

**State Water Infrastructure Authority**  
**North Carolina Department of Environmental Quality**  
**April 14, 2021**

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

**Meeting Minutes**

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**State Water Infrastructure Authority Members Attending Meeting via WebEx or by Phone**

- Kim Colson, Chair, Director, Division of Water Infrastructure
- Melody Adams, Director, Rural Grants/Programs, Rural Development Division, NC Dept. of Commerce
- Sharon Edmundson, Deputy Treasurer, State & Local Finance Division; Secretary, Local Government Commission
- Leila Goodwin, Water Resources Engineer
- Ed Goscicki
- Maria Hunnicutt, Manager, Broad River Water Authority
- Dr. Bernadette Pelissier
- Juhann Waller, Principal, JC Waller & Associates, PC

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

- Cathy Akroyd, Public Information Officer
- Julie Cubeta, Supervisor, CDBG-I Unit
- Linda Culpepper, Viable Utility Reserve Support
- Susan Kubacki, Program Development Coordinator
- Jon Risgaard, State Revolving Fund Section Chief
- Amy Simes, Senior Program Manager
- Colleen Simmons, Compliance Specialist, CDBG-I Unit

**Department of Justice Staff Attending Meeting via WebEx**

- Jill Weese, NC Department of Justice; Assistant Attorney General, Environmental Division

**Agenda Item A. Call to Order**

Chair Colson opened the meeting and reminded the members 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 Authority today is required to identify the conflict or potential conflict at the time the conflict becomes apparent. Chair Colson noted the potential for a conflict of interest related to Agenda Item F and would recuse himself from that particular agenda item.

Chair Colson noted that this meeting was being held via WebEx. All attendees except the members of the Authority were muted to reduce background noise. The PowerPoint slides for the meeting were visible via WebEx; video was not being used.

## **Agenda Item B. Approval of Meeting Minutes**

Chair Colson presented the draft meeting minutes from the March 10, 2021 Authority meeting for approval.

### **Action Item B:**

- Mr. Goscicki made a motion to approve the meeting minutes listed above. Dr. Pelessier seconded the motion. The motion passed unanimously.

## **Agenda Item C. Attorney General's Office Report**

Ms. Weese gave the Attorney General's Office report. Attorney General Stein is leading a bipartisan group of state attorneys general in reaching out to social media organizations asking them to closely monitor the posting and attempted selling of fake Covid 19 vaccination cards. This is a timely issue, can create confusion, and has slowed efforts to get the pandemic under control. This group is asking social media websites to monitor their platforms and take down any ads or links related to these fake vaccination cards.

## **Agenda Item D. Chair's Remarks**

Chair Colson stated that since he is retiring at the end of April, this Authority meeting will be his last meeting. Additionally, Cal Stiles resigned from the Authority as of April 1, 2021. Chair Colson expressed his appreciation for every Authority member, past and present, who was willing to serve the State in this voluntary capacity.

Chair Colson noted lots of ongoing discussions related to water infrastructure. Several bills are floating around Congress that may impact infrastructure funding. He was invited to testify before the Congressional Transportation and Infrastructure Committee. There are also lots of discussions within the NC General Assembly that are mainly going on behind the scenes.

The UNC Environmental Finance Center has been working with the Division to update infrastructure needs across the state, as the previous estimates were completed in 2016 and are now five years old. Overall, the needs have increased considerably due to the cost of construction as well as learning more about the infrastructure within the state. In 2016, the needs were estimated to be \$17 billion to \$26 billion over a period of 20 years. Within the next five years, the needs will range from \$3.9 billion to \$6.3 billion for water infrastructure and \$5.6 billion to \$7.9 billion for wastewater infrastructure. Over a 20-year horizon, the overall water and wastewater needs are estimated to be \$30 billion to \$40 billion.

The Governor's budget did contain additions to Chapter 159G, including the ability to condition all grants, not just grants from the Viable Utility Reserve (VUR) and the ability to use unused state match from the State Revolving Fund (SRF) program as state grants. This would enable the Division to add approximately \$200,000 to state grants and keeps the money within the realm of infrastructure.

Note: Leila Goodwin joined the meeting.

### **Agenda Item E. The Community Development Block Grant**

Colleen Simmons gave the presentation, which was intended to provide an overview about the Community Development Block Grant – Infrastructure (CDBG-I) program. The CDBG-I program provides grants to low-to-moderate (LMI) populations across the state that are within non-entitlement areas. Funds are allocated on an annual basis from the NC General Assembly. Recipients of grants from the CDBG-I program must adhere to various requirements related to financial management, non-discrimination and equal access, environmental review, and equal opportunity employment opportunities, among other areas.

CDBG-I staff concurrently manage different phases of the grant process which includes applicant training; technical assistance; application intake and award by the Authority; procurement; construction planning; design, and inspection; monitoring; and grant closeout. Staff have been managing projects within the CDBG-I program since FY 2014.

There was no discussion.

### **Agenda Item F. Funding Recommendations for CDBG-I Grants**

#### **Summary**

Julie Cubeta gave the presentation. Before she began, Chair Colson noted that Ms. Cubeta would also be retiring at the end of April. Chair Colson then recused himself and asked that Vice Chair Maria Hunnicutt moderate for this agenda item.

The CDBG-I program received a total of 39 applications with 37 being complete and eligible. The funding allocation for the program was \$23,831,793. In addition, the CDBG-I staff recommended awarding FY 2015 and FY 2016 deobligated funds. Recommendation of the 2021 deobligated funds resulted from a February 2021 US Department of Housing and Urban Development (HUD) memo describing a schedule of funding take-backs that would be recaptured by the US Department of Treasury at the end of the eighth federal fiscal year. Date of recapture for FY 2015 and FY 2016 funds would be September 2022 and September 2023, respectively.

Division staff recommended that the Authority consider two funding scenarios. The first would be to fully fund Project Numbers 1 through 14 and partially fund Project Numbers 15 and 16, which would enable these two projects to prepare to go to construction. This scenario would obligate \$743,327 and \$781,017 in FY 2015 and FY 2016 deobligated funds, respectively and would also fully obligate FY 2020 funds (\$25,831,793) for a total of \$27,356,137.

The second scenario would be to fully fund Project Numbers 1 through 10 and 12 through 15 while partially funding Project Numbers 16, 18, and 19. This would obligate \$774,048 and \$765,256 in FY 2015 and FY 2016 deobligated funds, respectively, and would also fully obligate FY 2020 funds (\$25,831,793). The total award would be \$27,371,097. Note that this scenario would not fund Project Number 11 (Northampton County).

## Discussion

Ms. Edmundson asked what other funding options would be available for Northampton County if it was not funded. Ms. Cubeta replied that they could go with a combination of USDA loan and grant or could rethink the way to provide sewer service for the community of nine homes and one church. The County did hire a soil scientist who reviewed soils maps and located some land that could be suitable for an onsite system. The engineers for the project submitted an estimate for such a system that totaled approximately \$1 million. There also could be other options the County would be willing to pursue. Ms. Edmundson asked about operations and maintenance (O&M) costs for such a system. Ms. Cubeta replied that it would be higher to have an onsite system operator.

Ms. Hunnicutt asked Ms. Cubeta to provide more information about the Town of Jackson, which would own and operate the system. Ms. Cubeta has no experience with the Town, and they received a distressed score of 6. Ms. Edmundson added that the Town is missing both their FY 2019 and FY 2020 audits.

Mr. Waller asked if there would be any other septic systems to which they could connect. Ms. Cubeta did not know of any systems. The group of homes and church is in the middle of empty land.

Mr. Waller asked if installing the sewer line could spur economic growth because the line would run from Jackson west to and along US 158. Though this is not the intent of the CDBG-I program, the possibility exists.

Mr. Goscicki stated that regardless of whether the sewer line is run to the homes or an onsite septic system is used, the Town of Jackson would own and operate the system. (Note: The County applied for the funds due to the location of the homes.) He voiced concern over expending the funds for so few customers and preferred a decentralized approach rather than trying to tie them into a centralized system that would result in little to no additional revenue for the Town. Dr. Pelissier added that she had voted for a previous project with lesser cost per connection with great reservation. The cost per connection for this particular project would outpace the value of the homes it would serve.

Ms. Goodwin stated that the situation facing Northampton County related to the cluster of homes needs some resolution and asked for other ideas. It would appear to be a good case study to see how to help a community in such a situation. An example might be using a composting toilet and even paying someone to provide such a service. Thinking outside the box is needed to find an appropriate option. Ms. Cubeta replied that the CDBG funding the NC General Assembly provided to the Division only allowed for publicly owned treatment works. Ms. Goodwin suggested taking a more concerted look at the options, including utilizing planning grants to take a look at it. The Merger / Regionalization Feasibility grant (MRF) program could provide such funding. While the Town of Jackson would need to be involved, the County could drive the project. Division staff will work with the County to define a scope and MRF application the County could potentially submit at the Authority's July meeting. Once grant dollars became available, the Authority would have it in their purview to recommend the project for funding.

Ms. Hunnicutt asked about the precedent that would be set for a cost per connection that is too high. She asked about the potential of using a specific number. Ms. Cubeta was not comfortable in

suggesting a number. It could be examined more on a case-by-case level. Tyrell County, which was funded by the Authority a few years ago, was a similar situation.

**Action Item F:**

- Ms. Goodwin made a motion to fund Scenario 2. This scenario would fully fund Project Numbers 1 through 10 and 12 through 15 while partially funding Project Numbers 16, 18, and 19. This would obligate \$774,048 and \$765,256 in FY 2015 and FY 2016 deobligated funds, respectively, and would also fully obligate FY 2020 funds (\$25,831,793). The total award would be \$27,371,097. Mr. Goscicki seconded the motion. The motion passed unanimously.

**Agenda Item G. Request to Go to Public Comment with Priority Points System Modifications for the 2021 Intended Use Plans for CWSRF and DWSRF Programs**

**Summary**

Mr. Risgaard gave the presentation. The Intended Use Plans (IUPs) are required by the U.S. Environmental Protection Agency (EPA) as part of the annual capitalization grant application. The IUPs explain how the Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving (DWSRF) will operate. This also includes the Priority Rating System, affordability criteria (to be discussed in Agenda Item I), and project list. Division staff presented no recommended changes to the Priority Rating System.

**Discussion**

Chair Colson asked for discussion. There was no discussion.

**Action Item G:**

- Ms. Hunnicutt made a motion for the Priority Rating System to go out for public review. Mr. Goscicki seconded the motion. The motion passed unanimously.

**Agenda Item H. Draft I / MRF Priority Points Systems**

**Summary**

Ms. Simes gave the presentation related to the draft Asset Inventory and Assessment grant (AIA) program and MRF program priority rating systems. The AIA Priority Rating System would be revised by adding Line Item 1.A, which would provide two project benefit points to any local government unit (LGU) designated as distressed. The MRF Priority Rating System would be modified in two ways: (1) Line Item 2.B would be modified to replace Unit Assistance Letters with a line item for any LGU designated as distressed and (2) Rename categories to fall more in line with the other Priority Rating Systems.

**Discussion**

Chair Colson asked for any discussion. There was none.

### **Action Item H:**

- Dr. Pelissier made a motion for the AIA and MRF Priority Rating Systems to go out for public review. Mr. Goscicki seconded the motion. The motion passed unanimously.

### **Agenda Item I.**

Note: Ms. Adams left the meeting.

#### **Summary**

Mr. Risgaard made the presentation. The affordability criteria contain four different steps with the fourth step including an affordability matrix that eligible LGUs may use to determine their grant or Principal Forgiveness percentage amount. Division staff proposed no changes to Steps 1 through 3 and noted that in Step 4, the monthly bill to project cost comparison uses rate data from 2015. These values would need to be updated. Also, the DWSRF program has routinely struggled to meet its Principal Forgiveness requirements for the federal capitalization grant. Also, LGUs that are designated as distressed may not meet all of the affordability criteria in Steps 1 to 3.

Division staff examined utilizing a combined monthly utility bill and determined that more LGUs would receive 100 percent grant with this method. For single-utility providers, Division staff presented information used to determine the use of a multiplication factor for single utility providers.

Staff also reviewed the use of project cost per connection per month on the x-axis, which would make the affordability criteria more relatable to utility customers and understood by them.

Division staff recommended the following changes to the affordability criteria: (1) Use combined utility bills to determine grant and Principal Forgiveness eligibility; (2) Use a conversion factor to allow single-utility providers to calculate grant and Principal Forgiveness eligibility; (3) Use project cost per connection per month to determine grant and Principal Forgiveness eligibility; and (4) add a provision to allow LGUs designated as distressed to move directly to Step 4.

#### **Discussion**

Mr. Goscicki stated that during the March meeting, there was a lot of discussion in terms of developing criteria that could be automatically updated instead of using hard numbers. He asked if that was reflected in the final recommendation. Ms. Goodwin agreed and suggested that approving a percentile would enable staff to update the data every other year. Mr. Risgaard replied that the recommendation today is to go to public review with this information. The decision point would be to adopt the percent distribution thresholds instead of specific numbers so that when utility rate data become available, Division staff could update the numbers.

Regarding using a multiplier for single-utility providers, Ms. Goodwin stated that the n=43 for wastewater single-utility providers is representative of the number of providers for wastewater only within the state. She remained not in favor of utilizing a formula to bring the single-utility providers into range with combined utilities and instead preferred to see the table as shown in the presentation. Chair Colson replied that the formula is used to put single-utility providers into the combined rate matrix. Mr. Risgaard stated that one of the reasons Division staff moved away from

the data shown in the table was that it had the potential to put single-utility providers at a disadvantage, as it seemed to make it more difficult for them to become eligible for grants or Principal Forgiveness. Ms. Goodwin added that rates of single-utility providers are higher because of the costs they must recover. She suggested looking at each system type independently and combining the statistics, which is what the current process is (e.g., when looking at combined systems, looking at water bills or sewer bills only). Using a formula may add an unneeded level of manipulation.

Mr. Goscicki stated that the purpose of the affordability matrix is to look at the impact to the customer rather than the utility. If a customer is being served by a single-utility provider, they are already being penalized by having to pay a higher bill. Chair Colson replied that customers see a combined bill in most cases and not the specifics related to water and sewer because they write one check for a bill. Ms. Edmundson added that many systems with which the Local Government Commission (LGC) works tend to make money on water and lose money on sewer, but so long as they make what the need in terms of revenue, they are fine with that. Essentially, these utilities view their water and sewer utilities as one service. The way proposed by staff may not be perfect, but it is a way forward.

**Action Item I:**

- Ms. Goodwin made a motion to move forward to public comment with the affordability criteria as shown in the staff report. Mr. Goscicki seconded the motion. The motion passed unanimously.

**Agenda Item J. Emergency Operating Grant for the Town of Robersonville**

**Summary**

Amy Simes gave the presentation. The Town of Robersonville was recently taken over by the LGC. The Division received an application for a Viable Utility Reserve (VUR) Emergency Operating Grant (EOG) for approximately \$100,000. This grant would provide for (1) the salary shortfall for hiring a temporary Town Manager, (2) estimated operation and maintenance expenses, and (3) deficits in the General Fund and the Sewer Fund.

Chair Colson asked Ms. Edmundson to share additional information related to the LGC meeting that happened on April 13, 2021. The LGC voted to take over the finances for the Town of Pikeville, which has water, sewer, and electric utilities. Ms. Edmundson stated that the LGC is not sure about how bad the financial situation is for the Town of Pikeville; one of the reasons the LGC decided to step in is that the Town is about a year behind in terms of keeping their books. They do have three new loans as well as negative working capital as of the end of FY 2019. It remains uncertain as to whether the Town will need an EOG.

**Discussion**

There was no discussion.

**Action Item J:**

- Dr. Pelissier made a motion to approve the EOG grant for the Town of Robersonville. Mr. Waller seconded. The motion passed unanimously.

**Agenda Item K. Units Considered for Distressed Designation Under Viable Utility Statute**

Note: Mr. Waller left the meeting, and Ms. Adams rejoined the meeting.

**Summary**

Linda Culpepper gave the presentation. The Authority and LGC had previously approved distressed unit Identification Criteria, and eight LGUs were already designated as distressed using those criteria. Division staff presented the Assessment Criteria scores for the other LGUs at the Authority's February 10, 2021 meeting. Upon the request of the Authority to give these LGUs notice and time to respond with information that could reduce their scores, Division staff sent letters on February 23, 2021 with an extended deadline of March 26, 2021. Division staff received responses from 32 LGUs. Of the LGUs who responded, 18 provided information needing further evaluation by Division and LGC staff. Three LGUs no longer own their utility systems, and three LGUs provided information that would lower their assessment points below the assessment criteria.

**Discussion**

Ms. Edmundson stated that Carteret County is in the process of possibly selling their water system to a private provider. There is no information regarding Beaufort County, Edgecombe County, Davidson County, or the Town of Edenton. With those to whom she talked, there was no change in outcome of points. Ms. Culpepper talked with the Town of Glen Alpine, who did some more research, and they do own their collection system, which pumps wastewater to the City of Morganton. The information they provided in the response did not change their score. Also, the mayor of the Town of Stovall had asked the Authority to put them on Hold. Cumberland County wanted to make sure that Division staff had accurate information and that the County would be designated as distressed. The Town of Gamewell had questions related to why they were on the Unit Assistance List for control issues. Staff thought this would be a good situation where the VUR program could be of benefit the Town. The Town of Seaboard would go from nine points to 14 points due to increased rates. The Town of Tryon had some concerns related to criteria outside of their control. Though they are taking steps, Division staff thought that the VUR program could help guide them. Yadkin County would only lower their score by one point, which would still keep them in the distressed range. The Town of Pilot Mountain asked for the Division and LGC to give consideration to their information.

Ms. Culpepper asked if there were any LGUs Division staff has recommended to be designated as distressed that should be put On Hold instead. Ms. Goodwin replied that the Towns of Pilot Mountain and Tryon were the only ones who felt like they were penalized. If they are on the edge of being distressed and understand what the definition of designation means but do not want to be designated, it might be viewed as being required to do something. If they understand that designation gives them access to free training and priority for funding, then they should be put On Hold. Ms. Hunnicutt agreed. Ms. Edmundson added that both Pilot Mountain and Tryon have been



on the Unit Assistance List for years for a variety of reasons. They could really benefit from being designated as distressed.

Ms. Culpepper mentioned the possibility of designating the Town of Fallston as distressed although it does not meet the Assessment Criteria by one point. The request from the Town occurred after the Authority materials for this meeting were distributed and came about due to discussions with the LGUs within Cleveland County regarding the possibility of regionalization. The Town could participate in the process without designation, which would allow an “apples-to-apples” comparison, but they would not be eligible for any VUR grant funds. Mr. Goscicki stated that before he could make a decision, he would need to see the information related to the Town of Fallston as a separate agenda item since the recommendation today is to approve the LGUs as shown in the staff recommendation. Ms. Goodwin agreed. Conversations should happen with LGUs so that if they do move up into the distressed range of the Assessment Criteria, it will not be a surprise.

Ms. Hunnicutt asked if what was learned during this process indicates that anything needs to be tweaked, done differently, etc. Ms. Edmundson noted that many LGUs are not recording their receivables correctly, as some lump values other than receivables into this parameter. This is an education process that the LGC needs to conduct both with LGUs and auditors. It is also something for LGC staff to check. Some LGUs have always known their systems would not be profitable.

Ms. Hunnicutt asked about thoughts related to sanitary sewer overflows (SSOs) and corrective actions taken. Mr. Risgaard replied that reviewing compliance violations related to SSOs was built into procedures related to the data. The distressed criteria look at the highest percentages of violations, which is why Division staff sought feedback from the Division of Water Resources related to those who might receive points for SSOs.

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

- Ms. Hunnicutt made a motion to approve the distressed designations as recommended in the staff report. Ms. Edmundson seconded the motion. The motion was approved unanimously.

#### **Agenda Item L: Prioritization of Viable Utility Reserve Study Grants**

Note: Mr. Waller rejoined the meeting.

#### **Summary**

Linda Culpepper gave the presentation. The Division is required by legislation to prioritize applications to the VUR program for review, and the Authority must consider the Division’s determination when making funding awards. The NC Department of Environmental Quality (NCDEQ) cannot award a grant from the VUR program unless the LGC approves the award for the grant. This mirrors the process used for loans made by the NCDEQ.

Currently, the VUR program has \$9 million in non-recurring funds, and the current criterion for LGUs to access this funding is that the LGU is designated as distressed. Due to the limited amount of funding available, the focus is for funding the studies required by the VUR legislation.

As recommended by Division staff, Category 1 prioritization includes LGUs designated as distressed where the LGC has taken control of the LGU and LGUs designated as distressed working with these units in regional efforts. These are the LGUs that will receive the highest priority. The goal is to fund all Category 1 study grant applications before considering applications from LGUs in Category 2. Category 2 LGUs are all other LGUs designated as distressed. Category 2 priority was proposed to be based on groups of LGUs determined by the Assessment Score, with the proposal to go to public comment. The groups consist of those with 13 points or greater (16 LGUs) having highest priority, then those with 11-12 points (32 LGUs), and finally those with eight to ten points (39 LGUs). When LGUs have the same Assessment score, then the parameters of Revenue Outlook, Moratorium, Service Population, and the ability to address multiple distressed LGUs will be determine the priority.

### Discussion

There was no discussion.

### **Action Item L:**

- Mr. Goscicki made a motion to approve moving forward with Category 1 study grants as recommended by Division staff with regional approaches that only include other distressed LGUs. The motion also included taking to public review the Category 2 proposed prioritization. Mr. Waller seconded the motion. The motion passed Unanimously.

### **Agenda Item M. Remarks by Authority Members, Chair, and Counsel**

Ms. Adams thanked Chair Colson for his leadership of the Authority over the years. Both Chair Colson and Ms. Cubeta will be missed, and she had no worry about Division staff continuing forward.

Ms. Edmundson appreciated all of the work that went into the discussion and the criteria. The training component will be so critical. Ms. Edmundson thanked Chair Colson and Ms. Cubeta for their hard work.

Ms. Goodwin thanked staff for their hard work on the materials and felt like they were on a good path. She thanked Ms. Cubeta for the education about the CDBG-I program.

Mr. Goscicki complimented the staff on being good to work with.

Ms. Hunnicutt expressed overall feelings of appreciation for the whole process and people who have been a part of it. Utilities are hungry for training and how to do better.

Dr. Pelissier wished Chair Colson and Ms. Cubeta the best. The work from Division staff shows real collaboration.

Mr. Waller thanked Division staff for their hard work.

**Agenda Item M. Adjourn** – The meeting was adjourned.