

State Water Infrastructure Authority
Meeting Date: July 16, 2024
Agenda Item E
Emergency Operating Grant for Cliffside Sanitary District

Division of Water Infrastructure Staff Report

Background

G.S. 159G-32(d)(6) and 159G-34.5(a)(4) enable DEQ to make funds available from the Viable Utility Reserve (VUR) for emergency operating grants (EOGs) for operating deficits of local government units whose finances have been taken over by the Local Government Commission (LGC) and do not have sufficient revenue to pay operating expenses.

Cliffside Sanitary District (CSD) was designated distressed during the State Water Infrastructure Authority's (Authority) November 2020 meeting, and CSD's finances were taken over by the LGC, pursuant to G.S. 159-181(c), in September 2019. Pursuant to G.S. 159G-31(e), the LGC has applied for an EOG for operating deficits on behalf of CSD (see Attachment E-1).

The Division of Water Infrastructure (Division) received a request dated June 27, 2024 for a \$100,000 EOG for CSD's operating budget shortfall for Fiscal Year 2025. This request will primarily be used for CSD to continue to fund the proper operation and maintenance of the CSD wastewater system.

The town's sewer rates for average 5,000 gallon per month residential consumption were raised by 5.3 percent in FY 2022, 4.9 percent in FY 2023, 2.9 percent in FY 2024, and 5.1 percent in FY 2025. The current wastewater charge for 5,000 gallons is \$59.20 and the current combined water and wastewater charge for a 5,000-gallon monthly consumption is estimated to be \$111.80 (note that water service is provided by Broad River Water Authority).

In June 2024, the LGC notified Rutherford County (as the *de facto* governing board for CSD, which does not currently have a functioning independent governing board) that it is preparing to return control of CSD to the County. Cliffside Sanitary District is under contract with an engineer for their comprehensive rehab and replacement construction project, which includes extensive collection system repairs, treatment system improvements, and hardening of an eroding pump station site. Given that the construction budget is limited, and that the construction cost estimate included only a small allowance for sludge removal from the existing lagoon treatment system, the LGC intends to submit a subsequent EOG application specific to sludge removal for consideration during the September Authority meeting. Because the sludge removal is a deferred operating expense, it should be eligible for up to \$650,000 in EOG funding (annual limit of \$750,000 EOG funding per year), assuming that this request for a \$100,000 EOG is approved.

Staff Recommendation

Division staff recommend the Authority award a \$100,000 EOG to Cliffside Sanitary District for FY 2025 operating deficits.

Instructions for Completion of Funding Application For Emergency Grants for Operating Deficit

(Last updated: September 2022)

The following instructions relate to completing an application only for *Emergency Grant for Operating Deficit* offered by the Division of Water Infrastructure (the Division). This grant can only be made available when the LGC has exercised its powers under G.S. 159-181 to assume full or partial control over the affairs of the public water or wastewater system or of the unit of local government or public authority that owns or operates the public water or wastewater system. An application for an *Emergency Grant for Operating Deficits* must be filed by the Local Government Commission on behalf of the local government unit. Local government units may not apply for this grant directly.

Section 1 – General Information

- **Applicant Name** – The local government unit that has been taken over by the Local Government Commission (i.e., not the Local Government Commission that is applying on behalf of the unit).
- **Funding Amount Requested** – Enter the amount of funding requested. This amount should directly reflect the operating deficits for the fiscal years for which assistance is being requested.
- **Funding Type(s) Requested** – This application is to be used only for Emergency Grant for Operating Deficits. Please use the standard *Application for Funding* form for other programs.

Section 3 – Authorized Representative

Only the Local Government Commission can apply for Emergency Grant for Operating Deficits on behalf of a local government unit. The authorized representative will generally be the Secretary of the Local Government Commission.

Section 4 – Application Contact Information

The designated contact person at the Department of State Treasurer for the application. Leave blank if not different from Authorized Representative.

Submittal Information

Submit one (1) original application and attach a copy of the resolution of the LGC exercising its powers under G.S. 159-181.

Submittal Information	
Send complete Application package to:	
<u>Mailing Address (US Postal Service only)</u> Division of Water Infrastructure 1633 Mail Service Center Raleigh, NC 27699-1633 E-mail: victor.damato@ncdenr.gov	<u>Physical Address (FedEx, UPS)</u> Division of Water Infrastructure 8 th Floor, Archdale Building 512 North Salisbury Street Raleigh, NC 27604
Main Telephone Number: 919.707.9160	

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North Carolina Department of Environmental Quality

Division of Water Infrastructure

Application for Emergency Grants for Operating Deficit



(Last updated: September 2022)

1. General Information

Applicant Name Cliffside Sanitary District	County Rutherford
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Fiscal Year(s) for which Assistance is Being Requested 2025	Total Funding Requested 100,000
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Applicant Type

<input type="checkbox"/> Municipality	<input type="checkbox"/> Water and Sewer District
<input type="checkbox"/> County	<input checked="" type="checkbox"/> Sanitary District
<input type="checkbox"/> Water and Sewer Authority	<input type="checkbox"/> Metropolitan Sewerage or Metropolitan Water District

Funding Type(s) Requested

Emergency Grant for Operating Deficits

<input type="checkbox"/> Drinking Water Utility
<input checked="" type="checkbox"/> Wastewater Utility
<input type="checkbox"/> Joint Drinking Water and Wastewater Utility

2. System Parameters

Residential Sewer Connections 90	Residential Water Connections
Non-Residential Sewer Connections 6	Non-Residential Water Connections
Sewer Bill per 5,000 gallons 59.20	Water Bill per 5,000 gallons

3. Authorized Representative Information

Authorized Representative Name: Eric Faust

Title: Assistant Director, State and Local Government Finance, NCDST

Mailing Address Line 1: 3200 Atlantic Ave Longleaf Building

Mailing Address Line 2:

City: Raleigh **State:** NC **Zip Code:** 27604

Phone Number: 919-814-4290 **E-Mail Address:** eric.faust@nctreasurer.com

4. Application Contact Information (if different than Authorized Representative)

Contact Name:

Title:

Mailing Address Line 1:

Mailing Address Line 2:

City: **State:** **Zip Code:**

Phone Number: **E-Mail Address:**

5. Additional Information			
6. Financial Information			
	Fiscal Years		
	2023	2024	2025
Sources of Funds			
Beginning cash	40,000	52,000	40,000
Customer Charges	123,000	141,500	151,113
System Development Fees			
Other Revenue	7,500	9,230	11,487
Transfer from other funds		0	0
Total Sources of Funds	<u>170,500</u>	<u>202,730</u>	<u>202,600</u>
Uses of Funds			
<i>Administration</i>			
Outstanding payables - Administration	0	0	0
Salaries	0	0	0
Other	0	0	0
<i>Operations</i>			
Outstanding payables - operations	0	0	0
Salaries	64,000	113,200	111,456
Other		0	0
<i>Other Uses of Funds</i>			
Debt principal	0	0	0
Interest	0	0	0
Capital outlay	80,500	0	21,000
Capital reserve	0	0	0
Transfer to other funds	0	0	0
Other (list):	<u>176,000</u>	<u>154,530</u>	<u>170,144</u>
Total Uses of Funds	<u>320,050</u>	<u>267,730</u>	<u>262,600</u>
Estimated Net cash position [Should align with funding request]	<u>(150,000)</u>	<u>(65,000)</u>	<u>(100,000)</u>

Application Signature



SIGNATURE OF AUTHORIZED REPRESENTATIVE

Eric Faust	Assistant Director, SLGFD, NCDST/Cliffside Finance Officer	6/27/2024
TYPED NAME	TYPED TITLE	DATE

Cliffside Sanitary District
For the Fiscal Year Ending June 30, 2025
Attachment to Emergency Operating Grant Funding Application

District Appropriations:	Total	Operations	EOG Grant Asks
Testing fees	1,500	1,500	1,500
Chemicals	10,000	10,000	10,000
Training	2,000	2,000	2,000
Plant maintenance and repairs	49,000	49,000	49,000
Utilities (Electric & Phone)	36,600	36,600	29,000
Insurance	11,000	11,000	
Permits	1,150	1,150	
Generator upfit & Major Maintenance	5,000		
		5,000	5,000
Annual audit	8,000	8,000	0
Other operating costs-supplies, protective gear	5,894	5,894	3,500
Total Other Operations		<u>\$ 130,144</u>	<u>\$ 100,000</u>
Ending Cash for Working Capital (same as Beginning Cash)	40,000		
	<u>\$ 170,144</u>		