

State Water Infrastructure Authority
North Carolina Department of Environmental Quality
October 17, 2018
Meeting Minutes

State Water Infrastructure Authority Members Attending Meeting via Conference Call

- Kim Colson, Chair; Director, Division of Water Infrastructure
- Melody Adams, Director, Rural Grants/Programs, Rural Development Division, NC Dept. of Commerce
- Leila Goodwin, Water Resources Engineer
- Maria Hunnicutt, Manager, Broad River Water Authority
- Dr. Bernadette Pelissier
- Charles Vines, Mayor of Bakersville

Division of Water Infrastructure Staff Attending Meeting

- Francine Durso, Special/Technical Issues Senior Program Manager
- Seth Robertson, State Revolving Fund Section Chief
- Anita Robertson, SRF Wastewater Unit Supervisor
- Jennifer Haynie, Environmental and Special Projects Unit Supervisor
- Amy Simes, Senior Program Manager
- Jessica Leggett, Project Manager, Environmental and Special Projects Unit
- Cathy Akroyd, Public Information Officer

Department of Justice Staff

- Sarah Zambon, NC Department of Justice

Department of the State Treasurer Staff

- Sharon Edmundson, Director of Fiscal Management, Local Government Commission
- Edgar Starnes, Senior Policy and Legislative Liaison

Item A. Call to Order

Mr. Colson opened the meeting and reminded the members of the State Water Infrastructure Authority (SWIA) of General Statute 163A 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 Meeting Minutes

Mr. Colson presented the draft meeting minutes from the July 18, 2018 and September 19, 2018 Authority meetings for approval.

Action Item B:

- Mr. Vines made a motion to approve the July 18, 2018 and September 19, 2018 Authority meeting minutes. Dr. Pelissier seconded the motion. The motion passed unanimously.

Item C. Attorney General's Office Report

Ms. Zambon had no items to report.

Item D. Chair's Remarks

The deadline for submittal of applications for the Fall 2018 funding round was extended to October 31, 2018 to allow entities an additional month to prepare applications due to the extensive impacts of Hurricane

Florence in September 2018. The Division held six trainings across the state for the Fall funding round, attended by a total of 123 people. The training sessions were held in Greenville, Pembroke, Research Triangle Park, Valdese, Hendersonville and Hertford. Chair Colson stated the Authority would review the applications for award in either February or March 2019, based on the number of applications received.

Item E. Legislative Update

Chair Colson stated that the General Assembly held a special session to discuss the impacts of Hurricane Florence and possible recovery funds. The Division of Water Infrastructure was not allocated any of these funds. However, the Golden Leaf Foundation was allocated \$20 million which can be used to repair/replace vehicles, equipment, and facilities, as well as to repair/replace water, wastewater, and stormwater infrastructure.

The Federal Budget is operating under a Continuing Resolution. The SRF funding is maintained at the same level of appropriation as last fiscal year, which was higher than the previous fiscal year's appropriation. The SRF-WIN is included in the 2018 WRDA but has been scaled down, including lower authorizations and providing no subsidies. This has been presented to the President but not yet signed.

Item F. Communications Update

Ms. Akroyd, the Division's Public Information Officer, presented an update about the Division's activities including meetings, presentations, events and outreach.

Item G. 2019 Authority Meeting Dates

The schedule of proposed regular SWIA meeting dates for 2019 was presented. Staff had polled Authority members and the dates with the most members able to attend were presented.

Action Item G:

- Dr. Pelissier made a motion to approve the Authority meeting dates for the second Wednesdays, and 2-day meetings to be held on April 9-10, 2019, and September 11-12, 2019. Ms. Goodwin seconded the motion. The motion passed unanimously.

Item H. Master Plan Outreach Activities Update

Ms. Durso updated the Authority on presentations about the Statewide Infrastructure Master Plan, including meetings with the 16 Councils of Government (COGs) at their regularly scheduled meetings which are typically attended by elected officials. The COG presentations are the primary vehicle for Master Plan outreach this year, along with presentations at professional society meetings and conferences.

The following topics were discussed:

- Are there ways to provide information to COGS that can be helpful to local governments as resources for small towns? The Division has discussed the possibility of providing communications pieces that local government units and COGs can use.
- The Division offers to speak to individual boards and offers to provide workshops after the COG meetings to get more information to multiple local government units and elected officials.

Item I. Fair Bluff/Fairmont Initiative Update

Ms. Durso and Ms. Leggett presented a status update and information on the analysis that has been completed for the Towns of Fair Bluff, Fairmont, Boardman, Cerro Gordo and Proctorville. The evaluation of these five towns has been ongoing for 18 months. The completed analysis was scheduled to be presented to Fair Bluff and Fairmont in September 2018, but due to Hurricane Florence, is scheduled for November 2018. The information presented today covers the UNC Environmental Finance Center's analysis of water and wastewater trends (customer base, revenues, and billing) in Fair Bluff and Fairmont; condition of and photographs showing the existing infrastructure as assessed by HDR Engineers; a problem statement agreed

upon by all parties; and the potential drinking water and wastewater options being evaluated including capital costs, operation and maintenance costs as well as possible water and sewer rates for each option.

The following topics were discussed:

- Together, the towns have approximately 1,600 customers. Ms. Goodwin asked if decentralized systems are an option and if not, then it should be addressed in the report. Mr. Colson stated that most of the towns have challenges due to the high groundwater table and that centralized sewer was installed in the early 2000's to replace failing septic tanks. However, for other communities in the state with suitable soils and declining populations, decentralization might be a good option.
- Cerro Gordo has two schools on its wastewater system and Columbus County is planning to build a third school near the existing schools. A decentralized system is not realistic for the schools.
- If the City of Lumberton were to own and operate the Fairmont WWTP, capital costs include rehabilitation and/or replacement of infrastructure rated as Condition 4 and 5 (poor and very poor) as well as SCADA at all pump stations and proper flow metering, required by Lumberton if it was to own and operate the wastewater system.
- To assess the below ground infrastructure, information about pipe age and material was used to estimate the remaining useful life of the pipe. Most of the systems are old and have asbestos cement and vitrified clay piping. Most of the piping has already outlived its useful life, and this is further demonstrated by the amount of water loss and infiltration/inflow that occurs in all the systems.
- Fair Bluff has been severely impacted by population loss. Before Hurricane Matthew in 2016, the Town had around 900 residents, which dropped to around 600 after the storm. The Town's Administrator has stated that, since Hurricane Florence in September 2018, many residents that were originally going to rebuild their homes using FEMA funds are now choosing to be bought out instead and not return to the Town. The projections used to determine future revenue are based on population that is assumed to show no growth or a slight decrease.
- Costs and associated monthly water and wastewater bills were developed for the next 10 years, but not beyond, because it is difficult to quantify uncertainty in the economic future of the towns, construction costs, etc. The monthly water and wastewater bills projected include setting aside funds for future infrastructure improvements that will be needed after 10 years.
- Considering only traditional ways to provide water and wastewater services is not going to solve the problems in small towns with declining customer bases and revenue. The cost of traditional infrastructure is very high per connection. The conversation about long-term viability and sustainability must be framed differently and requires innovative solutions.
- The reality is that water and wastewater rates are going up – not only for these towns – but across the state, in small and large units of local government. Water and wastewater infrastructure as well as proper operation and maintenance are going to cost more each year.

Item J. Ensuring Viable Utilities Work Session

Chair Colson, Sharon Edmundson – Director of Fiscal Management with the Local Government Commission, and Edgar Starnes – Senior Policy and Legislative Liaison with the Department of State Treasurer, presented information about possible ways to begin to achieve viable utilities across the state. Specific case studies as well as financial data provided by units of local government to the Local Government Commission will help better understand the issues. The following topics were discussed:

- It's one thing not to raise rates, but artificially keeping them low by not maintaining infrastructure is not good practice.

- Fiscal responsibility is necessary even if not politically popular to maintain infrastructure for the future.
- Training at the elected official and local government level is key to ensure viable utility planning. Elected official training for smaller utilities must be tailored to provide information that is unique to smaller systems and is relevant to their situations.
- Traditional and non-traditional approaches/options should be examined.
- The Division and the Local Government Commission could approach entities that are already identified as severely troubled.

Chair Colson asked Authority members about grant conditions and whether they should be applied to all grants or the potential new viability grants. The following topics were discussed based on the question:

- There are specific loan requirements but no grant requirements. There should be similar requirements, and in fact, this is even more important for grants because the money is not paid back and is a permanent investment of state funds.
- Consider a requirement to attend a “viability training workshop” related to grant applications/awards.
- Entities receiving grant money must clearly demonstrate how it will use the funds to move toward viability based on parameters developed by the Division and the Local Government Commission.
- Applicants may need to provide some level of analysis of infrastructure, organizational and financial conditions in the grant application.
- Can state government mandate utility performance at the “highest level” of infrastructure, organizational and financial management? How would the state work with systems that don’t operate at this level? For example, some people live “paycheck to paycheck” and some save for emergencies; the same is true for utility systems.

Item K. Governor Cooper’s Hometown Strong Initiative

Mary Penny Kelley, Special Advisor with Governor Cooper’s Hometown Strong Initiative, presented information about the Initiative and its core principles. Ms. Kelley provided information gathered from visits to six rural counties, as well as about the state agencies that partner with this Initiative, including the Department of Environmental Quality and the Division of Water Infrastructure. Common themes and needs that have been presented by towns and counties at each of the six visits include revitalizing local economies, infrastructure (water and sewer, transportation, internet), and workforce training / capacity.

Item L. Informal Comments from the Public

Chair 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 informal comments from the public.

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

Authority members stated the information presented today was very useful and look forward to approaching viability issues looking at both solutions traditional and non-traditional.

The next Authority meeting will be held on December 12, 2018 in Raleigh.

Item N. Adjourn – The meeting was adjourned.