

**Viable Utility Committee of the State Water Infrastructure Authority**  
**North Carolina Department of Environmental Quality**

**May 21, 2021**

**Note: This meeting was held via WebEx due to the COVID-19 pandemic**

**Meeting Minutes**

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**Viable Utility Reserve Committee Members Attending Meeting via WebEx or by Phone**

- Ed Goscicki
- Leila Goodwin, Water Resources Engineer
- Maria Hunnicutt, Manager, Broad River Water Authority

**Division of Water Infrastructure Staff Attending Meeting via WebEx or by Phone**

- Cathy Akroyd, Public Information Officer
- Linda Culpepper, Viable Utility Reserve Support
- Jennifer Haynie, Program Development Coordinator
- Susan Kubacki, Program Development Coordinator
- Jon Risgaard, State Revolving Fund Section Chief
- Amy Simes, Senior Program Manager

**Item A. Call to Order**

Vice Chair Maria Hunnicutt presided over the meeting. She opened the meeting and reminded the members of the Viable Utility (VU) Committee of the State Water Infrastructure Authority (Authority) of General Statute 138A which states that any member who is aware of a known conflict of interest or potential conflict of interest with respect to any matters before the Committee today is required to identify the conflict or potential conflict at the time the conflict becomes apparent.

**Item B. Approval of Meeting Minutes**

Ms. Hunnicutt presented the draft meeting minutes from the Nov. 13, 2020 Viable Utility Reserve Committee meeting for approval.

**Action Item B:**

- Ms. Goodwin made a motion to approve the Nov. 13, 2020 Viable Utility Reserve Committee meeting minutes. Mr. Goscicki seconded the motion. The motion passed unanimously.

**Item C. Discussion of Funding Amounts Requested for Systems Applying Under Category 2**

Mr. Risgaard gave the presentation. Division staff wanted to solicit feedback from the committee related to what kind of information the Authority would want to see related to budgets presented by local government units (LGUs) when applying for funding. Mr. Goscicki stated that many LGUs are not aware of their needs. He suggested that Authority members would want to see the scope of the project in terms of what LGUs would be seeking to study.

This would help them determine if the scope of work would be appropriate to address these issues rather than the LGU putting together a scope to meet a dollar amount. Ms. Goodwin suggested that for asset inventory and assessment (AIA) work, there should be a discussion of what the LGU will do in the scope and what they would do with the information. This would demonstrate the LGU's understanding of what they would do with the information generated from the study. They might need an engineering firm to help them with the scope and budget. Ms. Hunnicutt suggested that Authority members would be cognizant of both scope and cost.

Ms. Goodwin stated that some LGUs who are in Category 1 have already begun the process. She asked how their request for funding would fit into the process. There are a lot of steps that need to occur between being designated as distressed and sending in an application. Mr. Risgaard agreed. Division staff have acknowledged this challenge and is working to develop a process that would allow LGUs to begin the VU process on their own. Division staff will continue this work and will present further information to the VU committee at a future meeting. Ms. Goodwin suggested that part of the first step would be the short-term action plan (STAP) where they would need to determine what they need in terms of studies (e.g., AIA, rate study, merger / regionalization feasibility [MRF] study).

Mr. Risgaard stated that Category 1 relates to prioritization for funding. Prioritization for Category 1 distressed LGUs was approved in the last Authority meeting, as the LGC has fiscal control over these LGUs. Funding could also go to LGUs willing to partner with them. The Division has set the amounts for Category 1 LGUs. Division staff is working with the VU Committee to determine if this process should continue to be the process used for all applications or if LGUs would need to set their own budgets for Division approval. Mr. Goscicki suggested that the process could include components of both and could be an iterative process between the LGUs and Division staff, as many LGUs tend to focus on the short term and not the long term. Ms. Simes suggested a STAP as the first step where they could figure out what they need, which would give LGUs a better idea of what studies, scopes, and budgets they would need. Ms. Goodwin suggested that the Division could provide the LGUs with a template.

#### **Item D. Discussion of Including Non-Designated Systems in Regional Solutions**

Mr. Risgaard gave the presentation.

Division staff identified two situations where LGUs that were not designated as distressed could be a candidate for Viable Utility Reserve (VUR) funding. In the first situation, the non-distressed LGU is a potential partner in sharing resources as part of regionalization with a larger LGU without a formal merger / regionalization. In the second scenario, the non-distressed LGU is a potential merger / regionalization partner. Division staff provided specific examples within Martin County and Cleveland County.

Mr. Goscicki asked if the goal would be to increase the amount of funding available by adding more distressed systems or if the intent would be to work with them as a group and to allow each to apply separately for funding. There would need to be a commitment to work cooperatively together on a joint solution before enabling a non-distressed LGU to receive funding. Mr. Risgaard agreed. In Cleveland County, Cleveland County Water (CCW) has

indicated that if CCW were involved in the assessment, there would be efficiencies to be gained by looking at as many alternative solutions as possible. The Division would ask for a signed resolution committing to work together with other LGUs to do studies and assessments; the Division is not ready for anyone to commit to an ultimate solution. Ms. Goodwin suggested that they could apply for a MRF study, as having an MRF study where they commit to working together is essential. The AIA work would follow or be concurrent. Ms. Simes stated that most people want to do the AIA study first because it helps LGUs make a more informed decision. Then the rate study and MRF follow. Mr. Goscicki stated that there would need to be a commitment from the Town of Fallston to look at a regional solution.

Ms. Goodwin suggested that for the MRF study, it could be a two-phase process. There could be a formal agreement, then the AIA work would be completed, then wrap with the MRF study. There would need to be specific language related to this. A non-distressed LGU would become eligible by participation in the MRF. Only the part of the system that would feed into the MRF would be evaluated in the AIA for the non-distressed LGU. She suggested fleshing out this concept further rather than taking action on it during today's meeting. Division staff would continue to investigate this idea and would bring additional ideas to the next committee meeting.

Note: No action item was taken.

**Item E. Timing of Distressed Assessment Criteria Reviews & Item F. Timing of Next Designation of Local Government Units as Distressed Under the Viability Statute**

Note: Due to the similarity of topics, Agenda Items E and F were discussed together.

Mr. Risgaard gave the presentation. Eighteen LGUs were put on hold due to responses Division staff received from the LGUs related to the initial letters sent in February. The reasons for being put on hold were myriad and ranged from updates in 2020 audits; operational, management, and financial changes; unique accounting issues; issues surrounding bulk customers; and lack of control of rates due to service contracts. Division staff asked the Committee members the following questions related to timing, next designation of distressed LGUs, and steps forward related to the 18 "on-hold" LGUs:

- How much notification is needed prior to designation?
- Are different schedules needed for different criteria?
- What exceptions are needed?
- Should the 18 "on-hold" systems fit into the Criteria 3 schedule?

Ms. Goodwin suggested keeping the process simple. Local government units that fall under Identification Criteria 1 should be automatically designated while she suggested working with the Local Government Commission (LGC) regarding when to designate LGUs that fall under Identification Criteria 2. Regarding Identification Criteria 3, she suggested staff discretion but no less than frequently than two years as described in the statute. Identification Criteria 4 would take care of itself. She stressed the need for notification for newly designated LGUs. Mr.

Goscicki suggested that Division staff request some specific frequency as to when LGUs would report information. For LGUs that fall under Identification Criteria 3, anything more frequently than every two years would be too much of a burden. He suggested a schedule that would meet the Division's needs. Ms. Hunnicutt agreed that reassessment every two years would be sufficient. She also suggested a notification period of at least a month.

Mr. Risgaard stated that Division staff did not anticipate many more LGUs being designated as distressed. Additionally, there could be some benefit to giving LGUs a full assessment schedule to work through the process on their own and address their issues. The Division envisioned conducting the analysis on an annual basis and notifying LGUs above the Assessment Criteria score of 9 or 8 (for single-service providers) of their score, then giving them a year to correct the situation before designating them the following year as distressed. Ms. Goodwin agreed to that approach.

#### **Item G. Future Committee Meetings**

Ms. Haynie stated that Division staff will poll committee members related to potential meeting dates in June and August.

#### **Item H. Concluding Remarks by Committee Members**

Ms. Goodwin thanked Division staff for their work related to the VU committee. Mr. Goscicki expressed appreciation regarding being asked to join the committee. Ms. Hunnicutt thanked staff for the information provided.

**Item I. Adjourn** – The Committee meeting was adjourned.