

**State Water Infrastructure Authority
Viable Utility Reserve Committee
May 21, 2021 Meeting
Agenda Item D – Discussion of Non-Distressed Systems
Working with Distressed Regional Partners**

Division of Water Infrastructure Staff Report

Background

General Statute 159G-45 directs the State Water Infrastructure Authority (Authority) and Local Government Commission (Commission) to utilize an assessment and review process to identify distressed units, to develop evaluation criteria for grants from the Viable Utility Reserve and, in their discretion, impose specific performance measures or conditions on any grant awarded from the Viable Utility Reserve (VUR).

The assessment and review process has been implemented to identify distressed units and initial evaluation criteria has been developed for study grants from the Viable Utility Reserve. The Authority has approved criteria for study grant funding for distressed local government units (LGUs) that are under the Commission’s fiscal control and their distressed regional partners (Category 1 -study grants). Non-Distressed LGUs may also be regional partners in evaluating potential viable utility solutions for a regional area and have assessment scores indicating they are facing challenges which could lead to them becoming a distressed LGU. Study grants for a non-distressed LGU that could provide benefit for distressed LGUs in potential regional solutions and keep the non-distressed unit from becoming distressed should be evaluated by the Authority for funding consideration.

§159-34.5(a) Grant Types Available from Viable Utility Reserve

Asset assessment and rate study grants are allowed to be made available from the VUR to existing public water and/or wastewater systems to and better understand the infrastructure and financial aspects of their systems. Merger/regionalization feasibility grants offer funding to determine the feasibility of consolidating the management of multiple water or wastewater systems or provide regional treatment or water supply, and the best way of carrying out the consolidation or regionalization.

The Towns of Lawndale and Jamesville are currently not designated as distressed for their water and wastewater utilities but have assessment scores close to the thresholds for designation (eight points and six points, respectively), and are potential regional partners to distressed LGUs currently eligible for VUR study grant funding. The Town of Lawndale has requested to be designated as distressed; to date, the Town of Jamesville has not. The Town of Black Creek is a potential regional partner with distressed units in Wilson County for water and wastewater services and has an assessment score of seven points and also has not requested designation to date. The attachment for Agenda Item D depicts each Town’s assessment values for discussion.

Options for Funding Study Grants for Non-Distressed LGUs

1. The Authority and Commission could use Identification Criteria 4 to designate a LGU:

A unit for which other information is available to or known by the Authority or Commission that reflects and is consistent with, but does not expressly appear in, the Assessment Criteria to account for situations in which the Assessment Criteria score does not wholly or accurately reflect a system's level of risk due to the limitations of available data.

Local government units could be designated based on the assessment information, level of risk for becoming distressed during the assessment and review cycle, and heightened adversity to regional efforts if the unit does not participate in regional viable utility studies with distressed units. The unit would be required to fulfill all VUR statutory requirements and eligible for VUR funding as a designated distressed unit.

2. The Authority and Commission could expand funding criteria to including study grant funding for a LGU not designated as distressed but is at risk of being designated during the assessment and review cycle and is a partner in regional viable utility studies with distressed units.

The LGU would be required to adopt a resolution indicating their commitment to fulfilling all of the VUR statute requirements for education/training and planning if study grant funding is awarded. The LGU would not receive project funding from the VUR and would need to apply for project funding from other program areas as applicable.

Viable Utility Reserve Study Grant Funds – Currently Non-Distressed Units

The Division staff propose that VUR funds be made available for the purpose of asset assessments, rate studies, and/or merger and regionalization studies:

- For the non-distressed LGU Town of Fallston; and
- To expand study grant funding criteria to allow other non-distressed units to apply for study grants with applications evaluated in respect to the need to prevent the units from becoming distressed and the benefit they provide in potential regional viable utility solutions. Non-distressed units receiving VUR study grant funds would commitment via an adopted Resolution to complete the VUR education/training and planning requirements if awarded grant funding. Note: The LGU would not receive project funding from the VUR and would need to apply for project funding from other program areas as applicable.

Attachment for Agenda Item D

Local Government Unit Name	Fallston	Jamesville	Black Creek
Utility Type	BOTH	BOTH	BOTH
LGC Assumed Control	No	No	No
Total Score	8	6	7
Service Population	533	617	865
% Pop Change (2014 - 2018)	-18.38%	15.33%	9.77%
Affordability Exceedances	5	3	4
Years Audit Missing	N/A	N/A	2019
UAL (Control Issues)	N/A	N/A	Missing 1 audit
UAL (W/S Financial Issues)	N/A	N/A	Missing 1 audit
DW Compliance	N/A	N/A	N/A
WW Compliance			
Distressed Indicators	N/A	N/A	N/A
Flow Moratorium	N/A	N/A	N/A
WW Collection System Compliance	N/A	N/A	N/A
DW Rate \$/5000 gal (2019 inside)	\$29.40	\$41.40	\$30.55
WW Rate \$/5000 gal (2019 inside)	\$57.20	\$46.01	\$30.85
Combined Rate \$/5000 gal (2019 inside sum)	\$86.60	\$87.41	\$61.40
DW Pop / Mile	74	60	72
Sewer Pop / mile	No Data	No Data	No Data
Debt Service Coverage Ratio	- 0.59	No Debt	No Data
Surplus (deficit) w/ Debt	- \$81,216	N/A	No Data
Surplus If No Debt w/ \$1 M Test Project	N/A	-\$37,463	No Data
Percent Depreciation	48%	84.43%	No Data
Operating Margin	- 0.55	-0.03	No Data
Annual Debt Service	\$51,086		No Data
Days Cash on Hand	273	439	No Data
No Debt DSCR Test	N/A	0.25	No Data
Quick Ratio	1.9	8.8	No Data
Receivables Ratio 2019	1.1	1.3	No Data
Receivables Ratio Trend (#>= 0.2)	1.0	0.0	Limited Data
Transfer In (2019)	N/A	N/A	N/A

Transfer In - # of Years	N/A	N/A	N/A
Transfer Out (2019)	N/A	N/A	N/A
Transfer Out - # of Years	N/A	N/A	1