project No. | Applicant Name | Project Name | Amount of Funding Approved |
|--------------------|-----------------------|---|-----------------------------------|
| 1 | Robbinsville, Town of | Sludge Dewatering Equipment Rehabilitation and Facility | \$800,000 |
| 2 | Franklinton, Town of | Wastewater System Rehabilitation | \$577,600 |
| | | Total Wastewater HUC Funding Approved | \$1,377,600 |

Table F.1.B: State Water Infrastructure Fund – Wastewater Technical Assistance Grants (TAG) Approved by SWIA on May 12, 2014

| Project No. | Applicant Name | Project Name | Amount of Funding Approved |
|--------------------|---------------------------------------|--|-----------------------------------|
| 1 | Williamston, Town of | Sewer System Evaluation Study Phase II | \$40,400 |
| 2 | Garland, Town of | Wastewater Treatment Plant Evaluation | \$50,000 |
| 3 | Morganton, City of | Bethel Basin Sewer Investigation | \$50,000 |
| 4 | Bay River Metropolitan Sewer District | Wastewater Effluent Spray Site Soils Investigation | \$50,000 |
| 5 | Washington, City of | Sanitary Sewer Evaluation Survey | \$35,000 |
| 6 | Lumberton, City of | Northwest Sewer System Evaluation | \$50,000 |
| 7 | Andrews, Town of | Wastewater Treatment Plant Evaluation | \$40,000 |
| 8 | Eden, City of | Hydraulic Model of Kuder St & Dry Creek Sewer Basins | \$50,000 |
| | | Total Wastewater TAG Funding Approved | \$365,400 |

Table F.1.C: State Water Infrastructure Fund – Drinking Water Reserve High Unit Cost (HUC) Grants Approved by SWIA on May 12, 2014

| Project No. | Applicant Name | Project Name | Amount of Funding Approved |
|--------------------|-----------------------|--|-----------------------------------|
| 1 | Fontana Dam, Town of | Replace Water Treatment Plant | \$1,589,550 |
| | | Total Drinking Water HUC Funding Approved | \$1,589,550 |

Table F.1.D: State Water Infrastructure Fund – Drinking Water Technical Assistance Grants (TAG) Approved by SWIA on May 12, 2014

| Project No. | Applicant Name | Project Name | Amount of Funding Approved |
|--|--------------------------------|--|-----------------------------------|
| 1 | Tuckaseegee W&S District | Water Supply Alternatives for Valhalla Apartments | \$25,000 |
| 2 | Onslow Water & Sewer Authority | North Topsail Beach High Rise Bridge Water Line Replacement Evaluation | \$50,000 |
| 3 | Martin County | Oak City Water System Repair Study | \$40,500 |
| 4 | Elkin, Town of | Emergency Raw Water Line Replacement Analysis | \$50,000 |
| Total Drinking Water TAG Funding Approved | | | \$165,500 |

The amount of State Reserve Program awards totals to \$3,498,050 out of the \$3.5 million available for award.

CDBG-I Program

Action Item F.2:

- Mr. Solomon made a motion to fund the projects shown in Table F.2 below. Dr. Mitchell seconded the motion. Ms. Baker requested clarification as to why the West Jefferson wastewater project was recommended for funding ahead of other, higher scoring projects. Ms. Haigler Cubeta replied that the two West Jefferson projects were in the same footprint and that during application training, the Division had told applicants they would be considered together if in the same footprint to help reduce costs by avoiding the disturbance of the same area twice. The motion passed unanimously.

Table F.2: Federal Community Development Block Grant-Infrastructure (CDBG-I) Project Funding Approved by SWIA on May 12, 2014

| Project No. | Applicant Name | Project Name | Amount of Funding Approved |
|--------------------------------------|-------------------------|--|-----------------------------------|
| 1 | Farmville, Town of | Watkins Mobile Home Park Sanitary Sewer Installation | \$2,386,100 |
| 2 | Magnolia, Town of | Water System Improvements | \$2,908,400 |
| 3 | West Jefferson, Town of | Burkett Ave/Graybeal Ave Water System Rehabilitation | \$504,455 |
| 4 | West Jefferson, Town of | Burkett Ave Sanitary Sewer Rehabilitation | \$157,025 |
| 5 | Hoffman, Town of | Wastewater Collection System Project Phase I | \$3,000,000 |
| 6 | Roper, Town of | Wastewater Treatment Plant Improvements | \$908,000 |
| Total CDBG-I Funding Approved | | | \$9,863,980 |

CWSRF Program

Action Item F.3:

- Ms. Goodwin made a motion to fund the projects shown in Table F.3 below. Mr. Holloman seconded the motion. The motion passed unanimously.

Table F.3: Federal Clean Water State Revolving Funds (CWSRF) Project Funding Approved by SWIA on May 12, 2014

| Project No. | Applicant Name | Project Name | Amount of Funding Approved |
|--------------------|------------------------|--|-----------------------------------|
| 1 | Haw River, Town of | 2013 Haw River Sanitary Sewer Rehabilitation Phase 2 | \$277,950 |
| 2 | Haw River, Town of | 2013 Haw River Sanitary Sewer Rehabilitation | \$450,625 |
| 3 | Haw River, Town of | 2013 Haw River Sanitary Sewer Rehabilitation Phase 3 | \$276,640 |
| 4 | Pender County | Solid Waste Transfer Station Wastewater Treatment Modifications | \$479,706 |
| 5 | Kinston, City of | Queen Street Sewer Rehabilitation | \$3,310,000 |
| 6 | Yanceyville, Town of | WWTP Improvements | \$1,250,000 |
| 7 | Winston-Salem, City of | Elledge WWTP Aeration System Upgrade | \$1,079,400 |
| 8 | Biscoe, Town of | WWTP Improvements | \$1,275,000 |
| 9 | Brevard, City of | Kings Creek Phase III Sewer Rehabilitation | \$1,484,150 |
| 11 | Pittsboro, Town of | Sanitary Sewer Infiltration and Inflow Improvements | \$494,500 |
| 12 | Granite Falls, Town of | Laurel Street and Central Avenue Wastewater Pump Station Replacement | \$610,000 |
| 13 | Goldsboro, City of | Stoney Creek Sanitary Sewer Outfall Rehabilitation | \$3,521,438 |
| 14 | Belmont, City of | Sanitary Sewer Rehabilitation | \$2,206,490 |
| 15 | Kinston, City of | Kinston Regional WRF Biosolids Dryer Project | \$1,600,000 |
| 16 | Johnston County | 2014 Sewer Rehabilitation Project | \$1,200,000 |
| 18 | Granite Falls, Town of | WWTP Improvements Phase 1 | \$1,900,000 |
| 19 | Hoffman, Town of | Wastewater Collection System Project Phase I | \$500,000 |
| 20 | Raleigh, City of | Crabtree Basin Wastewater Conveyance Improvements Phase II | \$12,300,000 |

Action Item F.4:

- Ms. Hunnicutt made a motion to fund the projects shown in Table F.4 below. Mr. Stiles seconded the motion. Ms. Baker recused herself from the vote due to a conflict of interest. The motion passed.

Table F.4: Federal Clean Water State Revolving Funds (CWSRF) Project Funding Approved by SWIA on May 12, 2014

| Project No. | Applicant Name | Project Name | Amount of Funding Approved |
|--------------------|-----------------------|--|-----------------------------------|
| 10 | Brevard, City of | Neely Road Pump Station & Force Main Rehabilitation | \$12,597,900 |
| 17 | Charlotte, City of | McAlpine Creek WWTP Biosolids Combined Heat and Power Generation Project | \$3,266,736 |

The amount of CWSRF Program awards totals to \$50,080,535.

Item G. Feedback on Application Review and Funding Process

Mr. Colson asked for discussion on items related to the priority rating systems, the application review and the funding decision process. Discussion of the following items occurred:

- Review of environmental benefits related to the HUC and TAG state grants program
- Effective leveraging for a project of the grants and loans within the different programs
- Business case evaluations, financial evaluations or other additional information provided by applicants to enable the Authority to be satisfied that an applicant has done all they can on their own, such as raising rates, etc., before applying for a state grant
- Use of grant funds to make a long-term difference in communities such as rate studies and asset management plans for systems; applicants cannot continue to count on grant funds
- Authority wishes to continue to receive staff-prepared funding scenarios for the state grants program as was presented at this meeting
- Possible session when Authority could review applications; Ms. Lucasse stated that it would need to be handled as a publicly-noticed Authority workshop without any voting taking place

Mr. Colson stated that the DWSRF has readiness to proceed criteria built into the points system which will allow the Authority ten points of discretion as approved at the March 2014 meeting and that the Kentucky CWSRF program has a ten-point allocation for items that don't necessarily fit into the priority system. Mr. Colson reported that Division staff had assessed the potential impact of the ten optional points that the Authority can add to DWSRF projects; it is not possible to determine if the points would make a difference until a complete funding round occurs, but based on the previous year's list of projects, 10 points might make about a 12-13 percent difference and seems to correspond to an important but not a great improvement in a project's position.

Item H. Informal Comments from the Public

Mr. Colson stated that public comments could be made at this time with the reminder that in accordance with SWIA's Internal Operating Procedures, comments must be limited to the subject of business falling within the jurisdiction of SWIA and should not be project specific.

Ms. Barbara Aycock, the Fremont Town Manager, spoke about the Town's financial situation.

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

It is obvious that the Authority has many requests for funding that cannot be met; how is this situation relayed to the North Carolina General Assembly (NCGA)? Mr. Colson replied that several mechanisms exist in statute: the May 1, 2014 report submitted to the NCGA will be updated and resubmitted after this meeting; also the annual November 1 report to the legislature and the Department (DENR) which will include recommended statutory changes for the 2015 long session (to be discussed with the Authority at the July 2014 Authority meeting). There may be the need for some additional meetings via conference calls to talk through finalizing some issues/drafts.

Next Meetings: The following dates are confirmed for the next meetings of SWIA:

- Thursday, September 18, 2014, 9:00 AM to 4:00 PM, NC Rural Economic Development Center
- Thursday, November 6, 2014, 9:00 AM to 4:00 PM, NC Rural Economic Development Center

Item J. Adjourn – The meeting was adjourned.
