

State Water Infrastructure Authority
North Carolina Department of Environment and Natural Resources
May 21, 2015
Meeting Minutes

State Water Infrastructure Authority Members Attending Meeting

- Kim Colson, Chair; Director, Division of Water Infrastructure
- Leila Goodwin, Water Resources Manager, Town of Cary
- 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

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, Chief, State Revolving Funds Section
- Vince Tomaino, Supervisor, Drinking Water Projects Unit
- Jessica Leggett, Project Manager, Environmental and Special Projects Unit
- Jeanne Fletcher, 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 meeting and reminded the members of the State Water Infrastructure Authority (SWIA) of General Statute 138A-15 which states that any member who is aware of a known conflict of interest or an appearance of a conflict of interest with respect to matters before the Authority today is required to identify the conflict or appearance of a conflict at the time the conflict becomes apparent.

Item B. Approval of Minutes of March 2015 Authority Meeting

Mr. Colson presented the draft meeting minutes from the March 19, 2015 Authority meeting for review and approval.

Action Item B:

- Dr. Mitchell made a motion to approve the March 19, 2015 Authority meeting minutes. Ms. Goodwin seconded the motion. The motion passed unanimously.

Item C. Attorney General's Office Report

Ms. Lucasse is substituting for Phillip Reynolds today. She had no items on which to report.

Item D. Chair's Remarks

The Authority and Division have been invited by the Buried Asset Management Institute – International (BAMI-I) to attend certification training classes in Raleigh on August 17-20, 2015; a flier about the training was provided to the Authority members.

Item D.1 Legislative and Budget Update

Mr. Colson presented an update on the legislation and budget proposals by the House Appropriations Committee on Agricultural and Natural and Economic Resources (ANER), which include the changes to NCGS 159-G as recommended by the Authority in its November 2014 Annual Report. The ANER proposals also include additional recurring and non-recurring funding for the State Reserve Grant Program, and additional match funds for the CWSRF program which would allow the Department to draw down the federal funds as soon as they are available.

Item E. Status of Offers of CWSRF Loans to State Wastewater Reserve High Unit Cost Grant Applicants

The Division established a May deadline for applicants wishing to accept the December 2014 CWSRF loan offer. Fifteen loan offers were made by letter and the Division followed up with e-mails. The Town of Franklin accepted the loan offer and since Franklin County has recently taken over the Town's utilities, the County will take on the loan. The Town of Louisburg accepted the loan offer. The Town of Andrews is still considering the offer and requested additional time for consideration. Bay River MSD changed the project scope significantly and needs to reapply. It appears that most of the entities that received offers are still seeking grant funding and some applied through the CDBG-I program this cycle.

Mr. Stiles stated that the Authority had discussed that the maximum loan terms were for twenty years but at some point might go to thirty years. Mr. Colson stated that it would be a possibility but it was not part of the Authority's recommendations to the legislature and the Department of Environment and Natural Resources (NCDENR) did not make a recommendation to the legislature on that item.

Item F. Review of Applications Received for March 31, 2015 Funding Round: CWSRF and CDBG-I

A summary of the applications that were received on March 31, 2015 was presented. A total of 65 applications were received, requesting a total of \$132 million; approximately \$78 million in grant and loan funds are available to be awarded.

Item G. Funding Decisions for March 31, 2015 Funding Round: CWSRF and CDBG-I

CWSRF Program

For the CWSRF program, staff noted that 15 applications had been received requesting \$42 million which is below the amount available for award of \$65 million. All applications were eligible but issues with two of the applications were discussed as follows: the Town of Windsor has potential issues associated with their fund transfer certification and the Division is waiting for final determination by the NCDENR General Counsel; and the Stanly County application did not have a fund transfer certification, however the County had provided that information in an application for the previous cycle and because the fund transfer certification covered the same fiscal year, the Division was able to accept it.

One green project application was received from the Town of Walnut Grove to replace four pump stations with gravity sewer thereby reducing energy requirements. The Town of Hickory received points for past regionalization but it was noted that in the future, only projects that include regionalization as part of the current project will receive these points. The Engelhard Sanitary District had received loan funding in the September 2013 funding round but never took action to move the project forward;

therefore the previous loan amount of \$2.7 million is no longer available and the current application for \$1.269 million will cover a reduced project scope.

Action Item G.1:

- Mr. Solomon made a motion to approve CWSRF Project Nos. 1 through 3 and Nos. 5 through 15 as shown in Table G.1 below. Ms. Goodwin seconded the motion. The motion passed unanimously.

Action Item G.2:

- Mr. Solomon made a motion to approve CWSRF Project No. 4 as shown in Table G.1 below contingent upon resolution of issues with the fund transfer certification. Mr. Stiles seconded the motion. The motion passed unanimously.

Table G.1

Federal Clean Water State Revolving Funds (CWSRF) Project Funding Approved on May 21, 2015

No.	Applicant	Project Name	Funding
1	Washington	Sanitary Sewer Rehabilitation - 2015	\$2,000,000
2	Kinston	Queen Street Sewer Rehabilitation Project: Phase II	\$2,500,000
3	Marshville	Inflow Elimination Project	\$1,015,000
4 (*)	Windsor	Wastewater Collection System Rehabilitation	\$820,640 (*)
5	Greenville Utilities Comm.	Rehabilitation of Air Distribution System	\$1,760,920
6	Hickory	Central Business District Infrastructure Rehab.	\$1,364,100
7	Walnut Cove	Replacement of 4 Pump Stations	\$1,357,506
8	Ayden	Sewer Rehabilitation	\$980,000
9	Stanly County	West Stanly WWTP & Sanitary Sewer Improvements	\$2,648,894
10	Havelock	Havelock Water Treat. Plant Backwash Solids Handl.	\$2,355,000
11	Hickory	Geitner Basin Sewer System Rehabilitation	\$1,703,800
12	Engelhard San. District	Engelhard WWTF Replacement	\$1,269,000
13	Winston-Salem	South Fork Improvements Program-Muddy Creek Consolidated Pumping System-2015	\$20,534,623
14	Johnston Co.	Cleveland Consolidation Project	\$758,500
15	Onslow Water & Sewer Auth.	Hollyridge Sewer Improvements	\$776,243
Total CWSRF Funding Approved:			\$41,844,226

(*) Approved for funding contingent upon resolution of issues with fund transfer certification. Note, the issue was resolved following the Authority meeting.

CDBG-I Grant Program

For the CDBG-I program, staff noted that 50 applications had been received but only 31 were eligible for funding. The amount requested is \$90 million which far exceeds the \$13 million available. It was noted that some of the 19 applications were ineligible/incomplete due to the applicants' failure to provide documentation confirming that the public hearings conformed to federal law requirements. While the Division was able to reduce the public hearing requirements to one public hearing (previously two were required), the one hearing must provide contain specific information to the public and take place before applicants submit their applications. The purpose of the public hearing is to engage the public because

one of the keys of the CDBG program is public involvement. The application forms contain a list of the information that is required by federal law to be included in the public hearing. Most likely, Division staff will draft a “script” that can be used by applicants to ensure that all required information is presented at the hearing.

The Authority noted that several of the applications requested \$3 million which is the maximum allowed for any award. The Authority discussed the fact that it is difficult to fund multiple projects if projects always request the full amount allowed. Staff noted that average requests are between \$1.5 and \$2 million and that this issue that will be discussed in detail in Agenda Item J.

Action Item G.3:

- Dr. Mitchell made a motion to approve CDBG-I Project Nos. 1 through 7 as shown in Table G.2 below. Mr. Stiles seconded the motion. The motion passed unanimously.

Table G.2.
Federal Community Development Block Grant-Infrastructure (CDBG-I) Project Funding Approved on May 21, 2015

No.	Applicant	Project Name	Funding
1	Scotland Neck	2015 Wastewater Collection System Improvements	\$1,563,780
2	Scotland Neck	2015 Water Distribution Systems Improvements	\$1,287,400
3	Dover	2015 Water Improvements	\$737,200
4	Duplin County	2015 Sanitary Sewer Improvements	\$3,000,000
5	Warsaw	2015 Water Line Replacement	\$3,000,000
6	Red Springs	Sanitary Sewer Systems Rehabilitation	\$2,025,000
7	Saratoga	Speight School Rd. Sanitary Sewer Improvements	\$1,143,942
Total CDBG-I Funding Approved:			\$12,757,322

Item H. Potential Discretionary Points Process for Fall 2015 Applications for All Funding Programs

Throughout 2015, the Authority has confirmed that using the project priority criteria to determine application ranking is the best method for establishing the order of projects. However, the Authority recognizes that this system may not fully address certain situations and, therefore, seeks to use its discretion to consider applications for funding using a process that is transparent and defensible. Staff presented two potential process methods as shown below.

Method No. 1		Method No. 2	
Adjust Rank by Adding Discrete Numerical Points to an Application		Adjust Rank by Assigning a Revised Priority to an Application	
Pros	Cons	Pros	Cons
For documentation, clearly identifies rank of each application based on number of points	<ul style="list-style-type: none"> • Must determine how many additional points are justified • Adjusting rank may become complex 	Provides flexibility in adjusting project rank either up or down	May be less clear for documentation purposes

The Authority discussed the general ranking adjustment concept commenting that adjusting project rank will be more the exception than the rule and due to an extenuating circumstance. Moving a project up in ranking always means that other project(s) must be moved down in ranking. The Authority wishes to apply its discretion rarely and potentially not during every cycle, and the Authority's job is to evaluate information submitted by the applicant to determine whether or not to reprioritize rankings.

The Authority discussed the pros and cons of each method in detail noting that the documentation required for either method would be identical. In general, Method 1 could lead to issues associated with adding a discrete number of points, as the number of points to add to result in the desired ranking could become complex. At the same time, Method 1 is in general a cleaner way to justify changing a project rank. As an example of applying Method 2, if ten projects could be funded but project no. 13 had an extenuating circumstance, the Authority would be able to change the project rank to no. 10 with the projects below it moving down in rank; in this case Method 2 would be cleaner because there would not need to be justification as to why a discreet number of points were added to allow project funding.

The Authority clarified that if certain events take place between the time that an application is submitted and the time that the Authority considers the application for funding, the applicant may provide this information to the Division staff at any time up until the Authority reviews the applications. Such events include a major employer leaving the applicant's general location, or the receipt of award of other funding for the project for which the application was submitted.

Action Item H:

- Ms. Goodwin made a motion to approve the use of Method 2. Ms. Hunnicutt seconded the motion. Ms. Goodwin, Ms. Hunnicutt, Mr. Stiles, and Mr. Solomon voted in favor of the motion. Dr. Mitchell voted in opposition to the motion. The motion passed and Method 2 will be utilized.

Based on the Authority's action, Division staff will adjust the application guidance for all programs for the Fall 2015 application cycle, and the Authority will be able to apply this evaluation method to the applications that will be received in September 2015 as well as in future application cycles. The guidance will emphasize that the Authority intends to use its discretion on a limited basis and will state that an applicant may provide a maximum of one additional page in the application package submitted to the Division to document anything that the applicant believes the Authority should consider about its project. This information should only be project-related to demonstrate value that is not apparent in the priority criteria system, and it may not be process-related such as forgetting to include required information. It will emphasize that the Authority is under no obligation to consider any additional information provided by an applicant or to utilize submitted additional information in its decision-making process. The guidance will provide examples of issues that the Authority might consider to adjust the rank of an application; the examples are not intended to be an exhaustive list of issues that the Authority might consider and are not intended to limit considerations.

Item I. Priority Criteria Changes for Fall 2015 Applications for All Funding Programs

At its March 2015 meeting, the Authority provided input on potential new priority criteria that could be applied to the Fall 2015 funding round. The Division has been working to synchronize and streamline priority criteria across all funding programs as much as possible at this time; the goal is to improve the application process by using similar priority criteria and help simplify the process for applicants. After the March 2015 meeting, Division staff applied the proposed new priority criteria system to the previously reviewed March 2015 funding round applications to determine the project rank under the new system and this information was presented to the Authority. Based on the analysis, the final draft of the priority criteria was also presented to the Authority.

Staff noted that the potential new criteria provide points for some items that are not part of the current points system and during the evaluation it was not possible to award points for some of the new items because the old applications did not contain the newly needed information. As a result, the comparison of points between the original score and the potential new score is approximate and is not a direct “one-to-one” relationship. Overall, staff believes that the potential new priority criteria maintain the integrity of each program’s specific mission/purpose and that the criteria are suitable for application to the Fall 2015 funding round for all programs.

The Authority commented that that analysis confirmed the need to reevaluate the \$3 million grant cap amount for the CDBG-I program, and discussion occurred regarding whether projects could move forward without the full \$3 million amount. Staff stated that it depended on both the project type and the community. For example, rehabilitation projects can generally be scaled back, but some system extensions to mitigate failing septic systems might not happen. Staff noted that eventually it would like to see one application for water and sewer projects in the same footprint.

The Authority requested information on the public review aspect. Staff noted that sending the criteria out for public review would be like any other amendment to an SRF intended use plan (IUP) or CDBG annual action plan (AAP). The IUPs and AAP would be amended with public notification going to stakeholders via mailing lists and listserves, as well as being posted on the Division’s website. The Authority requested that the notifications also be sent to the North Carolina League of Municipalities and the North Carolina Association of County Commissioners, which staff plans to do. The Division will hold a public meeting on June 15, 2015 to present the CWSRF and DWSRF priority rating systems and will hold a public hearing on June 15, 2015 to present the CDBG-I priority rating system.

Action Item I:

- Dr. Mitchell made a motion to approve presenting the drafts of the Fall 2015 DWSRF and CWSRF Priority Rating Systems at the June 15, 2015 public meeting and the draft of Fall 2015 CDBG-I Priority Rating System at the June 15, 2015 public hearing. Ms. Goodwin seconded the motion. The motion passed unanimously.

Item J. 2015 Work Plan Update

Several topics that staff is working on were reviewed with the Authority as follows:

Stretching Grant Funds

Based on previous discussions by the Authority regarding being able to reach more of the neediest communities with grant funds, staff presented a number of options for discussion for both the CDBG-I program and the State Reserve programs. Potential options include requiring a local match, lowering the cap on grants, geographic considerations for the CDBG-I program, and history of previous grant funding.

Regarding a geographic distribution of CDBG-I funds by assigning a percentage of the total to the mountains, piedmont and coastal plain, the Authority was not interested in pursuing this option.

The Authority supported lowering the cap on CDBG-I grants. There was discussion about the local match along with the ability to pair a grant with a loan offer, both of which could be based on an applicant’s affordability; the Authority was interested in this approach and staff will present information about affordability criteria at the July Authority meeting. The Authority commented that determining the amount of grant and loan in a paired funding scenario should be as simple as possible; the Division agreed and also commented that it should be based on information that is already available. The pairing of funding could potentially be implemented for the Spring 2016 application round.

Master Plan

The Division advised that a steering committee for the master plan comprised of three Authority members would help move the master planning effort forward. Ms. Lucasse stated that under the Authority's Internal Operating Procedures, the Chair has the authority to appoint the members of a committee. The committee would be a public body with quorum and public notice requirements. If committee work is conducted by conference phone call, the Division must make provisions for public access to the meeting as required by the open meetings statute and the Authority's Internal Operating Procedures.

The Authority commented that the message needs to get out to elected officials about the importance of becoming self-sustaining and not waiting to receive grants since the funds are so limited. The Authority recognized that there is general reluctance to take on more debt. Dr. Mitchell mentioned that the Department of Commerce has announced a grant program that will help local government units receive capacity-building training and knowledge building; courses will be offered at Appalachian State University, East Carolina University, and the UNC-Chapel Hill School of Government.

Other Work Tasks

The Division briefly described other tasks being worked on including asset management and troubled systems; updates on this work will be provided at the July Authority meeting.

Action Item J:

- Dr. Mitchell made a motion to recommend to the Department that the cap on the CDBG-I funding should be \$1.5 million beginning with the Fall 2015 application round. Mr. Stiles seconded the motion. Following discussion, Dr. Mitchell amended her original motion to recommend to the Department that the cap on the CDBG-I funding should be \$2 million beginning with the Fall 2015 application round. Mr. Stiles seconded the amended motion. Mr. Colson asked for further discussion. There was none, and the motion passed unanimously.

Item K. 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.

Mr. Charles Nash, a Town Councilman with the Town of Bakersville, spoke regarding the poor condition of the waterlines in the Town.

Ms. Fern Schubert, Town Manager of Marshville, spoke about the inequity of prosperity in Tier III counties.

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

Ms. Lucasse stated that she would pass information on to Mr. Reynolds regarding this meeting and would work with staff to advise Authority members on the statute relating to continued service after the term of the appointment expires, as well as any issues related to the Master Plan Committee that Mr. Colson will appoint. Mr. Colson thanked the members of the public that attended and stated that the Division staff is always willing to meet with any applicant that requests a meeting.

Item M. Adjourn – The meeting was adjourned.