

**State Water Infrastructure Authority**  
**North Carolina Department of Environmental Quality**  
**July 18, 2018**  
**Meeting Minutes**

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**State Water Infrastructure Authority Members Attending Meeting**

- Kim Colson, Chair; Director, Division of Water Infrastructure
- Melody Adams, Director, Rural Grants/Programs, Rural Development Division, NC Dept. of Commerce
- Greg Gaskins, Deputy Treasurer, State & Local Finance Division; Secretary, Local Government Commission
- Leila Goodwin, Water Resources Engineer
- Maria Hunnicutt, Manager, Broad River Water Authority
- Dr. Bernadette Pelissier
- Cal Stiles, Cherokee County Commissioner
- Charles Vines, Mayor of Bakersville
- Juhann Waller, Principal, JC Waller & Associates, PC

**Division of Water Infrastructure Staff Attending Meeting**

- Julie Haigler Cubeta, Community Block Development Grant – Infrastructure Unit Supervisor
- Francine Durso, Special/Technical Issues Senior Program Manager
- Seth Robertson, State Revolving Fund Section Chief
- Jennifer Haynie, Environmental and Special Projects Unit Supervisor
- Anita Reed, SRF Wastewater Unit Supervisor
- Jessica Leggett, Project Manager, Environmental and Special Projects Unit
- Cathy Akroyd, Public Information Officer

**Department of Justice Staff Attending Meeting**

- Jill Weese, NC Department of Justice; Assistant 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. Authority Members' Information Update**

Mr. Colson welcomed Mr. Juhann Waller to the Authority. Ms. Leggett read Mr. Waller's Statement of Economic Interest into the meeting minutes.

- This is an excerpt from a letter dated May 30, 2018 addressed to the Honorable Roy A. Cooper, III, Governor of North Carolina, regarding the Evaluation of the Statement of Economic Interest filed by Juhann Christopher Waller:

“Dear Governor Cooper:

Our office has received Mr. Juhann C. Waller's 2018 Statement of Economic Interest as a prospective appointee to the State Water Infrastructure Authority (the “Authority”). We have reviewed it for actual and potential conflicts of interest pursuant to Chapter 163A of the North Carolina General Statutes (“N.C.G.S.”), also known as the Elections and Ethics Enforcement Act (the “Act”).

We did not find an actual conflict of interest or the likelihood of a conflict of interest. Mr. Waller will fill the role of professional engineer in the private sector on the Authority.

Pursuant to N.C.G.S. § 163A-159(c), when an actual or potential conflict of interest is cited by the Board under N.C.G.S. § 163A-189(e) with regard to a public servant sitting on a board, the conflict shall be recorded in the minutes of the applicable board and duly brought to the attention of the membership by the board's chair as often as necessary to remind all members of the conflict and to help ensure compliance with the Act."

Mr. Waller repeated the Oath of Office which was notarized on July 16, 2018. Mr. Waller thanked the Governor for the appointment and is looking forward to the work of the Authority. Mr. Waller introduced himself and each Authority member introduced themselves.

Mr. Colson stated that Ms. Goodwin, Mr. Vines and Mr. Stiles have been reappointed to the Authority.

### **Item C. Approval of Meeting Minutes**

Mr. Colson presented the draft meeting minutes from the April 18-19, 2018 Authority meeting for approval.

#### **Action Item C:**

- Mr. Vines made a motion to approve the April 18-19, 2018 Authority meeting minutes. Ms. Goodwin seconded the motion. The motion passed unanimously.

### **Item D. Attorney General's Office Report**

Ms. Weese had no items to report.

### **Item E. Chair's Remarks**

The Authority will be approving projects for funding from the April 2018 application round. The Fall 2018 funding program application deadline is September 28, 2018. The Division will hold "How to Apply" training sessions at six locations around the state, between July 31 and August 10, in Hendersonville, Valdese, Research Triangle Park, Pembroke, Greenville, and Hertford. Over 90 attendees have already registered for the training. The Authority will receive presentations from the UNC School of Government Environmental Finance Center about challenges facing small water and sewer utility systems.

### **Item F. Legislative Update**

Federal appropriations have been made for both the CWSRF and DWSRF programs with an increase of \$5 million for CWSRF and \$15 million for DWSRF. A large part of the DWSRF increase, which is in place for the next four years, is due to the state's response to the 2015 EPA Drinking Water Needs Survey which was coordinated by the Division in conjunction with the Division of Water Resources Public Water Supply Section. Due to the funding increase, the state match for the SRF programs also increased; the General Assembly provided the additional funds as non-recurring; these matching funds may be made recurring in the future.

The State Wastewater and Drinking Water Reserve Program was allocated \$10 million in recurring funds to be used for State Reserve construction loans and grants, Asset Inventory & Assessment Grants and Merger/Regionalization Feasibility grants. However, special appropriations were made by the General Assembly out of the \$10 million, resulting in only \$6.1 million available for the Authority to award. Because the maximum award amount is \$3 million, it is possible that the Authority will only be able to fund 2 projects this fiscal year. The Connect NC Bond funds have all been awarded as of this funding round. Mr. Stiles stated that he has spoken with legislators and the Office of the Speaker of the House regarding these special appropriations and that distribution of funds in this manner impacts the Authority's application of the criteria in its Priority Rating System and the Affordability Criteria in determining those economically distressed entities that are most in need of the scarce state grant funds. Mr. Colson said the Speaker's office is aware of this issue.

The legislature allocated \$2 million for a PFAS Recovery Fund to help local governments develop plans to connect parties affected by the chemicals with public water supplies, and a \$450,000 allocation to the Cape Fear Public Utility Authority for water quality sampling. These funds are not under the purview of the Authority.

The Legislative Research Commission's Committee to Study Rates and Transfers/Public Enterprises has scheduled meetings in August and September. The Division and the LGC have both made reports to the Study Committee; staff will continue to provide updates to the Authority.

#### **Item G. Communications Update**

Ms. Akroyd, the Division's Public Information Officer, presented an update about the Division's activities including meetings, presentations, events and outreach. The Division is participating in Governor Cooper's Hometown Strong Initiative that seeks to address the needs of rural communities by creating a partnership between state agencies and local leaders. The effort leverages state and local resources, identifies ongoing projects and community needs, and implements focused plans to boost the economy, improve infrastructure and strengthen NC's hometowns. Many of these struggle with aging water and wastewater infrastructure.

#### **Item H. Introduction to Funding Decisions for Spring 2018 Application Round**

Mr. Robertson reviewed the funding methodology and decision order for this round which included the CWSRF, DWSRF and State Reserve programs. The remaining small amount of Connect NC Bond funds for drinking water and wastewater projects is recommended for award today. Applications received in April 2018 totaled \$175.7 million in funding requested. The materials provided to the Authority were reviewed.

#### **Item I. Example Funding Scenario for Drinking Water Projects**

Mr. Robertson presented the potential funding scenario for the drinking water projects. The Authority noted that in some of the applications, the line item for administration seems rather high, sometimes more than 5% of the total project cost. Mr. Robertson stated the staff closely evaluate each request for reimbursement to ensure that only reasonable amounts are reimbursed for all line items including administration.

##### **Action Item I:**

- Mr. Gaskins made a motion to approve funding for Drinking Water State Reserve Projects Numbers 1-3, 10, 12-13, and 17-18; and DWSRF Project Numbers Project Numbers 3-8, 10-11, 13, 15-16, and 18. Mr. Vines seconded the motion. The motion passed unanimously.

#### **Item J. Example Funding Scenario for Wastewater Projects**

Mr. Robertson presented the potential funding scenario for the wastewater projects and noted that the revision to the CWSRF list does not affect project ranking. The Authority noted that two relatively small projects were not funded because there are not enough grant funds, and could the top projects which are eligible for 50% grant funding be awarded a lower percentage of grant? Mr. Robertson stated that during application training, staff stresses that the willingness of an applicant to accept a grant amount of less than they may be eligible for, or willingness to move forward with a project without a grant is not "held against" applicants and that they will be recommended for the highest percent of grant funds for which they are eligible. Mr. Colson stated that this issue will be addressed during today's Agenda Item K.

##### **Action Item J:**

- Mr. Vines made a motion to approve funding for Wastewater State Reserve Projects Numbers 4, 7-8, and 12-13; and CWSRF Project Numbers Project Numbers 1-5, 9, 13, and 15-17. Dr. Pelissier seconded the motion. The motion passed unanimously.

### **Item K. Proposed Changes to the Funding Program Priority Rating Systems and Affordability Criteria**

Mr. Robertson briefly reviewed the potential program changes discussed by the Authority at its April 18-19, 2018 meeting, as detailed in the staff report. At the April meeting, the Authority approved the Division to seek public comment on the recommended changes; the public comment period opened May 29, 2018 and closed June 26, 2018. The Division received 5 public comments which are detailed, along with responses, in the staff report. The following topics were discussed:

- Comment: During training, the AIA eligibility limit of less than or equal to 10,000 residential connections and how a larger system (greater than 10,000 residential connections) could apply to do the AIA for the smaller system should be explained, as this is an important tool for entities considering smaller and larger systems working together. Response: Staff noted that often if the smaller system is the applicant, the project may score higher because they can show more benefit and need; in addition, some level of assurance is needed that if a partnership did not work out, there would still be some benefit of the study to the smaller entity.
- Q: For the drinking water and wastewater projects, concern was expressed about lowering priority for small systems (where there is more need) by the decrease in points from 10 to 8 proposed in Category 4.A – Residential Connections. For those applicants with less than 1,000 connections in the State Reserve programs, would this have caused any change to the ranking of the last round of applications? A: The goal was to equate the two systems (State and SRF) by eliminating points that most would receive, but keeping the gap between any two projects the same. Staff evaluated the latest funding round under the new system, and project ranking remained the same, except that three wastewater projects had tied scores (all lower priority). This change will enable smaller systems to receive additional SRF points and should accomplish the Authority's objectives in making these changes.
- Q: How many more AIAs need to be completed statewide? A: The Authority has already funded approximately 150 AIA grants; there are roughly 300 wastewater utilities and 500 water utilities in the state.

#### **Action Item K:**

- Mr. Gaskins made a motion to approve the program changes as recommended in the staff report as follows:
  - Modifications to the project priority ranking systems for the SRF, State Reserve, and Community Development Block Grant – Infrastructure (CDBG-I) programs;
  - Modifications to eligibility for the AIA grants;
  - Modifications to affordability criteria for the State Reserve program to be implemented for the Fall 2018 funding round; and
  - For the CDBG-I program, to hold a public hearing for the proposed affordability criteria modifications, because this change necessitates a public hearing. This item will be brought back to the Authority for final approval following the public hearing.
- Mr. Stiles seconded the motion. The motion passed unanimously.
- Mr. Robertson noted that based on the approved changes to the SRF Priority Rating Systems, staff will amend the Intended Use Plans (IUPs) for both SRF programs.

### **Item L. Draft Fiscal Year 2017-2018 Annual Report**

Ms. Durso presented the draft fiscal year 2017-2018 Annual Report that is required by the legislature on November 1<sup>st</sup> of each year. The report details the Authority's focus areas, significant accomplishments, issues identified, and next steps. Comments on the draft report should be made to staff by August 17, 2018.

Ms. Weese reminded the Authority that all group discussion must take place in a public forum and for that reason, comments should be sent by email only to staff and not to other Authority members. Staff will make changes and send revised report for final approval by the Authority at the September 2018 meeting. The following topics were discussed:

- Comment: In Figure 2 (Amount of Funding Awarded), depict the amount of Federal SRF dollars that were awarded as principal forgiveness, as well as the amount of State Reserve funds that were awarded as grants.
- Q: When AIA applications are received from an entity that has done its own assessment work and received points under Category 3 – System Management (Line Item 3.B) for drinking water or wastewater project funding, is that tracked? A: Staff has that information but it is not formally tracked. When the Authority originally developed awarding points in Category 3 – System Management, the information needed for those points was purposefully made rather broad and based on the best information available at the time. However, in an AIA grant, a more thorough analysis is performed. Therefore, the asset management information provided for Category 3 points is much less detailed than the information required to be developed in an AIA grant, and for this reason, the Division may recommend funding an AIA grant for an entity even though it may have some type of asset management plan.
- Q: Should the Legislative Research Commission’s Committee to Study Rates and Transfers/Public Enterprises be mentioned in the Annual Report since the Authority may eventually be involved in implementation of the outcome of the study? A: The timing of the Committee report and the Authority’s Annual Report don’t quite coincide. However, since the Master Plan is very similar to what the Committee is working on, it would make sense to include general mention of it in the Authority’s Annual Report.

#### **Item M. Draft 2019 Authority Meeting Schedule**

Ms. Durso presented a proposed schedule of 2019 SWIA regular meeting dates. The Authority discussed possibly meeting during a different week or day of the week. Staff will poll Authority members and propose 2019 meeting dates at the Authority’s Sept. 2018 meeting.

#### **Item N. 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. Ms. Hunnicutt stated that it would be helpful to include some discussion of real situations and risks versus rewards regarding water infrastructure issues.

#### **Item O. Fair Bluff/Fairmont Initiative Update**

Ms. Durso and Ms. Leggett presented a status update and information that has been presented to Fair Bluff and Fairmont in the past several months: the UNC Environmental Finance Center’s data about 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; and the potential drinking water and wastewater options being evaluated. The team is continuing analysis on the options to present to the Towns in September. There are only approximately 1,600 customers in the five towns that are covered in this initiative. Ms. Goodwin asked if decentralized systems should be an option and if not, then it should be explained in the report. Mr. Colson stated that most of these 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, it might be a good option.

**Item P. Presentations by UNC Environmental Finance Center**

Tom Roberts, Community Assistance Manager with the UNC Environmental Finance Center, presented on the regionalization study that they are conducting for the Towns of Grover and Kings Mountain. Grover was awarded a wastewater Merger/Regionalization Feasibility grant in July 2016. Mr. Roberts presented lessons learned in the process, potential options and associated rate impacts.

Erin Riggs, Project Director with the UNC Environmental Finance Center, presented on Consolidation Considerations. Ms. Riggs provided research and tools as well as ways to begin consolidation conversations among entities. Under contract with the Division, the EFC is developing two new guideline documents that entities can use to identify and address key issues that often become problematic during consolidations and even with shared services partnerships.

**Item Q. 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.

Mr. Bobby Blowe, P.E., Municipal Engineering Services Company, P.A. commented on the scoring for the AIA grant program. The review of the AIA grant applications is subjective rather than objective, and because 75% of the points are subjective, it is difficult to determine how to improve an application if it isn't funded.

**Item R. Remarks by Authority Members, Chair and Counsel**

Authority members stated that the presentations made by the Environmental Finance Center were very helpful and timely, and looks forward to hearing from more of the Merger/Regionalization Feasibility grant recipients.

The next Authority meeting will be held on September 19, 2018 in Raleigh.

**Item S. Adjourn** – The meeting was adjourned.

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