



**Sept. 16, 2020**

**Viabie Utility Reserve Committee  
of the State Water Infrastructure Authority**  
*Department of Environmental Quality  
Division of Water Infrastructure*





## **Agenda Item B**

### **Approval of Meeting Minutes**





## **Agenda Item C**

### **Joint Meeting of Authority and LGC Board**



# *Joint Meeting with LGC Commissioners*

- Purpose
  - Introductory
  - Both must approve criteria, grant awards and conditions/performance measures
- Date: Oct. 14, 2–3:30 PM
- Agenda
  - Legislation overview
  - Potential distressed criteria
  - Process overview
  - Authority and LGC actions needed in November





## Agenda Item D

### Stakeholder Discussions Update



# *Stakeholder Discussions*

- NC League of Municipalities
- Leadership of NC Regional Councils of Government
- NC Rural Water Association
- Comments
  - Supportive of required education component
  - Ensure all those that may be “distressed” aren’t required to begin all action items immediately
  - Distinguish those serving much fewer than 10,000 customers
  - Greater weight for moratoriums





## Agenda Item E

### Distressed Criteria Review



# *Statutory Criteria*

- Required distressed criteria
  - Serving < 10,000 customers
  - Is repair & maintenance program adequately funded?
  - Is annual debt service disproportionate to revenue?
  - In 2 of the last 5 years were funds moved out of utility without adequately funding O&M, capital projects & debt service
  - In 2 of the last 5 years were funds moved into utility to fund O&M, capital projects & debt service?

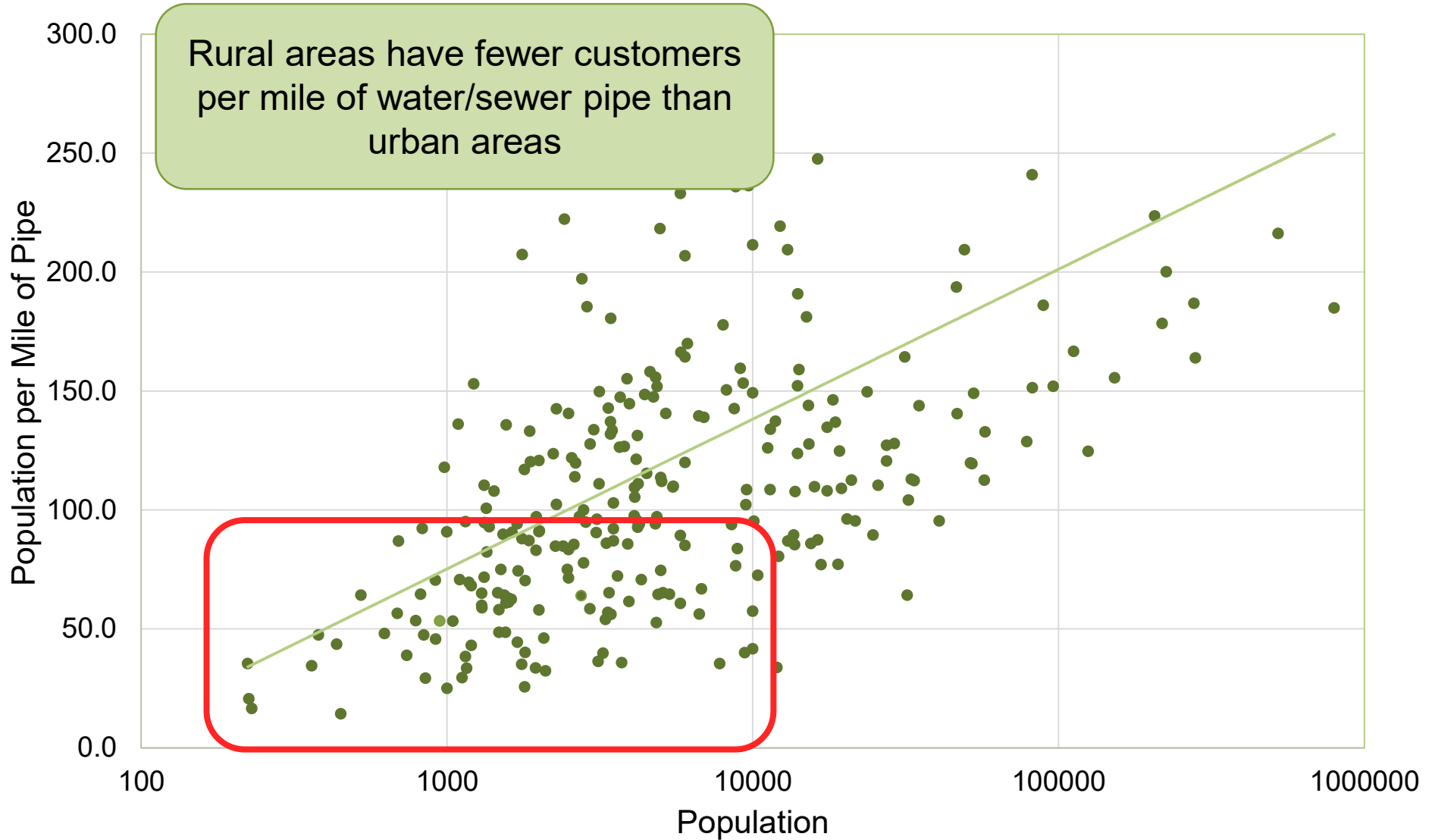




## *Distressed Criteria*

- Some criteria use data that look back at past performance
  - Compliance data look back 5 years
  - Financial audits look back at least 1 year
- Also need criteria that look forward
  - Purpose is to project long-term viability, as much as possible
  - Revenue outlook – declining population with high rates
  - Flow moratorium
    - 90% Rule: average annual flow > 90% permitted flow
    - Statutory: cannot adequately treat additional wastes
  - Population/mile of pipe

# NC Sewer System Customer “Density”



# *Non-Financial Distressed Criteria*

## Master Plan focus areas

- Organizational criteria
  - Flow moratorium
  - Low rates
  - On LGC Unit Assistance List for internal control issues
- Infrastructure criteria
  - Permit compliance
    - Drinking water treatment methods
    - Wastewater treatment plant discharges
  - Sewer overflows/mile of pipe
- Financial criteria – for context
- Some criteria overlap all focus areas

**Elm City, Bailey struggle with state-issued sewer moratoriums**  
Posted 10/13/19  
*The Wilson Times*



# *Financial Distressed Criteria*

- LGC developing financial criteria
  - Quick ratio – measure of liquidity
  - Receivables ratio
  - Revenue in excess of expenditures, including debt service
  - Debt service coverage ratio
  - Operating margin
  - Percent depreciation





## **Agenda Item F**

### **Education Element Update**





# *VUR Education Element Overview*

- Purpose
  - To provide basic information on utility management and Master Plan best practice areas
  - To provide first steps that utilities can take to begin moving toward viability
- Based upon training developed in conjunction with the NC League of Municipalities
- Adaptable to VUR process



# *VUR Education Element Adaptation*

- Customized specifically to distressed units
- Customization
  - Discussion as to why system is distressed
  - Utility-specific data for benchmarks
  - Discussion of path forward for specific utility in place of final case study



# *VUR Education Element Components*

- Initial orientation
- One-day overview
  - Basics of water and wastewater utilities
  - Organizational, infrastructure and financial management
  - Initial steps in each area
- Additional, specific training
  - Finance officers
  - System operating staff
  - Elected officials





## Agenda Item G Implementation Process



# *Implementation Process Elements*

- Element 1 – Local government unit assessment
  - Develop distressed criteria
  - Identify distressed units
- Element 2 – Education
- Element 3 – Implement action plans





## *Element 1: Identify Distressed Units – Initial Units*

- Identify initial units (prior to all criteria being finalized)
  - Those already taken over by LGC (Eureka, Cliffside Sanitary District)
  - Others / may be “on verge” of takeover
- Begin work with initial prioritized units
  - Orientation and initial education
  - “Table top” overall assessment
  - Willing to engage in developing solutions? If not?
  - Asset assessment, rate study, MRF, etc.



## *Element 1: Identify Distressed Units – Non-Initial*

- Finalize criteria, distressed list and priorities
- Higher priority
  - Work with as much as possible with staff resources available
  - Orientation meeting
- Lower priority
  - Send letter identifying reasons they are on the list
    - They could begin work on these issues, but not yet required to
    - Optional reply to letter; work they are already doing
  - May be able to resolve on their own / be removed from list
  - Could engage help of League of Municipalities, Rural Water Association, SERCAP, COGs, etc.

## *Element 2: Education*

- Required for elected officials and utility staff
- Initial and continuing education



## *Element 3: Implement Action Plans*

- Asset assessment
- Rate study
- Short-term plan
  - Implementable by unit
    - Within their ability
    - With help from technical assistance organizations
    - Some potential VUR funding
  - Short-term rate change
  - Infrastructure repair, maintenance, management
  - Additional operations and maintenance activities



## *Element 3: Implement Action Plans*

- Long-term plan to ensure viability
  - Infrastructure plan
  - Financial plan to generate sufficient revenue to facilitate the provision of reliable water or wastewater services and adequately fund:
    - Management
    - Operations
    - Personnel
    - Appropriate levels of maintenance
    - Reinvestment





## *Element 3: Implement Action Plans*

- Use of funds from Viable Utility Reserve
  - Asset assessment
  - Rate study
  - Merger/regionalization options – may be solution for many systems
  - Interconnection
  - Decentralization into smaller viable parts
  - Rehabilitation/replacement of infrastructure
  - Other options deemed feasible
  - Emergency operating deficit – limited to 3 consecutive fiscal years, not to exceed \$750,000/fiscal year

## *Implementation Steps*

- Authority & LGC approve criteria and distressed list
- Authority & LGC approve expenditures of VUR funds
  - General approval to spend funds for evaluation process: asset assessments, rate studies, hiring outside consultants, etc., up to some amount
  - Does not include commitment or expenditure of large amounts of VUR funds for construction projects





## Agenda Item H Future Committee Meetings



## *Future Committee Meetings*

- Oct. 7 – action may be needed to make recommendation to full Authority on Oct. 14
- Oct. 26

*(LGC will meet on Nov. 10)*

- Before Nov. 18 – may need an Authority meeting on Nov. 18 to take action after LGC actions
- Before Dec. 9 – Authority meeting on Dec. 9





## **Agenda Item I**

### **Concluding Remarks**







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