

**State Water Infrastructure Authority  
Viable Utility Committee  
January 15, 2025 Meeting  
Agenda Item D – Training Grants for Distressed Local Government Units**

---

**Division of Water Infrastructure Staff Report**

**Background**

Session Law 2020-79, entitled in part, “An Act to Improve the Viability of the Water and Wastewater Systems of Certain Units of Local Government...”, requires that any local government unit (LGU) designated as distressed by the State Water Infrastructure Authority (Authority) and the Local Government Commission (LGC) participate in initial training and education for elected officials and utility staff [G.S. 159G-45(b)(2)]. The Authority and LGC approved the initial education scope and delivery mechanism at their July 13, 2021, and July 14, 2021, meetings, respectively.

Additionally, the Authority approved on February 9, 2022, and the LGC approved on March 1, 2022, the automatic award of \$2,000 grants to be used for reimbursement of registration and transportation costs for eligible water and wastewater training activities for staff and Board members for LGUs designated distressed through Calendar Year 2025. At the time of approval, 95 LGUs were designated distressed and the overall funding commitment for automatic training grants was \$190,000. Grants are funded out of the VUR. Automatic training grants expire two years from the date of award. Currently, 151 LGUs are designated distressed, and approximately \$115,000 of VUR funding is obligated for active training grants.

Since the automatic training grant program was initiated, staff have made several observations that we believe to be of interest to the Viable Utilities Committee (VUC), which may lead to the consideration of potential modifications to policies regarding training grants awards. Relevant observations include:

1. Two-year training grants for LGUs designated distressed in 2021 and 2022 have expired.
2. The Authority and LGC have only authorized funding of training grants through the 2025 designation round.
3. Far more funds are obligated than used over the duration of the grants provided. The initial cohort of 95 distressed LGUs were awarded \$190,000 in training grants. Over the life of the program, \$25,699 has been expended. Automatically awarding training grants and obligating a portion of the VUR to a purpose that may not fully use the funds reduces the availability of VUR grants for other eligible uses.
4. The majority of distressed LGUs have not accessed their training grants, although most have incurred eligible expenses (e.g., to attend BUMP training in-person or attend virtually through NCLM). Staff recognize that more effective and proactive

communication about training grants with distressed LGUs could help improve usage. Clarity on the current and future policies and processes will help facilitate this communication.

5. Board and staff turnover results in an ongoing need to train new individuals. The Viable Utility Program requires that VU training of at least two elected officials, one primary technical manager, and the finance officer, to be up to date. Lack of access to training grant funds could prevent individuals from getting the required training they need.

### **Programmatic Training Grant Considerations for the VUC**

In consideration of these observations about the Viable Utility training grant program, there are multiple ways the training grant policies could be amended before current policies expire at the end of 2025. Staff invite the VUC to consider and discuss the topic of training grant policies and, to prime the discussion, have outlined some potential programmatic changes to the training grant program below.

#### **Option 1: Reauthorize the existing training grant policy beyond 2025.**

- Pros
  - Expectations are that the number of annual designations in the future will be considerably lower than in initial rounds. Accordingly, the amount of obligated funds will be lower (for example \$20,000 over a two-year period if annual designations average five LGUs).
- Cons
  - Does not provide an opportunity to offer disbursements for those early 2021 and 2022 designees who did not fully utilize their training grant.
  - Does not cover required BUMP training for replacement staff beyond the expiration of the training grant.

#### **Option 2: Reopen training grants for early cohorts for another two years.**

- Pros
  - Allows earlier designated distressed LGUs the opportunity to utilize their remaining grant balance.
- Cons
  - Would not cover ongoing BUMP training expenses beyond the two-year expiration.
  - Would require obligating ~\$275,000 (but for a limited time).

**Option 3: Cap LGU training disbursements at \$2,000 with no grant expiration date.**

- Pros
  - Allows earlier designated distressed LGUs the opportunity to utilize their remaining grant balance.
  - Would cover ongoing BUMP training expenses beyond the initial two-year expiration date.
- Cons
  - Would require obligating up to ~\$275,000 for an unspecified period, reducing the availability of the already-limited non-recurring VUR funds for other eligible uses.

**Option 4: Offer a reduced training grant cap of \$1,000 (or unused balance) for ongoing training and establish a reserve to cover BUMP training.** \$1,000 training grants would expire on the second anniversary of issue. The BUMP reserve would not be time-limited but would be capped at \$1,000 per LGU. Total per LGU grant availability would remain \$2,000.

- Pros
  - Allows earlier designated distressed LGUs the opportunity to utilize training grant funds.
  - Would cover ongoing BUMP training expenses beyond the initial two-year expiration date.
  - May help focus distressed LGUs on developing education plans as related to their short- and long-term action plans.
- Cons
  - More complex administration.
  - Would require an initial obligation of up to approximately \$127,000 along with a smaller annual obligation for the BUMP training reserve
  - *Note: Cost could be reasonably limited by establishing an annual cap on the BUMP reserve. Example:*
    - *Five new LGUs per year requiring a minimum of four training = 20*
    - *Assume 25 percent turnover of BUMP-trained staff per year = 151*
    - *Total technical, financial and governing board staff requiring BUMP training per year = 172*
    - *Assume one third will attend NCLM training. At \$72 per trainee = \$4,128*
    - *Assume an average round trip travel of 180 mile @ 0.54 per mile = \$11,145.*
    - *Total annual BUMP reserve requirement would be \$15,274.*
    - *Training grant funding requirement at \$1,000 per LGU would be \$127,000.*

- *First-year option total would be ~ \$142,000 with \$15,000 recurring annually.*

**Option 5: Establish a training reserve to cover all training disbursements.** Rather than continuing to award automatic two-year training grants for newly designated LGUs after 2025, the Division can set aside a small reserve from the VUR to cover eligible training expenses for distressed LGUs. Each distressed LGU could be eligible to request up to \$2,000 from the training reserve to cover BUMP training and continuing training. The reserve can be established by the Division based on available VUR funds and new appropriations to the VUR.

- Pros
  - Allows earlier designated distressed LGUs the opportunity to utilize training grant funds.
  - Would cover ongoing BUMP training expenses beyond the initial 2-year expiration date.
  - Would require a smaller monetary obligation for the training reserve, to be estimated by the Division on an annual basis based on availability and demand.
- Cons
  - More complex administration.
  - Not committing training grants per LGU means that LGUs may not be certain of availability of VUR funds to cover training expenses.