

**State Water Infrastructure Authority
Viable Utility Reserve Committee
October 30, 2020 Meeting
Agenda Item D – Implementation Process Information**

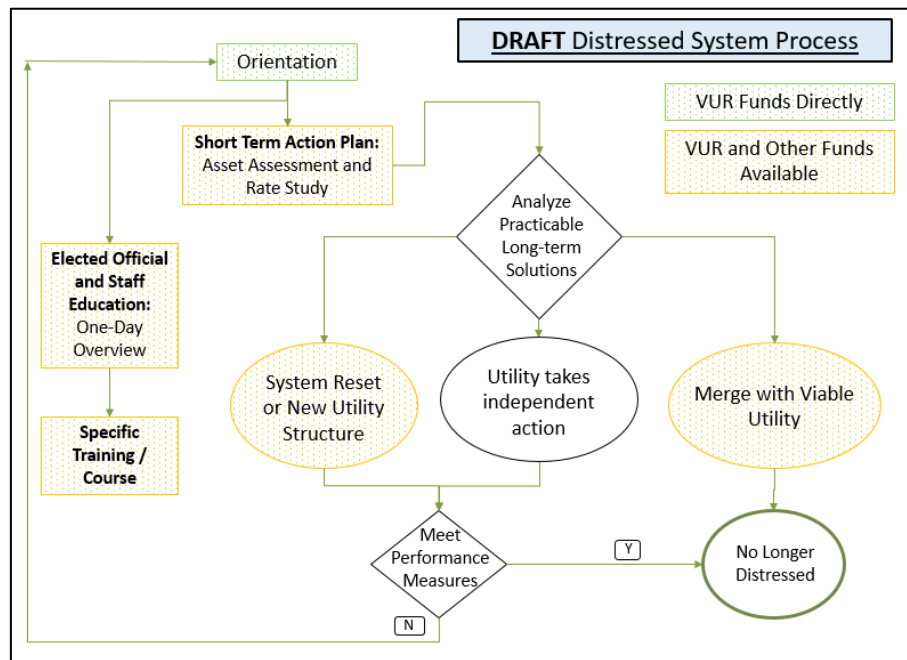
Division of Water Infrastructure Staff Report

Background

Session Law 2020-79 authorizes the State Water Infrastructure Authority (Authority) and Local Government Commission (Commission) to develop criteria to determine how local government units should be assessed and reviewed, and utilizing the assessment and review process, the Authority and the Commission shall identify distressed units.

Distressed Unit Actions

Once a unit is designated as distressed, Session Law 2020-79 requires two broad categories of actions by the unit – education and action plans. These two categories will essentially take place simultaneously and both will start with basic requirements and then become more involved depending on the unit’s specific situation. The diagram to the right depicts the draft implementation process that the Division proposes to follow for distressed units.



Initial Distressed Units

The Authority and the Commission may initially identify several units as distressed. The Commission has already assumed financial control of the Town of Eureka and the Cliffside Sanitary District which are likely to be designated as distressed. Another unit has self-identified as distressed and the draft distressed criteria confirm this status; this unit is in the process of developing a merger agreement with another nearby unit. On Sept. 1, 2020, the Local Government Commission passed a: “Resolution Giving Notice and Warning, Pursuant to G.S. 159-181(c), regarding the Town’s Failure to Comply with the Budget and Fiscal Control Requirements of Chapter 159 of the General Statutes of North Carolina”, which indicates that this fourth unit is distressed.

Use of Viable Utility Reserve (VUR) Funds

Among other activities, VUR funds provided for in Session Law 2020-79 can be used to:

- Conduct the asset inventory and assessment to inventory the existing public water or wastewater system, or both, and to document the condition of the inventoried infrastructure
- Conduct a rate study to determine a rate structure to ensure the public water system or wastewater system will generate sufficient revenue to adequately fund management and operations, personnel,

appropriate levels of maintenance, and reinvestment that facilitate the provision of reliable water or wastewater services

- Study merger and regionalization options

Initial Work Tasks and Estimated Costs

When the Authority and the Local Government Commission identify units that are distressed, these analyses and studies would be among the first work tasks to be undertaken. Staff prepared the following cost estimates of the initial work tasks to be completed for units that may be initially identified as distressed.

Unit No. 1			
Regional opportunities with other nearby units: Yes			
Other units that likely need evaluation: Yes			
Unit	Service Provided	Initial Work Tasks	Estimated Cost
Unit No. 1	Sewer only	Sewer Asset Assessment	\$75,000
Unit A	Water and Sewer	Water and Sewer Asset Assessment	\$200,000
Unit B	Water and Sewer	Water and Sewer Asset Assessment	\$120,000
All		Water and Sewer Merger/Regionalization Study	\$100,000
Total			\$495,000

Unit No. 2			
Regional opportunities with other nearby units: None			
Other units that likely need evaluation: None			
Unit	Service Provided	Initial Work Tasks	Estimated Cost
Unit No. 2	Sewer only	Sewer Asset Assessment	\$150,000
		Alternatives Analysis	\$150,000
Total			\$300,000

Unit No. 3			
Regional opportunities with other nearby units: Yes			
Other units that likely need evaluation: None			
Unit	Service Provided	Initial Work Tasks	Estimated Cost
Unit No. 3	Water and Sewer	Preliminary Rates Analysis	\$50,000
		Merger Agreement Review	\$50,000
Total			\$100,000

Unit No. 4			
Regional opportunities with other nearby units: Yes			
Other units that likely need evaluation: Yes			
Unit	Service Provided	Initial Work Tasks	Estimated Cost
Unit No. 4	Sewer only	Sewer Asset Assessment	\$150,000
Unit C	Water and Sewer	Water and Sewer Asset Assessment	\$90,000
Unit D	Water and Sewer	Water and Sewer Asset Assessment	\$100,000
Unit E	Water and Sewer	Water and Sewer Asset Assessment	\$150,000
Total			\$490,000

Rate Studies for all Units		
Unit	Regional opportunities with other nearby units	Estimated Cost
Unit No. 1	Yes	\$100,000
Unit No. 2	None	\$100,000
Unit No. 3	Yes	\$100,000
Unit No. 4	Yes	\$100,000
Total		\$400,000

Summary of Estimated Costs for Initial Work Tasks	
Unit	Estimated Cost
Unit No. 1	\$495,000
Unit No. 2	\$300,000
Unit No. 3	\$100,000
Unit No. 4	\$490,000
Rate Studies for All Units	\$400,000
Total	\$1,785,000