

**State Water Infrastructure Authority  
North Carolina Department of Environmental Quality**

**April 19, 2017**

**North Carolina Rural Economic Development Center  
4021 Carya Drive  
Raleigh, North Carolina**

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*The State Government Ethics Act (North Carolina General Statute § 138A) mandates that the Chair inquire as to whether there is any known conflict of interest or potential conflict of interest with respect to any matters before the Authority today. If any member knows of a conflict of interest or potential conflict of interest, please identify the conflict at the time the conflict becomes apparent.*

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*The times indicated for each Agenda Item are merely for guidance. The Authority will proceed through the Agenda until completed.*

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**AGENDA**

**Kim H. Colson, Authority Chair, Presiding**

- 9:00 A. Call to Order – Chair Colson**
1. Welcome
  2. Reminder of Conflict of Interest and Compliance with State Government Ethics Act
  3. Please set electronic devices to off or vibrate
- 9:05 B. Sheila Holman, NC Department of Environmental Quality, Assistant Secretary for the Environment**
- 9:10 C. Approval of January 18, 2017 Minutes (Action Item)**
- 9:15 D. Attorney General’s Office Report – Phillip Reynolds**
- 9:20 E. Chair’s Remarks – Chair Colson**
- 9:30 F. Communications Update – Cathy Akroyd, Division Public Information Officer**
- 9:35 G. 2017 Intended Use Plans (IUPs) for CWSRF and DWSRF Programs – Seth Robertson (Action Item)**
- 9:40 H. Merger/Regionalization Operating Structures in NC – Kara Millonzi, Associate Professor of Public Law and Government, University of North Carolina School of Government**
- 10:40 Break**
- 10:55 I. Troubled System Protocol Update – Jessica Leggett and Francine Durso**
- 11:10 J. City of Henderson Drinking Water State Revolving Fund Project Update – Seth Robertson (Action Item)**
- 11:20 K. Update on CDBG-I Funds for Public Schools – Julie Cubeta**
- 11:25 L. Master Plan Outreach Committee – Francine Durso**

- 11:35 M. Recent Work of US EPA and US Water Alliance – Francine Durso
- 11:40 N. Authority Members’ Information Notebook – Jessica Leggett
- 11:45 O. Informal Comments from the Public
- 11:55 P. Concluding Remarks by Authority Members, Chair and Counsel
- 12:10 Q. Adjourn

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**Reminder to All Authority Members:** *Members having a question about a conflict of interest or potential conflict should consult with the Chair or with legal counsel.*

**Reminder to Authority Members Appointed by the Governor:** *Executive Order 34 mandates that in transacting Commission business each person appointed by the Governor shall act always in the best interest of the public without regard for his or her financial interests. To this end, each appointee must recuse himself or herself from voting on any matter on which the appointee has a financial interest.*

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**State Water Infrastructure Authority**  
**North Carolina Department of Environmental Quality**  
**January 18, 2017**  
**Meeting Minutes**

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**State Water Infrastructure Authority Members Attending Meeting**

- Kim Colson, Chair; Director, Division of Water Infrastructure
- Melody Adams, Director, Rural Grants/Programs, Rural Development Division, NC Dept. of Commerce
- Johnnie Carswell, Burke County Commissioner
- Greg Gaskins, Deputy Treasurer, State & Local Finance Division; Secretary, Local Government Commission
- Leila Goodwin, Water Resources Engineer
- Maria Hunnicutt, Manager, Broad River Water Authority
- JD Solomon, Vice President, CH2M
- Cal Stiles, Cherokee County Commissioner
- Charles Vines, Mayor of Bakersville

**Division of Water Infrastructure Staff Attending Meeting**

- Julie Haigler Cubeta, Community Development Block Grant – Infrastructure Unit Supervisor
- Francine Durso, Special/Technical Issues Unit Senior Program Manager
- Jennifer Haynie, Environmental and Special Projects Unit Supervisor
- Anita Reed, SRF Wastewater Unit Supervisor
- Seth Robertson, State Revolving Funds Section Chief
- Vince Tomaino, SRF Drinking Water Unit Supervisor
- Amy Simes, Senior Program Manager
- Cathy Akroyd, Public Information Officer

**Department of Justice Staff Attending Meeting**

- Phillip Reynolds, North Carolina Department of Justice; Assistant Attorney General, Environmental Division

**Item A. Call to Order**

Mr. Colson opened the meeting and reminded the members of the State Water Infrastructure Authority (SWIA) of General Statute 138A-15, which states that any member who is aware of a known conflict of interest or an appearance of a conflict of interest with respect to matters before the Authority today is required to identify the conflict or appearance of a conflict at the time the conflict becomes apparent.

Members stated potential conflicts of interest as follows:

- Ms. Hunnicutt: Projects applied for by the Broad River Water Authority and two projects applied for by Rutherford County (CDBG-I No. 8 and MRF No. 1).
- Mr. Solomon: Projects applied for by the Town of Carolina Beach, Town of Clayton, the City of Henderson, and the Orange Water and Sewer Authority.

### **Item B. Authority Members' Evaluation of Statement of Economic Interest**

The following evaluations were read for the purpose of recording them in the minutes of this meeting.

- “This is an excerpt from a letter dated November 18, 2016 addressed to the Department of Commerce Secretary John Skvarla regarding the evaluation of the Statement of Economic Interest filed by Melody Adams.

Dear Secretary Skvarla:

Our office is in receipt of Melody Adams' 2016 Statement of Economic Interest as a designee to the State Water Infrastructure Authority. We have reviewed it for actual and potential conflicts of interest pursuant to Chapter 138A of the North Carolina General Statutes, also known as the State Government Ethics Act. We did not find an actual conflict of interest or the potential for a conflict of interest. Ms. Adams will fill the role of the Secretary of Commerce's designee and an ex-officio member of the Authority.”

- “This is an excerpt from a letter dated January 6, 2017 addressed to the Department of State Treasurer Local Government Commission Secretary Gregory Gaskins regarding the evaluation of the Statement of Economic Interest filed by Gregory Gaskins.

Dear Mr. Gaskins:

Our office is in receipt of your 2017 Statement of Economic Interest as a member of the State Water Infrastructure Authority. We have reviewed it for actual and potential conflicts of interest pursuant to Chapter 138A of the North Carolina General Statute, also known as the State Government Ethics Act. We did not find an actual conflict of interest or the potential for a conflict of interest. As Deputy Treasurer and Secretary of the Local Government Commission, you fill the role of an Ex-Officio member on the Authority.”

### **Item C. Oath of Office for New Authority Members**

The Oath of Office was administered to Ms. Adams and Mr. Gaskins by Teresa G. Murray, Notary Public, Wake County. Ms. Murray is with the Clean Water Management Trust Fund within the Department of Natural and Cultural Resources.

### **Item D. Approval of Meeting Minutes**

Mr. Colson presented the draft meeting minutes from the December 2016 Authority meeting for approval.

#### **Action Item D:**

- Ms. Goodwin made a motion to approve the December 14, 2016 Authority meeting minutes. Mr. Vines seconded the motion. The motion passed unanimously.

### **Item E. Attorney General's Office Report**

Mr. Reynolds stated that the Authority members who noted potential conflicts of interest with projects are not required to leave the room during the discussion of the projects.

### **Item F. Chair's Remarks**

As contained within the Authority's Internal Operating Procedures, the Chair may appoint special or standing committees, as deemed necessary. The Chair will appoint a Master Plan Outreach Committee to assist Division staff in developing the work plan to promote the Master Plan. Any member interested in serving on the committee should let the Chair know of their interest.

The Authority members' meeting information packet contains a letter dated Jan. 13, 2017, from the NC Division of Water Resources to Duke Energy regarding the approval of its proposal to provide permanent

water supplies to households in proximity to coal combustion residuals impoundments owned by Duke Energy. Provision of waterline extensions are contingent on a specified number of connections being made. A portion of a project that will be considered by the Authority at today's meeting for Rowan County (Drinking Water Project No. 31) to serve residents near the Buck Steam Station Power Plant coal ash pond) could be funded by Duke Energy under its proposal.

The Chair noted that just prior to the meeting, a letter addressed to the Authority had been received from Moore County. A copy of the letter was provided to each Authority member at this point in the meeting.

The Division's deadline to receive funding applications for the spring 2017 funding round is April 28, 2017. The Division will accept applications for Connect NC Bonds, the State Reserve Program, and the Clean Water State Revolving Fund. Application Training sessions will be held at locations throughout the state in late February and early March.

#### **Item G. Communications Update**

Ms. Cathy Akroyd, the Division's Public Information Officer, presented an update about the Division's communications activities. She highlighted Chair Colson's selection as the 2016 Water Finance & Management Award winner and provided copies of the Dec. 2016 article in the Water Finance & Management Journal featuring an interview with Chair Colson. The article highlights the work of the Authority, the Master Plan, Asset Inventory and Assessment grants, and the integration of the funding programs so that funds can be used most effectively.

Mr. Solomon stated that The Utility Management Conference sponsored by the American Water Works Association and the Water Environment Federation will be held in February in Tampa. He also noted that the Authority's Master Plan was presented at the December 2016 seminar sponsored by the Professional Engineers of North Carolina.

Mr. Solomon requested an update about the recent EPA Water Infrastructure and Resiliency Finance Center's listening session about financial leadership for communities in need. Chair Colson described the session held in early January 2017 in Washington DC. North Carolina was one of only 16 invited attendees. The Master Plan concepts were discussed in detail during the session and received favorable feedback. As a result, North Carolina is becoming recognized as a national leader through its view of the complete picture of organizational and financial management in addition to infrastructure management.

#### **Item H. Ethics Education and Statement of Economic Interest Filing Reminder**

The Division reminded the Authority of their requirements for Ethics Education, which must be completed every two years and the Statement of Economic Interest (SEI) filing which is due every year by April 15.

#### **Item I. Introduction to Funding Decisions for Sept. 30, 2016 Application Round**

The applications received in Sept. 2016, which will be considered for funding at this meeting, constitute the largest funding round to date, both in the number of applications received and in the dollars available. Approximately 350 applications were received, and approximately \$308.6 million in funding is available.

On the application form, each applicant indicated two conditions: (1) whether or not it would accept federal funding conditions and (2) the minimum acceptable grant percentage. Applications were considered only for the type of funding that met the two conditions specified by the applicant. Staff referenced the methodology provided in the Authority's meeting packet regarding the determination of the best available funding and noted the specific caps on the funding available under each program. Division staff answered questions posed by the Authority as follows:

- Question 1: why are some applications shown as incomplete? Answer: many of the incomplete applications are in the CDBG-I program which, as a program funded by the US Dept. of Housing and Urban Development (HUD), requires rigorous documentation that the population to be served by the project cover a minimum of 51% of households categorized as low- to-medium income (LMI). The Division holds several trainings per year around the state to explain how the LMI must be documented and the surveys and forms that are required. Also, while some CDBG-I applicants indicated that they would like to be considered for the SRF or state funding programs, they did not provide the form that documents fund transfers that is required for those programs; the requirements for the fund transfers are clearly explained in the application guidance documents and at the application training sessions.
- Question 2: are applicants that are not funded aware of the reason(s) they are not funded? Answer: prior to the Authority meetings, the funding spreadsheets are posted on the Division's website. In order to be transparent, the spreadsheets list the reasons that the points awarded differ from the points claimed by the applicant. Many applicants call staff to discuss this prior to or following the Authority meeting.
- Question 3: what type of projects are considered green projects? Answer: projects that are for energy efficiency or power generation at wastewater treatment plants or pump stations, for wastewater reuse, for stormwater quality, and for stream restoration.

#### **Item J. Funding Recommendations for Community Development Block Grant-Infrastructure (CDBG-I)**

At the request of the Chair that Authority members identify any conflicts of interest or potential conflicts of interest at the meeting's outset, Ms. Hunnicutt identified a conflict of interest with a project included within Agenda Item J, specifically the funding applied for by Rutherford County (CDBG-I Project No. 8).

The sum of funds requested in complete, eligible applications is \$57.96 million. There is a total of \$26.97 million available in this round. The Division presented recommendations for funding. The Authority discussed details of the following projects:

- Project No. 11: Town of Parmele – This project is not recommended for funding because the system does not have capacity to accept additional flow. The Department of Environmental Quality (DEQ) will not issue a permit for this project because there is no available flow capacity. If the Authority funded the project today, use of the grant funds would be delayed for an undetermined amount of time until a DEQ permit is obtained. One member commented that the timing of using CDBG-I funds is critical.
- Project No. 23: Graham County – In the project application, the LMI% in the project area was not calculated correctly (see Item I, Question 1 for description of the federal requirements). If changes are made to the survey, the change must be properly corrected according to the program guidance; in the case of this application, the correction was not made correctly. Both the resident affected and the person conducting the survey must initial any changes that are made.
- Project No. 49: Town of Robbins – This project includes installation of new waterline to create a loop in the system as well as to rehabilitate lines. The amount of new line that can be installed using grant funding cannot exceed 10% of the total length of line in the project. The amount proposed for looping is just over 10%. One member commented that at this preliminary stage of the project, the exact line lengths may not be known. One member commented that the project will serve a school that has 480 children.

#### **Action Item J.1:**

- Mr. Solomon made a motion to approve as eligible for funding CDBG-I Projects No. 1 through 7. Mr. Carswell seconded the motion. The motion passed unanimously.

**Action Item J.2:**

- Mr. Solomon made a motion to approve as eligible for funding CDBG-I Project No. 8. Mr. Carswell seconded the motion. Ms. Hunnicutt recused herself from the vote due to a conflict of interest. The motion passed.

**Action Item J.3:**

- Mr. Stiles made a motion to approve as eligible for funding CDBG-I Projects No. 9, 10, 12 through 18 and 49. Mr. Gaskins seconded the motion. The vote was taken by show of hands and passed with six voting for the motion and two voting against the motion. The motion passed.

**Action Item J.4:**

- Mr. Vines made a motion to approve as eligible for funding CDBG-I Project No. 19, noting that the project would be only partially funded using the amount of available funds remaining. Mr. Stiles seconded the motion. The motion passed unanimously.

**Item K. Example Funding Scenario for Drinking Water Projects**

At the request of the Chair that Authority members identify conflicts of interest or potential conflicts of interest at the meeting's outset, Mr. Solomon identified a conflict of interest with a project included within Agenda Item K, specifically the funding applied for by the City of Henderson for which CH2M has been retained to provide engineering services. When Item K came before the Authority, but prior to any presentation or consideration of the item, Mr. Solomon again identified his conflict of interest related to the project for the City of Henderson and left the meeting for the duration of the consideration of and subsequent action on Item K. Mr. Solomon returned to the meeting at the conclusion of the Authority's action on Item K.

Projects eligible for funding under the Drinking Water State Reserve (DWSR) program which provides both loan and grant funds, and under the Drinking Water State Revolving Fund (DWSRF) program which provides loan funds, were reviewed.

The Authority discussed details of Project No. 31 for Rowan County. As mentioned by the Chair in Item F, a portion of this project would serve residents near Duke Energy's Buck Steam Station Power Plant and could be funded by Duke Energy under its proposal to provide permanent water supplies to households in proximity to its coal combustion residuals impoundments. Provision of waterline extensions are contingent on a specified number of connections being made. Staff noted that the application is for waterlines that are larger in diameter than that needed to serve the residents, and that the project will create a new system owned by Rowan County and operated through an interlocal agreement by Salisbury-Rowan Utilities. The applicant requests \$2,963,700 for the project, but the total project cost is \$4,705,900. The applicant did not indicate the source of the additional funds; staff noted that during the engineering report phase, the sources of all needed funding must be reported. One member asked if the system will be viable, since the project creates a new utility. Mr. Gaskins, Secretary of the Local Government Commission (LGC) and Authority member, stated that the LGC would have to determine viability.

**Action Item K:**

- Mr. Stiles made a motion to approve as eligible for funding the following projects:
  - Drinking Water State Reserve (DWSR) Project Nos. 2, 3, 6, 7, 8, 9, 11, 12, 13, 14, 16, 18, 19, 20, 21, 23, 24, 25, 26, 28, 29, 30, 31, 32 and 33, and
  - Drinking Water State Revolving Fund (DWSRF) Project Nos. 2, 5, 7, 8, 10, 14, 15, 17, 18, 23, 28, and 29.

Mr. Vines seconded the motion. Mr. Solomon had previously recused himself and was not present during the discussion and action on this entire agenda item. The motion passed.

**Item L. Example Funding Scenario for Wastewater Projects, Asset Inventory and Assessment (AIA) Grants, and Merger/Regionalization (MRF) Grants**

Projects eligible for funding under the Wastewater State Reserve (WWSR) program, which provides both loan and grant funds, and under the Clean Water State Revolving Fund (CWSRF) program, which provides loan funds were reviewed.

Authority members noted conflicts of interest as follows:

- Ms. Hunnicutt: MRF Project No. 1 applied for by Rutherford County
- Mr. Solomon:
  - WWSR Project No. 31 applied for by Carolina Beach, and WWSR Project Nos. 32 and 35, applied for by the Orange Water and Sewer Authority, and
  - AIA Project No. 25 applied for by Carolina Beach, and AIA Project Nos. 33 and 34, applied for by Clayton.

WWSR Project No. 1 for Eden, and Project Nos. 2, 3, and 4 for the Cape Fear Public Utility Authority meet the criteria to be funded using Connect NC Bond grant funds because these projects will address EPA Administrative Orders (AO).

**Action Item L.1:**

- Mr. Solomon made a motion to approve as eligible for funding the following projects:
  - Wastewater State Reserve (WWSR) Project Nos. 1 through 9, 11 through 15, 18, 24, 25, 28, 29, 30, and 34, and
  - Clean Water State Revolving Fund (CWSRF) Project Nos. 2, 4, 5, 6, 16, 22, 23, and 24, and
  - AIA Project Nos. 1 through 24, 26 through 32, and 35 through 65, and
  - MRF Project Nos 2 and 3.

Mr. Stiles seconded the motion. The motion passed unanimously.

**Action Item L.2:**

- Mr. Carswell made a motion to approve as eligible for funding the following projects:
  - Wastewater State Reserve (WWSR) Project Nos. 31, 32, and 35, and
  - AIA Project Nos. 1 through 24, 26 through 32, and 35 through 65, and
  - MRF Project No. 1.

Mr. Vines seconded the motion. Mr. Solomon recused himself. The motion passed.

**Action Item L.3:**

- Mr. Vines made a motion to approve as eligible for funding MRF Project No. 1. Mr. Stiles seconded the motion. Ms. Hunnicutt recused herself. The motion passed.

Tables 1 through 6 list the projects, by program, determined by the Authority as eligible to receive funding.

**Table 1.**

**Community Development Block Grant-Infrastructure (CDBG-I) Project Funding Approved on Jan. 18, 2017**

<b>Project No.</b>	<b>Applicant Name</b>	<b>Project Name</b>	<b>Funding Amount</b>
1	Ayden	2016 Sanitary Sewer Improvements	\$968,000
2	Greenevers	Hargroves Rd Sewer Extension	\$1,638,800
3	Troy	Phase II Water and Sewer Replacement	\$695,617
4	Fountain	2016 Sanitary Sewer Improvements	\$1,915,000
5	Brunswick	Bish Ford and Davis Dr Sewer Extension	\$1,276,000
6	Seaboard	2016 CDBG-I Town Wide Sewer	\$1,344,152
7	Burnsville	Peterson Trailer Park Sewer Rehab.	\$900,000
8	Rutherford County	Elm Acres Waterline	\$190,000
9	Roper	Wastewater System Improvements	\$1,092,000
10	High Shoals	High Shoals Sewer CDBG-I Project	\$1,594,905
12	Stanley	WW Collection System Rehabilitation	\$2,000,000
13	Siler City	Wastewater Collection System Improvements	\$2,000,000
14	Yanceyville	Wastewater Treatment Plant Update	\$2,000,000
15	Saratoga	Gardner School Rd/Pitt Rd Sewer Improvements	\$856,055
16	Greene County	2016 Sanitary Sewer Improvements	\$2,000,000
17	Burke County	Hwy 18S and Rhoney Rd Water Project	\$2,000,000
18	Murphy	Regal Street Water and Sewer Improvements	\$2,000,000
19	Faison	2016 Sanitary Sewer Improvements	\$498,485
49	Robbins	Water System Improvements	\$2,000,000
		<b>Total CDBG-I Funding Approved:</b>	<b>\$26,969,014</b>

**Table 2.  
Drinking Water State Reserve (DWSR) Project Funding Approved on Jan. 18, 2017**

<b>Proj. No.</b>	<b>Applicant Name</b>	<b>Project Name</b>	<b>Funding Amount – Bond Grant</b>	<b>Funding Amount – Loan</b>
2	Edenton	Freemason Water Plant Upgrade	\$0	\$2,000,000
3	Edenton	Beaver Hill Water Plant Upgrade	\$0	\$1,658,700
6	Parkton	Water Tank Rehabilitation Project	\$89,650	\$89,650
7	Martin County	Water & Sewer District No. 1 Water System Improvements	\$1,476,275	\$0
8	Oxford	2017 Water Line Replacement	\$2,916,000	\$2,916,000
9	Jonesville	Water System Improvements	\$540,343	\$540,343
11	Bailey	Water Filter Replacement	\$234,000	\$234,000
12	SE Wayne Sanitary District	2016 Water System Improvements - Water Line Replacement	\$1,250,000	\$1,250,000
13	Fountain	2016 Water System Improvements	\$843,750	\$281,250
14	Beaufort Co. Water District V - Pantego Twp.	2016 Water System Improvements	\$1,453,500	\$484,500
16	Cove City	2015 Water System Improvements	\$527,000	\$1,581,000
18	Orange W & S Authority	Brandywine Road Water Main Rehab.	\$0	\$1,056,000
19	Sparta	Crestview Booster PS/Water System Improvements	\$150,000	\$450,000
20	Sampson County	Iron/Manganese Treatment Systems	\$1,013,250	\$337,750
21	Eden	Water Line Expansion-Regional Mega Park	\$1,886,700	\$5,660,100
23	Carolina Beach	2016 Drinking Water Project	\$0	\$1,273,216
24	Gibsonville	Springwood/Cedar Waterline Replace.	\$0	\$590,500
25	Boonville	Water Treatment Plant Improvements	\$0	\$796,000
26	Beaufort Co. Water Dist. I - Washington Twp.	2016 Water System Improvements	\$2,250,000	\$750,000
28	Canton	Spruce Street Area Water System Impr.	\$0	\$2,000,000
29	Orange W & S Authority	Dobbins Drive Water Main Rehab.	\$0	\$1,525,000
30	Buffalo Water District	2017-18 Hydraulic Improvements	\$0	\$2,300,000
31	Rowan County	Dukeville Water Line Project	\$0	\$2,963,700
32	Elevation Water District	2017-18 Hydraulic Improvements	\$0	\$1,500,000
33	Wilson Mills Water Dist.	2017-18 Hydraulic Improvements	\$0	\$2,270,000
<b>Subtotals for Drinking Water State Reserve:</b>			<b>\$14,630,468</b>	<b>\$34,507,709</b>
<b>Total Drinking Water State Reserve Funding Approved:</b>			<b>\$49,138,177</b>	

Table 3.

## Drinking Water State Revolving Fund (DWSRF) Project Funding Approved on Jan. 18, 2017

Proj. No.	Applicant Name	Project Name	Funding Amount – Principal Forgiveness	Funding Amount – Loan
2	Tuckaseegee Water and Sewer Authority	Water System Consolidation-Valhalla System	\$499,985	\$0
5	Henderson	Kerr Lake Regional Water Plant Upgrades	\$0	\$19,893,000
7	Louisburg	Water Improvements	\$193,000	\$193,000
8	Saratoga	Route 222/Church St. Waterline Replace.	\$108,924	\$108,924
10	Dublin	FY16 HUC Water System-Line Impr.	\$238,000	\$238,000
14	Valdese	St. Germain Ave. Water System Impr.	\$156,828	\$156,828
15	Shelby	WTP Rehabilitation and Upgrades	\$0	\$10,285,000
17	Pamlico County	Reelsboro Elevated Storage Tank Replace.	\$500,000	\$765,000
18	Eden	Water Line Expansion - In Town	\$0	\$9,342,800
23	Orange W & S Authority	Water Plant Sedimentation Rehab.	\$0	\$3,390,000
28	Cleveland County Water	Lattimore Area Water Improvements	\$0	\$3,833,600
29	Orange W & S Authority	Advanced Metering Infrastructure System	\$0	\$6,132,000
<b>Subtotals for Drinking Water SRF:</b>			<b>\$1,696,737</b>	<b>\$54,338,152</b>
<b>Total Drinking Water SRF Funding Approved:</b>			<b>\$56,034,889</b>	

Table 4.

## Wastewater State Reserve (WWSR) Project Funding Approved on Jan. 18, 2017 (\*)

Proj. No.	Applicant Name	Project Name	Funding Amount – Bond Grant	Funding Amount – Appropriation Grant	Funding Amount – Loan
1	Eden (AO)	Wastewater Collection and Transmission System Rehab. (AO)	\$15,150,788	\$0	\$15,000,000
2	Cape Fear Public Util. Auth. (AO)	PS Nos. 5, 6, 13, 16, 21, & 20 Replacement & FM Rehab. (AO)	\$4,427,894	\$0	\$0
3	Cape Fear Public Util. Auth. (AO)	Find-it, Fix-it Gravity Sewer Rehabilitation (AO)	\$6,134,853	\$0	\$0
4	Cape Fear Public Util. Auth. (AO)	Pump Station No. 10 Replacement (AO)	\$5,737,250	\$0	\$0
5	Elm City	Wastewater Irrigation Impr.	\$3,000,000	\$0	\$0
6	Pikeville	2016 Sanitary Sewer Impr.	\$2,249,215	\$522,785	\$0
7	Fremont	Fremont Sanitary Sewer Rehab.	\$0	\$1,200,000	\$0
8	Franklin County	Youngsville Sewer Collection System Improvements	\$0	\$0	\$1,910,000
9	Yadkin Valley Sewer Authority	2017 Collection System Rehab.	\$0	\$1,984,125	\$661,375
11	Oxford	2017 Sewer Line Replacement	\$0	\$2,940,750	\$980,250
12	Stantonsburg	Sanitary Sewer Replacement	\$0	\$915,000	\$0

**Table 4. Wastewater State Reserve (WWSR) Project Funding Approved on Jan. 18, 2017 (\*) – continued**

Proj. No.	Applicant Name	Project Name	Funding Amount – Bond Grant	Funding Amount – Appropriation Grant	Funding Amount – Loan
13	Fair Bluff	Wastewater Pump Station Impr.	\$0	\$69,959	\$23,320
14	Warrenton	Warrenton WWTP Improvements	\$0	\$1,600,000	\$0
15	Dublin	FY16 Sewer System Impr.	\$0	\$226,500	\$75,500
18	Clyde	Pigeon River North Sewer Rehab.	\$0	\$412,500	\$137,500
24	Kinston	Brier Run Phase V Sewer Rehab.	\$0	\$0	\$1,332,700
25	Kinston	Lawrence Heights Sewer Repl.	\$0	\$0	\$3,299,600
28	Old Fort	WWTP Improvements	\$0	\$0	\$2,066,000
29	Lenoir	Biosolids Facility Improvements	\$0	\$0	\$6,600,000
30	Mocksville	Dutchman's Creek WWTP Impr.	\$0	\$0	\$3,000,000
31	Carolina Beach	2016 Wastewater Project	\$0	\$0	\$1,657,654
32	Orange W&S Auth.	Wastewater Treatment Plant Intermediate PS Rehab	\$0	\$0	\$1,071,000
34	McAdenville	Phase II - South Fork Sewer	\$0	\$0	\$2,999,839
35	Orange W&S Auth.	Dobbins Dr. Sewer Interceptor Rehab.	\$0	\$0	\$1,658,000
<b>Subtotals:</b>			<b>\$36,700,000</b>	<b>\$9,871,619</b>	
<b>Subtotals for Wastewater State Reserve:</b>			<b>\$46,571,619</b>		<b>\$42,472,738</b>
<b>Total Wastewater State Reserve Funding Approved:</b>			<b>\$89,044,357</b>		

(\*) AO – EPA Administrative Order

**Table 5.  
Clean Water State Revolving Fund (CWSRF) Project Funding Approved on Jan. 18, 2017**

Proj. No.	Applicant Name	Project Name	Funding Amount – Principal Forgiveness	Funding Amount – Loan
2	Ayden	2016 Sanitary Sewer Replacement	\$500,000	\$805,130
4	Mount Gilead	2017 Wastewater Improvements	\$500,000	\$2,353,000
5	Yadkin Valley Sewer Authority	2017 Wastewater Plant Improvements	\$483,000	\$483,000
6	La Grange	Inflow and Infiltration Abatement	\$101,225	\$101,225
16	Davie County	East Davie WW Collection System	\$0	\$18,199,000
22	Southport	Wastewater Treatment Expansion	\$0	\$19,850,608
23	Johnston County	WWTP 4 MGD Expansion	\$0	\$30,000,000
24	Jacksonville	Wardola-Thompson Sch. Creek Restor.	\$0	\$480,200
<b>Subtotals for Clean Water SRF:</b>			<b>\$1,584,225</b>	<b>\$72,272,163</b>
<b>Total Clean Water SRF Funding Approved:</b>			<b>\$73,856,388</b>	

**Table 6.**  
**Asset Inventory and Assessment (AIA) Grant Funding Approved on Jan. 18, 2017**

<b>Proj. No.</b>	<b>Applicant Name</b>	<b>Project Name</b>	<b>Funding Amount</b>
1	Cape Fear Public Util. Authority	AIA Gravity Sewer-Historic Downtown Wilmington	\$150,000
2	Shelby	Sewer Asset Inventory and Assessment	\$150,000
3	Granite Falls	Sewer System Asset Management	\$150,000
4	Spindale	Sanitary Sewer Collection System Flow Monitoring	\$150,000
5	Tabor City	Wastewater Asset Inventory and Assessment	\$85,450
6	Whiteville	Sewer System Asset Management Plan	\$150,000
7	Washington	Wastewater System Asset Inventory Assessment	\$150,000
8	Bladenboro	Drinking Water Asset Inventory and Assessment	\$78,250
9	Monroe	Wastewater System Asset Management Integration	\$150,000
10	Mocksville	Water System Asset Inventory and Assessment	\$150,000
11	Rowland	Wastewater Asset Inventory and Assessment	\$125,950
12	St. Pauls	Sewer Asset Inventory and Assessment	\$150,000
13	Lexington	Wastewater Asset Management Plan	\$150,000
14	Southern Pines	Critical Sewer Condition Assessment	\$150,000
15	Davie County	Water System Inventory Assessment and Mapping	\$150,000
16	Sanford	Water Asset Inventory, Condition Assess. & Asset Mgmt. Planning	\$150,000
17	Old Fort	Water System Asset Inventory & Assessment	\$150,000
18	Fair Bluff	Wastewater System Asset Invent. & Condition Assess.	\$150,000
19	Ellerbe	Wastewater Asset Inventory and Assessment	\$77,900
20	Bertie County Wtr. Distr. II	Water Asset Management Plan Revision	\$84,200
21	North Wilkesboro	Water Asset Inventory & Assessment	\$100,000
22	North Wilkesboro	Sewer Asset Inventory & Assessment	\$100,000
23	Elm City	Sewer System Asset Inventory and Assessment	\$150,000
24	Bladenboro	Wastewater Asset Inventory and Assessment	\$81,550
25	Carolina Beach	2016 AIA Drinking Water Project	\$150,000
26	Canton	Water System Asset Inventory and Assessment	\$85,000
27	Landis	Water System Asset Inventory & Assessment	\$150,000
28	Mocksville	Sewer System Asset Inventory and Assessment	\$150,000
29	Wallace	Sewer System Asset Inventory and Assessment	\$150,000
30	Maxton	Wastewater Asset Inventory, Assess. & Mgmt. Plan	\$112,000
31	Maxton	Water Asset Inventory, Assessment & Mgmt. Plan	\$96,000
32	Oxford	Sewer Asset Inventory & Assessment	\$150,000
33	Clayton	Wastewater Asset Mgmt. Assessment & Inventory	\$150,000
34	Clayton	Drinking Water Asset Mgmt. Assess. & Inventory	\$150,000
35	Drexel	Wastewater Asset Inventory & Assessment	\$150,000
36	Landis	Sewer System Asset Inventory & Assessment	\$150,000
37	Claremont	Sewer Asset Inventory & Assessment	\$150,000
38	Rose Hill	Wastewater Asset Inventory & Condition Assess.	\$150,000
39	Old Fort	Sewer System Asset Inventory and Assessment	\$150,000

**Table 6. Asset Inventory and Assessment (AIA) Grant Funding Approved on Jan. 18, 2017 – continued**

<b>Proj. No.</b>	<b>Applicant Name</b>	<b>Project Name</b>	<b>Funding Amount</b>
40	Winterville	Water Distribution System Asset and Inventory	\$150,000
41	Aulander	Water Asset Management Plan	\$78,304
42	Elm City	Water System Asset Inventory and Assessment	\$150,000
43	Andrews	Sewer System Asset Inventory and Assessment	\$150,000
44	Oxford	Water Asset Inventory and Assessment	\$105,000
45	Beaufort	Water System Asset Inventory Assessment	\$150,000
46	Mount Olive	Water Asset Inventory & Assessment	\$104,000
47	Woodland	Wastewater System Asset Inventory Assessment	\$76,000
48	Southport	Wastewater Asset Management Plan	\$45,000
49	Robbinsville	Water Asset Inventory and Assessment	\$50,000
50	Pink Hill	Water Asset Inventory & Assessment	\$40,000
51	Pink Hill	Sewer Asset Inventory & Assessment	\$80,000
52	Rose Hill	Water System Asset Inventory & Condition Assess.	\$150,000
53	Laurinburg	Wastewater Asset Inventory and Assessment	\$133,700
54	Cleveland County Water	Water Asset Inventory and Assessment	\$150,000
55	Dunn	Water System Asset and Inventory Assessment	\$150,000
56	Laurinburg	Drinking Water Asset Inventory and Assessment	\$80,925
57	Middlesex	Wastewater Asset Inventory and Assessment	\$150,000
58	Bailey	Sewer Asset Inventory and Assessment	\$150,000
59	Wilson County SW Wtr. Distr.	Water Asset Inventory and Assessment	\$95,000
60	Hyde County	Water System Asset Inventory & Assessment	\$120,000
61	Maysville	Sewer Asset Inventory & Assessment	\$140,000
62	Warrenton	Water Asset Inventory & Assessment	\$100,000
63	Benson	Wastewater Asset Inventory & Assessment	\$150,000
64	Monroe	Drinking Water System Asset Mgmt. Integration	\$150,000
65	Murphy	Water System Asset Inventory & Assessment	\$150,000
<b>Totals for AIA Grants</b>			<b>\$8,274,229</b>

**Table 7. Merger/Regionalization Feasibility (MRF) Grant Funding Approved on Jan. 18, 2017**

<b>Proj. No.</b>	<b>Applicant Name</b>	<b>Project Name</b>	<b>Funding Amount</b>
1	Rutherford County	Cliffside Sanitary District Merger/ Consolidation PER	\$50,000
2	Bethel	Sewer Merger Feasibility	\$50,000
3	Wayne County	Sewer System Merger/ Regionalization Grant	\$50,000
<b>Totals for MRF Grants</b>			<b>\$150,000</b>

### **Item M. 2017 Intended Use Plans (IUPs) for CWSRF and DWSRF Programs**

The application priority ranking methods used for the evaluation of applications to the CWSRF and DWSRF are proposed to the US Environmental Protection Agency (EPA) each year, in North Carolina's Intended Use Plan (IUP) for each of the SRF programs. The IUP for each program includes the Priority Rating System, which contains the points that are applied by Division staff when an application is evaluated. The IUPs are submitted to the US EPA as part of the capitalization grant applications. The Division proposed no changes to the CWSRF and DWSRF Priority Rating Systems.

The Division will hold a public meeting to receive public comment on each Draft IUP before it is submitted to the EPA. The public meeting will be scheduled as soon as possible.

#### **Action Item M:**

- Ms. Goodwin made a motion to approve the draft CWSRF and draft DWSRF priority rating systems for public review. Mr. Gaskins seconded the motion. The motion passed unanimously.

### **Item N. Informal Comments from the Public**

Mr. Colson stated that public comments could be made at this time with the reminder that in accordance with the Authority's Internal Operating Procedures, comments must be limited to the subject of business falling within the jurisdiction of the Authority and should not be project specific.

Mr. David Lambert, Town Manager for the Town of Robbins, addressed the Authority. Mayor Lonnie English and Mayor-Pro-Tem Nikki Green were also in attendance. Mr. Lambert stated that the town was very appreciative of the Authority's decision to fund its CDBG-I project.

### **Item O. Concluding Remarks by Authority Members, Chair, and Counsel**

Authority members noted that some of the projects funded today had received zero points for project benefit and some received zero points for project purpose. They expressed concern about the quality of projects that may be applied for in the future and discussed the possibility of requiring a minimum number of points in each category to be considered for funding. The Chair mentioned possibly refining the lower end of the priority systems to address these concerns.

Authority members appreciated the level of detailed information provided in the agenda packets and having the complex information presented clearly.

Mr. Gaskins noted that Treasurer Folwell supports developing the troubled system protocol and has authorized a new staff position to analyze the data collected by the LGC. He looks forward to working with the Division to use the data to better understand the issues of local government units that apply for funding.

The Chair noted that the challenge this year is implementing the Statewide Infrastructure Master Plan and working with the many partner agencies and organizations to get the master plan messages out to the local government units and other utility providers.

The next Authority meeting date is April 19, 2017.

**Item P. Adjourn** – The meeting was adjourned.

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2017

H.B. 718  
Apr 10, 2017  
HOUSE PRINCIPAL CLERK

H

D

HOUSE BILL DRH40414-STf-40 (02/07)

Short Title: Rates and Transfers by Public Enterprises. (Public)

Sponsors: Representative McGrady.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO PROHIBIT COUNTIES AND CITIES FROM ESTABLISHING DIFFERENTIAL RATES FOR PUBLIC ENTERPRISES BASED SOLELY ON WHETHER THE SERVICE IS PROVIDED INSIDE THE COUNTY OR CITY'S JURISDICTION WITHOUT APPROVAL OF THE LOCAL GOVERNMENT COMMISSION; TO REQUIRE A PUBLIC ENTERPRISE TO BE ACCOUNTED FOR IN A SEPARATE, SEGREGATED FUND WITH LIMITED TRANSFERS OUT OF THAT FUND; AND TO REQUIRE THE LEGISLATIVE RESEARCH COMMISSION TO STUDY THE PROVISION OF WATER AND SEWER SERVICES BY PUBLIC ENTERPRISES.

The General Assembly of North Carolina enacts:

**SECTION 1.(a)** G.S. 160A-312 reads as rewritten:

**"§ 160A-312. Authority to operate public enterprises.**

(a) A city shall have authority to acquire, construct, establish, enlarge, improve, maintain, own, operate, and contract for the operation of any or all of the public enterprises as defined in this Article to furnish services to the city and its citizens. Subject to Part 2 of this Article, a city may acquire, construct, establish, enlarge, improve, maintain, own, and operate any public enterprise outside its corporate limits, within reasonable limitations, but in no case shall a city be held liable for damages to those outside the corporate limits for failure to furnish any public enterprise service.

(b) A city shall have full authority to protect and regulate any public enterprise system belonging to or operated by it by adequate and reasonable rules. The rules shall be adopted by ordinance, shall apply to the public enterprise system both within and outside the corporate limits of the city, and may be enforced with the remedies available under any provision of law.

(c) A city may operate that part of a gas system involving the purchase and/or lease of natural gas fields, natural gas reserves and natural gas supplies and the surveying, drilling or any other activities related to the exploration for natural gas, in a partnership or joint venture arrangement with natural gas utilities and private enterprise.

(d) A city shall account for a public enterprise in a separate fund and may not transfer any money from that separate fund to any other fund except as provided in this subsection or Article 3 of Chapter 159 of the General Statutes. Obligations of the public enterprise may be paid out of the separate fund. Permitted transfers out of the separate fund shall be as follows, if applicable:

- (1) For a capital project fund established for the construction or replacement of assets for that public enterprise.
- (2) To repay the city for any monies loaned to the public enterprise.



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1           (3)    To a fund within the city to cover the public enterprise's portion of any costs  
2                    shared across city funds, including salaries and benefits of shared personnel.

3           (4)    For debt service related to the public enterprise.

4       (e)    For purposes of this section, "outside the corporate limits" shall include any area  
5 outside the principal municipal corporate limits without regard to the county."

6       **SECTION 1.(b)** G.S. 160A-314(a) reads as rewritten:

7       "(a)    A city may establish and revise from time to time schedules of rents, rates, fees,  
8 charges, and penalties for the use of or the services furnished by any public enterprise.  
9 Schedules of rents, rates, fees, charges, and penalties may vary according to classes of ~~service,~~  
10 ~~and different service.~~ Different schedules may be adopted for services provided outside the  
11 corporate limits of the city, only if approved by the Local Government Commission after a  
12 public hearing. A city shall use revenue derived from rates, fees, charges, and penalties for the  
13 purpose of paying the expenses of maintaining, operating, and expanding the public enterprise,  
14 including debt payments and capital reserves."

15       **SECTION 2.(a)** G.S. 153A-275 reads as rewritten:

16       "**§ 153A-275. Authority to operate public enterprises.**

17       (a)    A county may acquire, lease as lessor or lessee, construct, establish, enlarge,  
18 improve, extend, maintain, own, operate, and contract for the operation of public enterprises in  
19 order to furnish services to the county and its citizens. A county may acquire, construct,  
20 establish, enlarge, improve, maintain, own, and operate outside its borders any public  
21 enterprise.

22       (b)    A county may adopt adequate and reasonable rules to protect and regulate a public  
23 enterprise belonging to or operated by it. The rules shall be adopted by ordinance, shall apply to  
24 the public enterprise system both within and outside the county, and may be enforced with the  
25 remedies available under any provision of law.

26       (c)    A county shall account for a public enterprise in a separate fund and may not  
27 transfer any money from that separate fund to any other fund except as provided in this  
28 subsection or Article 3 of Chapter 159 of the General Statutes. Obligations of the public  
29 enterprise may be paid out of the separate fund. Permitted transfers out of the separate fund  
30 shall be as follows, if applicable:

31           (1)    For a capital project fund established for the construction or replacement of  
32                    assets for that public enterprise.

33           (2)    To repay the county for any monies loaned to the public enterprise.

34           (3)    To a fund within the county to cover the public enterprise's portion of any  
35                    costs shared across county funds, including salaries and benefits of shared  
36                    personnel.

37           (4)    For debt service related to the public enterprise."

38       **SECTION 2.(b)** G.S. 153A-277(a) reads as rewritten:

39       "(a)    A county may establish and revise from time to time schedules of rents, rates, fees,  
40 charges, and penalties for the use of or the services furnished by a public enterprise. Schedules  
41 of rents, rates, fees, charges, and penalties may vary for the same class of service in different  
42 areas of the county and may vary according to classes of ~~service, and different service.~~  
43 Different schedules may be adopted for services provided outside of the ~~county.~~ county, only if  
44 approved by the Local Government Commission after a public hearing. A county may include a  
45 fee relating to subsurface discharge wastewater management systems and services on the  
46 property tax bill for the real property where the system for which the fee is imposed is located.  
47 A county shall use revenue derived from rates, fees, charges, and penalties for the purpose of  
48 paying the expenses of maintaining, operating, and expanding the public enterprise, including  
49 debt payments and capital reserves."

50       **SECTION 3.** G.S. 159-13(b)(14) reads as rewritten:

1           "~~(14) No~~ Except as provided in G.S. 153A-277, G.S. 160A-312, or this  
2           subdivision, no appropriation may be made from a utility or public service  
3           enterprise fund to any other fund than the appropriate debt service fund  
4           unless the total of all other appropriations in the fund equal or exceed the  
5           amount that will be required during the fiscal year, as shown by the budget  
6           ordinance, to meet operating expenses, capital outlay, and debt service on  
7           outstanding utility or enterprise bonds or notes. fund. A county may, upon a  
8           finding that a fund balance in a utility or public service enterprise fund used  
9           for operation of a landfill exceeds the requirements for funding the operation  
10          of that fund, including closure and post-closure expenditures, transfer excess  
11          funds accruing due to imposition of a surcharge imposed on another local  
12          government located within the State for use of the disposal facility, as  
13          authorized by G.S. 153A-292(b), to support the other services supported by  
14          the county's general fund."

15           **SECTION 4.(a)** The General Assembly finds that the ability of a city or county to  
16          efficiently and effectively provide public enterprise services, particularly water and sewer  
17          services, is challenged by that local government opting to use revenues of the public enterprise  
18          for purposes other than:

- 19           (1)     Paying the costs of operating the public enterprise.
- 20           (2)     Making debt service payments.
- 21           (3)     Investing in improvements to the infrastructure of that public enterprise.
- 22           (4)     Reimbursing the unit of local government for actual direct services provided  
23           to the public enterprise.

24           **SECTION 4.(b)** The General Assembly further finds that any excess net revenues  
25          should be used to lower rates, advance fund debt service, and fund infrastructure improvements  
26          of that public enterprise.

27           **SECTION 4.(c)** The Legislative Research Commission shall study the issues raised  
28          in this section and make recommendations to the General Assembly on:

- 29           (1)     Fee and charge setting by units of local government in the operation of a  
30           water or sewer system, including collection rates of those fees and charges.
- 31           (2)     Proper accounting controls to ensure transparency in budgeting and  
32           accounting for expenditures and interfund transfers of public enterprise  
33           services by units of local government.
- 34           (3)     Legislation that may be necessary to ensure proper funding of infrastructure  
35           maintenance and improvements for the provision of water and sewer  
36           services, including whether regionalization could facilitate financially  
37           healthy systems with lower fees and charges to customers.
- 38           (4)     Legislation that may be necessary to ensure that units of local government  
39           monitor aging water and sewer infrastructure to ensure proper maintenance  
40           and repair, including how this responsibility impacts the financial health of  
41           the public enterprise.

42           **SECTION 4.(d)** In making the study provided by this section, the Legislative  
43          Research Commission shall consult with the Local Government Commission, the School of  
44          Government, the Department of Environmental Quality, the North Carolina League of  
45          Municipalities, the North Carolina County Commissioners Association, and others.

46           **SECTION 4.(e)** The Legislative Research Commission shall make an interim  
47          report to the 2017 Regular Session of the General Assembly prior to its reconvening in 2018  
48          and shall make a final report to the 2019 Regular Session of the General Assembly.

49           **SECTION 5.** This act becomes effective July 1, 2017.

**State Water Infrastructure Authority**  
**Meeting Date – April 19, 2017**  
**Agenda Item E – IRS Advisory Opinion**

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The Internal Revenue Service (IRS) has recently issued an advisory opinion that board and commission stipends and per diems are subject to income tax and social security/Medicare tax withholding effective January 1, 2017.

All compensation paid to board and commission members will be reported on IRS Form W-2 instead of Form 1099 for tax year 2017 and forward.

Travel reimbursements for mileage, subsistence and lodging have not changed and will continue to be non-taxable to Board and Commission members.

The Department of Environmental Quality is working out the details of the process that will need to be followed to implement this change, and more information will be forthcoming as soon as it is available.

In the meantime, all reimbursements will continue to be processed using current practices.

**State Water Infrastructure Authority**  
**Meeting Date – April 19, 2017**  
**Agenda Item G – 2017 Intended Use Plans (IUPs) for CWSRF and DWSRF Programs**

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**Division of Water Infrastructure Staff Report**

**Background**

North Carolina General Statute G.S. 159G-71 contains the powers and the duties of the State Water Infrastructure Authority (Authority) which include the following:

- To establish priorities for making loans and grants consistent with federal law

The Authority has this responsibility for the federal Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF).

The application priority ranking methods used for the evaluation of applications to the CWSRF and DWSRF are proposed to the US Environmental Protection Agency (EPA) each year, in North Carolina's Intended Use Plan (IUP) for each of the SRF programs. The IUP for each program includes the Priority Rating System which contains the points that are applied by Division staff when an application is evaluated. The IUPs are submitted to the US EPA as part of the capitalization grant applications.

At the Authority's January 18, 2017 meeting, the Division of Water Infrastructure proposed no changes to the CWSRF and DWSRF Priority Rating Systems. The Authority approved the presentation of the CWSRF and DWSRF Priority Rating Systems for public review.

The Division noticed the public comment period on February 21, 2017, and held a public meeting on March 6, 2017 to present the draft IUPs which contained the Priority Rating Systems. The comment period closed on March 24, 2017. No comments were received.

**Staff Recommendation**

Staff recommends that Authority approve the CWSRF and DWSRF Priority Rating Systems for use in the 2017 IUPs.

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## PRIORITY RATING SYSTEM for Wastewater Projects

**Instructions:** For each line item, mark “X” to claim the points for that line item. Be sure that your narrative includes justification for every line item claimed. At the end of each Category, provide the total points claimed for each program in the subtotal row for that category. Then add the subtotals from each category and enter the Project Total in the last line. Note that some categories have a maximum allowed points that may be less than the total of individual line items.

Line Item #	Category 1 – Project Purpose	Claimed Yes/No	SWWR Pts	CWSRF Pts
<b>1.A</b>	Reserved for Other Programs			
<b>1.B</b>	Project will resolve failed infrastructure issues		15	15
<b>1.C</b>	Project will rehabilitate or replace infrastructure		15	15
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, <b>OR</b> water/sewer lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		10	10
<b>1.D</b>	Project will expand infrastructure		2	2
1.D.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, <b>OR</b> lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		10	10
<b>1.E – 1.E.2</b>	Reserved for Other Programs			
<b>1.F</b>	Project will provide stream/wetland/buffer restoration			20
1.F.1	Restoration project that includes restoration of a first order stream and includes stormwater infiltration BMPs			5
1.F.2	Restoration project that includes restoration and / or protection of riparian buffers to at least 30 feet on both sides of the stream			5

Line Item #	Category 1 – Project Purpose (Continued)	Claimed Yes/No	SWWR Pts	CWSRF Pts
1.G	Project will provide stormwater BMPs to treat existing sources of pollution			20
1.G.1	Project that includes BMPs or BMPs in series that achieve at least 35% nutrient reduction (both TN and TP) and 85% TSS reduction			10
1.H	Project will provide reclaimed water/usage or rainwater harvesting/usage			15
	<b>Maximum Points for Category 1 – Project Purpose</b>		30	30
	<b>Subtotal claimed for Category 1 – Project Purpose</b>			
Line Item #	Category 2 – Project Benefits	Claimed Yes/No	SWWR Pts	CWSRF Pts
2.A – 2.B	Reserved for Other Programs			
2.C	Project provides a specific environmental benefit by replacement, repair, or merger; includes replacing failing septic tanks		15	15
2.D	Project addresses promulgated but not yet effective regulations		10	10
2.E	Project directly addresses enforcement documents			
2.E.1	Project directly addresses an EPA Administrative Order for a local government Applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DENR Administrative Order, <b>OR</b>		5	5
2.E.2	Project directly resolves a Notice of Violation or Notice of Deficiency		3	3
2.F	Project includes system merger		10	10
2.G – 2.I	Reserved for Other Programs			

Line Item #	Category 2 – Project Benefits (Continued)	Claimed Yes/No	SWWR Pts	CWSRF Pts
2.J	Project improves treated water quality by adding or upgrading a unit process		3	3
2.K – 2.0	Reserved for Other Programs			
2.P	Project <u>directly benefits</u> subwatersheds that are impaired as noted on the most recent version of the Integrated Report		20	20
2.Q	Project <u>directly benefits</u> waters classified as HQW, ORW, Tr, SA, WS-I, WS-II, WS-III* or WS-IV* (* these classifications must be covered by an approved Source Water Protection Plan to qualify)		10	10
2.R	Project will result in elimination of an NPDES discharge		3	3
2.S	Primary purpose of the project is to achieve at least 20% reduction in energy use			5
	<b>Maximum Points for Category 2 – Project Benefits</b>		35	35
	<b>Subtotal claimed for Category 2 – Project Benefits</b>			
Line Item #	Category 3 – System Management	Claimed Yes/No	SWWR Pts	CWSRF Pts
3.A	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10-years and proposed project is included in the plan <b>OR</b>		2	2
3.B	Applicant has implemented an Asset Management Plan as of the date of application		10	10
3.C	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5%		5	5

Line Item #	Category 3 – System Management (Continued)	Claimed Yes/No	SWWR Pts	CWSRF Pts
3.D – 3.F	Reserved for Other Programs			
	<b>Maximum Points for Category 3 – System Management</b>		15	15
	<b>Subtotal claimed for Category 3 – System Management</b>			
Line Item #	Category 4 – Affordability	Claimed Yes/No	SWWR Pts	CWSRF Pts
4.A	Residential Connections			
4.A.1	Less than 20,000 residential connections <b>OR</b>		2	
4.A.2	Less than 10,000 residential connections <b>OR</b>		4	
4.A.3	Less than 5,000 residential connections <b>OR</b>		6	
4.A.4	Less than 1,000 residential connections		10	
4.B	Current Monthly Utility Rates at 5,000 Usage			
4.B.1	Greater than \$26 <b>OR</b>		2	2
4.B.2	Greater than \$33 <b>OR</b>		4	4
4.B.3	Greater than \$40 <b>OR</b>		6	6
4.B.4	Greater than \$47		8	8
4.B.5	Greater than \$58		12	12
4.C	Local Government Unit (LGU) Indicators			
4.C.1	2 out of 5 LGU indicators worse than state benchmark <b>OR</b>		2	2
4.C.2	3 out of 5 LGU indicators worse than state benchmark <b>OR</b>		4	4

Line Item #	Category 4 – Affordability (Continued)	Claimed Yes/No	SWWR Pts	CWSRF Pts
4.C.3	4 out of 5 LGU indicators worse than state benchmark <b>OR</b>		6	6
4.C.4	5 out of 5 LGU indicators worse than state benchmark		8	8
<b>4.D – 4.E</b>	Reserved for Other Programs			
	<b>Maximum Points for Category 4 – Affordability</b>		30	20
	<b>Subtotal claimed for Category 4 – Affordability</b>			
	<b>Total of Points for All Categories for Wastewater Projects</b>			

## PRIORITY RATING SYSTEM for Drinking Water Projects

**Instructions:** For each line item, mark “X” to claim the points for that line item. Be sure that your narrative includes justification for every line item claimed. At the end of each Category, provide the total points claimed for each program in the subtotal row for that category. Then add the subtotals from each category and enter the Project Total in the last line. Note that some categories have a maximum allowed points that may be less than the total of individual line items.

Line Item #	Category 1 – Project Purpose	Claimed Yes/No	SDWR Pts	DWSRF Pts
1.A	Project will eliminate, by merger or dissolution, a failing public water supply system		25	30
1.B	Project will resolve failed infrastructure issues		25	25
1.C	Project will rehabilitate or replace infrastructure		12	12
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, <b>OR water/sewer</b> lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		8	8
1.D	Project will expand infrastructure		2	2
1.D.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, <b>OR</b> lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		8	8
1.E – 1.H	Reserved for Other Programs			
<b>Maximum Points for Category 1 – Project Purpose</b>			25	30
<b>Subtotal claimed for Category 1 – Project Purpose</b>				
Line Item #	Category 2 – Project Benefits	Claimed Yes/No	SDWR Pts	DWSRF Pts
2.A – 2.A1.	Reserved for Other Programs			
2.B	Project provides a specific public health benefit to a public water supply system by replacement, repair, or merger; includes replacing dry wells, addressing contamination of a drinking water source by replacing or additional treatment; or resolves managerial, technical & financial issues		20	20
2.C	Reserved for Other Programs			

Line Item #	Category 2 – Project Benefits	Claimed Yes/No	SDWR Pts	DWSRF Pts
2.D	Project addresses promulgated but not yet effective regulations		10	10
2.E	Project directly addresses enforcement documents			
2.E.1	Project directly addresses an EPA Administrative Order for a local government Applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DENR Administrative Order, <b>OR</b>		5	5
2.E.2	Project directly resolves a Notice of Violation or Notice of Deficiency		3	3
2.F	Project includes system merger		10	10
2.G	Project addresses documented low pressure		10	10
2.H	Project addresses acute contamination of a water supply source		15	15
2.I	Project addresses contamination of a water supply source other than acute		10	10
2.J	Project improves treated water quality by adding or upgrading a unit process		3	3
2.K	Water loss in system to be rehabilitated or replaced is 30% or greater		3	3
2.L	Project provides a public water system interconnection			
2.L.1	Project creates a new interconnection between systems not previously interconnected <b>OR</b>		10	10
2.L.2	Project creates an additional or larger interconnection between two systems already interconnected which allows one system's public health water needs to be met during an emergency <b>OR</b>		10	10
2.L.3	Project creates any other type of interconnection between systems		5	5
2.M – 2.N	Reserved for Other Programs			
2.O	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including backup electrical power source		3	3
2.P – 2S	Reserved for Other Programs			

	<b>Maximum Points for Category 2 – Project Benefits</b>		35	35
	<b>Subtotal claimed for Category 2 – Project Benefits</b>			
<b>Line Item #</b>	<b>Category 3 – System Management</b>	<b>Claimed Yes/No</b>	<b>SDWR Pts</b>	<b>DWSRF Pts</b>
<b>3.A</b>	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10-years and proposed project is included in the plan <b>OR</b>		2	2
<b>3.B</b>	Applicant has implemented an Asset Management Plan as of the date of application		10	10
<b>3.C</b>	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5%		5	5
<b>3.D</b>	Applicant has an approved Source Water Protection Plan and/or a Wellhead Protection Plan		5	5
<b>3.E</b>	Applicant has implemented a water loss reduction program		5	5
<b>3.F</b>	Applicant has implemented a water conservation incentive rate structure		3	3
	<b>Maximum Points for Category 3 – System Management</b>		15	15
	<b>Subtotal claimed for Category 3 – System Management</b>			
<b>Line Item #</b>	<b>Category 4 – Affordability</b>	<b>Claimed Yes/No</b>	<b>SDWR Pts</b>	<b>DWSRF Pts</b>
<b>4.A</b>	Residential Connections			
4.A.1	Less than 20,000 residential connections <b>OR</b>		2	
4.A.2	Less than 10,000 residential connections <b>OR</b>		4	
4.A.3	Less than 5,000 residential connections <b>OR</b>		6	
4.A.4	Less than 1,000 residential connections		10	
<b>4.B</b>	Current Monthly Utility Rates at 5,000 Usage			
4.B.1	Greater than \$26 <b>OR</b>		2	2
4.B.2	Greater than \$33 <b>OR</b>		4	4
4.B.3	Greater than \$40 <b>OR</b>		6	6
4.B.4	Greater than \$47		8	8
4.B.5	Greater than \$58		12	12
<b>4.C</b>	Local Government Unit (LGU) Indicators			

Line Item #	Category 4 – Affordability (Continued)	Claimed Yes/No	SDWR Pts	DWSRF Pts
4.C.1	2 out of 5 LGU indicators worse than state benchmark <b>OR</b>		2	2
4.C.2	3 out of 5 LGU indicators worse than state benchmark <b>OR</b>		4	4
4.C.3	4 out of 5 LGU indicators worse than state benchmark <b>OR</b>		6	6
4.C.4	5 out of 5 LGU indicators worse than state benchmark		8	8
<b>4.D – 4.E</b>	Reserved for Other Programs			
	<b>Maximum Points for Category 4 – Affordability</b>		30	20
	<b>Subtotal claimed for Category 4 – Affordability</b>			
	<b>Total of Points for All Categories for Drinking Water Projects</b>			

**State Water Infrastructure Authority**  
**Meeting Date – April 19, 2017**  
**Agenda Item I – Troubled System Protocol Update**

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**Division of Water Infrastructure Staff Report**

**Background**

North Carolina General Statute G.S. 159G-71 contains the powers and the duties of the State Water Infrastructure Authority which includes the following:

- To assess the need for a "troubled system" protocol

In previous discussions, the Authority has decided that there is a need to develop a troubled system protocol. Division staff has presented information and received input from the Authority at past meetings. Three primary components of viability have been identified: financial, organizational and infrastructure management.

The Master Plan identifies a viable system as one that functions as a long-term self-sufficient business enterprise, establishes organizational excellence, and provides appropriate levels of infrastructure maintenance, operation, and reinvestment that allow the utility to provide reliable water services now and in the future.

In general, a troubled system may lack sufficient financial and/or organizational management to function as a viable system. In the Master Plan, the Authority acknowledges that providing funds just to repair the infrastructure of such a system without ensuring that it also makes other infrastructure, financial and/or organizational changes may continue a pattern of the entity applying again and again for grant funds. Instead, the Authority supports the concept that any grant funds awarded must move an entity toward becoming viable.

**Current Work**

Staff has continued with analyses of financial, organizational and infrastructure characteristics. Information has been compiled about all local government units in the state from these sources:

- Local Government Commission (LGC) regarding utilities' current or potential financial and organizational issues
- UNC Environmental Finance Center (UNC-EFC) regarding rates, days cash on hand, population, property valuation, and operating ratios
- NC Division of Water Resources (DWR) regarding the type and number of water and/or wastewater system permit violations

Based on additional analyses, some of the financial characteristics of potentially troubled systems have been refined as follows:

- Days cash on hand of less than 180 days
- Population of less than 2,500
- Property valuation per capita of less than \$90,000

Staff is now reviewing the local government units that exhibit these financial characteristics in combination with input from the LGC and the DWR on the characteristics listed above. Systems that may have issues in all of these areas may be the most likely candidates for initial application of the troubled system protocol.

However, the potential to be troubled may result from a number of different circumstances that may be unique to each community, and it is recognized that there is no “one-size-fits-all” permanent solution for troubled systems.

### **Input from Authority**

At this time, working closely with one or two potentially troubled systems could greatly inform and benefit the development of scalable strategies and practices that may be incorporated into a draft protocol framework.

Staff is seeking input from the Authority on initiating a pilot program with one or two local government units that have expressed interest in taking steps towards viability.

### **Next Steps**

- Potentially initiate pilot program
- Development of draft Troubled Systems Protocol Framework

**State Water Infrastructure Authority**  
**Meeting Date – April 19, 2017**  
**Agenda Item J – City of Henderson Drinking Water State Revolving Fund Project Update**

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**Division of Water Infrastructure Staff Report**

**Background**

North Carolina General Statute G.S. 159G-71 contains the powers and the duties of the State Water Infrastructure Authority (Authority) which include the following:

- After reviewing the recommendations for grants and loans submitted to it by the Division of Water Infrastructure, to determine the rank of applications and to select the applications that are eligible to receive grants and loans, consistent with federal law

In January 2017, the Authority determined that the City of Henderson was eligible to receive a Drinking Water State Revolving Fund (DWSRF) loan in the amount of \$19,893,000 for the Kerr Lake Regional Water Plant Upgrades consisting of clarification improvements to assist in maintaining compliance with disinfection byproduct precursors.

**Project Update**

Division staff was notified during the development of the engineering report that the City of Henderson and its partners had determined that due to permitting and construction considerations that it would be better to construct a 10 MGD expansion of the Kerr Lake Regional Water Treatment Plant that included the needed clarification improvements.

A letter from the City of Henderson, dated April 5, 2017, is attached.

The Division is bringing this application back to the Authority for consideration due the substantial change in the overall purpose of the project from the original approval. If the project had been originally submitted as an expansion it would have scored high enough to have received funding as part of the September 2016 application round. The City is not currently requesting additional funding but based upon conversations, it intends to apply in the fall 2017 application round for the remaining funds necessary to complete the project.

**Staff Recommendations:**

Staff recommends that the Authority reapprove the revised project as eligible to receive funding through the DWSRF program.

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## Office of the City Manager

134 Rose Avenue, P. O. Box 1434, Henderson, NC 27536

Phone 252.430.5701 : Fax 252.492.7935 : E-mail [ffrazier@ci.henderson.nc.us](mailto:ffrazier@ci.henderson.nc.us)

[www.ci.henderson.nc.us](http://www.ci.henderson.nc.us)

Wednesday, April 05, 2017

Mr. Vincent Tomaino, PE Director of DWSRF  
 NC Dept. Of Environmental Quality  
 1633 Mail Service Center  
 Raleigh, NC 27699-1633

**Re:** WIF 1920 – Request for converting rehabilitation project to rehabilitation with an expansion component and time extension.

Dear Mr. Tomaino:

The City of Henderson applied to the NCDEQ Drinking Water State Revolving Fund (DWSRF) program for a rehabilitation project to the Kerr Lake Regional Water Treatment Plant with the support of all the partners; City of Henderson, City of Oxford and Warren County. We were pleased to receive a letter of intent to fund from DWSRF on February 1, 2017 and the Advisory Board and the partner’s staff are working to facilitate this project now that funding is available. Action to accept the funding was approved on March 13, 2017. KLRWS advertised the Request for Qualifications (RFQ) on March 19, 2017 for a design build team, the submittal date of the RFQ is May 1, 2017 and a KLRWS Design Build Team recommendation on May 31, 2017. The proposed timeline will not permit us to meet several of the milestones in the intent to fund letter, please see the table below delineating the intent to fund letter and our proposed extension of these milestones:

Milestone	Intent to Fund - Date	KLRWS – Proposed Date
Advertise RFQ Design Build Team		March 19, 2017
RFQ Submittal Date		May 1, 2017
Recommend Design Build Team		May 31, 2017
Receive Authorization to Award		June 14, 2017
Engineering Report Submittal	June 1, 2017	September 29, 2017
Engineering Report Approval	November 1, 2017	February 5, 2018
Bid and Design Package Submittal	May 1, 2018	August 1, 2018
Bid and Design Package Approval	September 4, 2018	December 4, 2018
Advertise Project, Receive Bids, Submit Bid Information and Receive Authority to Award	January 4, 2019	
Execute Construction Contract(s)	February 4, 2019	June 14, 2017 **
Construction Complete		August 5, 2020

\*\* Since this project is a Design-Build Delivery System the Engineer and Contractor will be awarded one joint Contract.

**The City of Henderson formally requests a four (4) month extension to the Milestones issued in DWSRF Intent to Fund letter.** The City of Henderson/KLRWS could not advertise for a Design Build Team until we received the “Intent to Fund” letter and the City Council issued a resolution to accept funding. Therefore our timeline to select the Design Build Team has forced us to request an extension for this very important project to the City as well as the Kerr Lake Regional Water Treatment Plant. This time extension request is not made lightly; we want to put together the best team and build the project as efficiently as we can. KLRWS/City of Henderson has worked very effective with you and your team on other projects and we are very optimistic about your involvement in our Design-Build journey on this project. DWSRF shall have full access to all aspects of this project and we value your input and questions as we move forward.

The KLRWS and its partners has communicated with your staff that they would like to do an alternative project delivery system; Progressive Design Build for this project. Your staff has been receptive to a Design-Build and as we have worked through some of the details in the “Request for Qualifications” for the Design-Build it has become clear that we could “value engineer” some components of the project and potentially not expend all of the allocated funding. The full extent of our potential savings will not be known until we have a Progressive Design Build Team in place and the value of the work/savings identified.

As noted in the application communications with the division of Public Water Supply, KLRWS would potentially - lose the ability to high rate the water filters with the proposed system upgrade, thus our permitted capacity above 10.0 would - significantly decrease. Therefore the combination of KLRWS losing the ability to high rate the filters and the potential savings by using an alternative delivery system, the **City would like to formally request that the project be converted from a “rehabilitation” project to a “rehabilitation project with a component of expansion”.** The expansion will permit KLRWS to reallocate excess funds to make process improvements and increase the plant capacity, while complying with current EPA and the NC Public Water Supply regulations.

As mentioned earlier, the Henderson City Council accepted DWSRF funding on March 13, 2017 and the conversion of the project from rehabilitation to expansion pending LGC’s and DWSRF approval. On behalf of the KLRWS and its partners, we sincerely appreciate all the work your staff has put into this project as well as the intent to fund this project. If we can provide any additional information or clarifications please do not hesitate to contact Clark Thomas or Christy Lipscomb. Until then we anxiously await the decision of the State Water Infrastructure Authority to convert the project to an expansion project and to permit a time extension.

Sincerely,



Frank Frazier, City Manager  
City of Henderson, NC

CC: David Cottrell, Oxford Interim City Manager  
Robert Murphy, Warren County interim Manager  
Clark Thomas, Henderson City Engineer  
Christy Lipscomb, KLWR Director  
Amy Ratliff, Oxford City Engineer  
Macon Robertson, Warren County Public Utilities

## Summary of Two EPA Workshops held in Washington DC, January 2017

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### **1. Water Infrastructure Financial Leadership for Communities in Need – Expert Panel Discussion**

In cooperation with The Environmental Council of States (ECOS)

Jan. 11 – 12, 2017

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Session objectives: An expert discussion group (16 invitees) to share best practices for funding and financing water infrastructure especially in economically challenged communities. EPA will be developing a future financial leadership document.

- Welcome by **Sonia Brubaker, Program Manager, USEPA Water Infrastructure and Resiliency Finance Center**, and by **Alexandra Dunn, Executive Director, The Environmental Council of States**

Four priority areas were the focus of discussions:

#### **A. State-Level Coordination of Available Funding**

Mostly discussion of how states coordinate funding sources including DWSRF, CWSRF, USDA-RD, CDBG, EDA, USACE. Some states jointly review applications; some bundle projects, especially for very small water systems to help with economy of scale with construction. Oklahoma has a funding agency coordination team that includes bond agents and banks. How can funders encourage lower cost alternatives that may not be considered by applicants, such as regionalization?

#### **B. Local-Level Funding and Financing Strategies**

1. Affordability was a large part of this discussion, linked to loss of economic development and loss of residents. Discussion of customer assistance programs; some states and some communities can implement.
2. “Found revenue” through water loss studies and capturing unmetered/unbilled services can be significant. Service lines also a key infrastructure need; consider replacing service lines when putting in new meters. Oklahoma SRF requires a water loss audit for funding projects.
3. Acknowledge that some of the gap can be made up because there is often room for rate increases.

#### **C. Enabling Utility Access and Readiness for Funding and Financing**

1. Three building blocks of readiness: asset management, financial planning, board/customer/community engagement
  - Asset management – asset inventory, condition assessment, identify critical infrastructure, O&M program, capital improvement plan (CIP)
  - Financial planning – rate study, affordability considerations, alternatives analysis, developing budgets, reserve accounts
  - Board/customer/community engagement – communication to boards and governing bodies; communication to customers and community groups
2. Technical assistance in these areas provided by RCAP, NRW, EFCs
3. Concept of “capital absorption” defined as a location’s ability to attract and make use of various forms of capital. Effective capital absorption requires not only a sufficient supply of capital from diverse sources, but also a set of “capable borrowers” with these essential characteristics: stakeholder interactions, clearly established goals, supportive regulatory environment, and a pipeline of investable projects.

4. Oklahoma SRF assigns a financial manager for each project by contracting with retired bond attorneys and others
5. Thoughts on accumulating debt – once a certain level of indebtedness is reached, require training for the utility governing board.

**D. Role of Private Funding and Financing**

1. Bundling of projects is more attractive to Institutional investors; is there a way to create a clearinghouse of bundled projects which would make it easier for foundations to invest in? Projects bundled for several economically-distressed LGUs would be more attractive than individually investing in each one.
2. Readiness for private financing is different from readiness for federal/state loans or grants.
3. Is there a role for “interim” financing for cash flow to help pay for engineering/construction services before LGUs are reimbursed through loan or grant programs?
4. Social investments must further the mission of philanthropic foundations, such as climate resilience, sustainable water.
5. Some prefer “pilot” investments to prove an idea can work and then support it being replicated.

**2. *Water System Partnerships – Cooperative Approaches to Address Drinking Water Challenges***

Jan. 31, 2017

Session objectives: Outcome will be a statement of the problems that hold back partnerships, potential opportunities and solutions, and roles and next steps to keep moving forward to see change.

- Welcome by **Peter Grevatt, Director, Office of Ground Water and Drinking Water**; USEPA Office of Water:
  - Partnerships will enable the long-term sustainable provision of safe drinking water by small systems in particular
  - A broad range of options are considered under the term “partnership”. It does not always involve a physical connection. Options include informal (sharing equipment) to contractual assistance (water purchase to contracting out operations); management sharing; creation of a new entity; and merger/ownership transfer
  - Water plays a role in local identity
  - Technical assistance needs to “get a community all the way to a solution”

Three priority areas were the focus of discussions:

**A. Funding and Financing Options**

1. Dedicated sources of funding are needed for the collaborative “process aspects” of establishing partnerships such as facilitation, asset management evaluation, cost development, legal expertise, developing mutually beneficial and protective contract agreements, mediation, and engineering. Is it possible to fund these process aspects using TMF set-asides?
2. Possible new sources of funding (e.g., private funds) and how to unlock them; what are the constraints to “mix and match” private with state and federal funding
3. Utilities may need to generate income in other ways (solar panels at treatment plants)

4. Objective, third-party, Independent evaluations are needed for asset management evaluation; costs and rate studies; evaluating the true cost to treat and deliver water; and developing life cycle costs for comparison. It is helpful to elected officials to be able to say “we looked at the cost and decided it is better to go a different way because this is the financial burden if we want to continue to exist as utility”
5. Debt forgiveness:
  - What actions can be taken to support a system if it is acquiring existing debt or taking on new debt as part of forming a partnership (can a grant be made to relieve the debt?)
  - Existing debt forgiveness for acquiring system
  - If systems merge within a set timeframe (5 years) could balance of SRF loan be forgiven
6. Compliance:
  - How can funds be used to help a larger system take on “problem” system especially if there is then a risk of non-compliance
  - Can grant funds be used to buy capacity in existing facilities
7. Fund internal financial planner position in SRFs to work on rate studies
8. Iowa does independent analysis of costs; requires examination of partnership as part of any funding application

**B. Incentives for Partnerships (other than financial)**

1. EPA needs to make perfectly clear to utilities that they have liability for public health; “Flints” arise when leaders are more focused on cost than service
2. Mechanisms are needed to trigger meaningful consideration of partnerships; incentives to people or utilities to be the catalyst (dollars and training)
3. Compliance-type incentives
  - Temporary waiver for non-compliance (but NOT for acute health issues) for small system for a period of time while implementing a partnership
  - Compliance flexibility to resolve violations, etc. for the system acquiring or taking on management of another system
4. USDA considering a partnership demonstration project through a “partnering circuit-rider”
5. A regional leader is necessary to make it work but human and leadership development is not funded by traditional sources (SRF, USDA); federal resources are needed to encourage and support community leadership
6. NJ considering legislation to require: certain percentage of revenues to be spent on infrastructure reinvestment; mayor and public utility staff certification that system is in compliance under penalty of law. The goal is to have utilities consider if they really want to be in the water business.
7. CA considering legislation to require a larger utility to become part of a solution for nearby smaller utilities before they can expand their own system
8. Publicize positive common messages about benefits/drivers; peer utilities must talk to others
  - Eliminate duplicate costs for boards, staff, attorneys, engineers, and equipment
  - Specialized staff instead of trying to do it all (especially regulatory expertise)
  - Fewer contact services needed since have more staff (saves money)
  - Ability to deal with emerging contaminants (improved compliance)
  - Better representation at state level

- Seamless system to provide water from multiple sources (reduce chance of outages)
  - Can increase access to capital (together can obtain more funding than each alone)
  - Planning the orderly development of water supplies will foster economic development
9. Barriers are equitable rates; wholesale vs. retail purchasers; perception of paying a marked-up rate; need approaches to reduce varied rates across regional systems

**C. Outreach and Education**

1. Much discussion of TMF – a common standard across all states is needed; many are check boxes that don't hold people accountable
  2. Technical assistance providers are key to solutions because they know where the problems are; EPA needs to work more closely with RCAP, NRW and EFCs on regional or state basis
  3. Convey concept that rates will have to go up to cover deferred work regardless of regionalizing
  4. Must solve political issues first, not at the end
  5. Non-viable systems must be targeted
  6. Take training to boards and communities: they are afraid of losing identity or control of their system; what does it mean to be a water system
  7. Resources/actions most useful to support first time partnerships – templates, guidance manuals, case studies, direct assistance
  8. Face to face discussion are still the most effective way to convey message; use existing vehicles such as annual sanitary surveys
  9. Multiple-visit effort to build trust and maintain continuity; people like to work with people they trust
  10. Start to build trust and relationships with smaller things (equipment sharing) and may find a way to get to full partnership – can take years of work to encourage partnerships as they evolve over time
  11. Hold separate seminars with engineering consultants for frank discussions of what needs to be done – “don't sell grants to your clients”; they have a role in advancing conversations in the communities they work with
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## **US Water Alliance: One Water Initiative – RTP Listening Session on Jan. 27, 2017**

### **About the US Water Alliance**

The US Water Alliance is dedicated to advancing policies and programs to advance a sustainable water future for all. Established in 2008, the Alliance is a nationally-recognized nonprofit organization which educates the nation on the true value of water and the need for investment, accelerates the adoption of one water policies and programs, and celebrates innovation in water management. The Alliance brings together diverse interests to identify and advance common-ground, achievable solutions for our nation's most pressing water challenges. Membership includes water providers, public officials, business leaders, environmental organizations, community leaders, policy organizations, and more. To learn more: <http://uswateralliance.org/>

### **One Water Initiative**

The US Water Alliance is driving a one water movement – an approach to water stewardship that is innovative, inclusive, and integrated. As a member-supported national nonprofit organization, the Alliance educates the nation about the true value of water and proactively advances policies and programs that manage water resources to advance a better quality of life for everyone. A national policy framework document will be prepared this summer which provide recommendations in four areas:

- Infrastructure Renewal (funding and financing)
- Affordability
- Economic Growth/Technology & Innovation (energy and efficiency)
- Regional Collaboration (leadership and political will)

### **Listening Sessions**

The US Water Alliance is working with its partners to develop a national water policy framework that is informed by a dozen regional listening sessions that have recently been concluded. These sessions are drawing upon the expertise of innovative leaders across the country who are on the front lines of driving sustainable, integrated, and inclusive water management practices and policies. The listening sessions and resulting national policy framework will serve as a call to action to elevate water as a national priority – one that supports and reinforces the important policy work being undertaken by a range of organizations within the water industry and beyond.

### **Summary of RTP Listening Session on Jan. 27, 2017** (list of attendees follows)

These discussion themes included both opportunities/challenges and potential solutions:

1. Addressing the diverse capital needs of clean water
2. Regional partnerships can help lower barriers
3. Defining the need and accounting for affordability
4. Bring new perspectives to the table for regional planning
5. Bring in new models of green infrastructure and stormwater solutions

1. Addressing the diverse capital needs of clean water

- The “haves” – many local governments with AAA ratings
- The “left behinds” – root causes: aging ratepayers, decreasing population base, fixed costs, and aging infrastructure; the problem is finding ratepayers to pay back capital that communities borrow
- Discussed funding sources: USDA-Rural Development grants and loans, Division of Water Infrastructure funding programs
- Using data and criteria to determine where communities are on ability to raise rates, take on low-interest loans, etc. compared to state benchmarks; the communities must step up as well
- Public-private partnerships (P3s) – concern that privatization and corporate interests may be a “wolf at the door” while others said the more tools available the better

2. Regional partnerships can help lower barriers

- Dozens of regional partnerships in NC – Jordan Lake Partnership, Upper and Lower Neuse River Basin Associations, Urban Water Consortium, Clean Water Education Partnership, Regulatory Advisory Committee of the League of Municipalities, etc.
- Despite the close proximity to rural communities, no rural representation at session
- Region needs to be able to set priorities and make collective decisions – is a river basin commission (or commissions) needed? If so, need authority to take action
- Long-term viability of small systems
- Conditions necessary for partnerships – common interest to move toward solutions, mutual benefit, capacity (in terms of people, time and money) to create partnerships, and economic advancement
- Impediments to partnerships – resources (takes time and attention to work together), geography, limitations of federal and state regulations

3. Defining the need and accounting for affordability

- Generally, communities with < 10,000 people have don’t have economy of scale for fixed costs
- Lower income households don’t have means to invest in flow-efficient devices
- Within larger communities there is economic disparity (not everyone is well off)
- EPA’s median household income (MHI) threshold is not indicative of affordability
- Household connections such as sewer laterals are in poor repair; these are responsibility of resident

4. Bring new perspectives to the table for regional planning

- Local leaders need “time and space” for this; it isn’t a priority
- Need to reinvigorate large scale watershed and water resources planning and management, looking at water quantity and quality together – examples such as the Delaware River Watershed Initiative and Florida’s Water Management Districts (noted that DWR is able to do now in some basins through modeling)
- Missing voices – communities of color, community advocacy groups, agricultural interests
- Establish incentives for collaboration
- Re-examining credits for nutrient reduction

5. Bring in new models of green infrastructure and stormwater solutions

- Raleigh’s LID/green infrastructure initiatives
- Downtown Durham green infrastructure projects
- Concerted effort to tie water quality with recreation opportunities

## **Key Take-Aways**

1. **What should we be financing?** We spend funds to do things the way we've done them for decades, using outdated tools that are no longer appropriate to address 21<sup>st</sup> century problems. The old approaches have created the issues we deal with today. The Clean Water Act is not equipped to address today's issues:
  - Quality of life and economic growth; supporting prosperous economies
  - Water fit for purpose
  - Life cycle costs
  - Triple bottom line
  - Opportunities to protect resources as well as generate revenue from them (Upper Neuse Clean Water Initiative – funds protection through fee on water bill based on usage)
  - What are the small, practical pieces of this?
  
2. **People are not engaged with water; a long-term cultural problem**
  - Changing culture relies on mass media for non-water professionals. Example of brand that people identify with – “Coors: Brewed with Pure Rocky Mountain Spring Water”
  - Look at how water is portrayed in the mass media; we can raise the value of water by looking at what people pay attention to on TV
  - Frame the key role of people who transform water that's not drinkable into something that is
  
3. **Equity inclusion**
  - Many federal assistance programs for housing, gas, food, and housing, but none exist for water
  - NC's current legal framework does not allow for discounted rates for low-income people; laws could be changed to allow for variable rate structures
  - Potential local partner: Racial Equality Institute in Greensboro – <https://www.racialequityinstitute.org>
  - In spring 2017, a new publication: An Equitable Water Future for All  
<http://uswateralliance.org/initiatives/water-equity>

## **Suggestions from Attendees for Recommendations (“blue sky” and practical)**

- Mechanism to compel action in short-term that is non-regulatory; regulations not sufficient to solve the problems
- Willingness to pay – compare to cell service and cable service bills; functioning as a business; branding
- Elected officials must understand their responsibility for public health
- Change Clean Water Act and Safe Drinking Water Act into “One Water Act”
- State and federal policymakers are looking for solutions; “One Water for America Act”
- Revenue-sheds; marketing
- Watershed basis for multi-disciplinary groups
- State and federal agencies need to be at the table; there are many constraints
- More respect needed from state and federal agencies for regional partnerships; it is the regional groups that get things done
- Development community has overwhelming power

<b>RTP Session Attendees – 1-27-17</b>		
Jeff	Adkins	Town of Cary
Maddie	Atkins	Duke University, Nicholas School of the Environment
Sarah	Braman	Town of Cary
Ed	Buchan	City of Raleigh
James	Caldwell	McAdams
Trevor	Clements	Tetra Tech
Claire	Cooney	The Conservation Fund
Breanna	Crowell	Duke University, Nicholas School of the Environment
Jennifer	Dean	WakeUP Wake County
Julie	DeMeester	The Nature Conservancy
Jeremy	Diner	American Rivers
Chris	Dreps	Ellerbe Creek Watershed Association
Francine	Durso	NC Division of Water Infrastructure
Barbara	Fair	NCSU Extension, Green Industry Council and NC Landscape Contractor's Licensing Board
Emily	Feenstra	US Water Alliance
Radhika	Fox	US Water Alliance
Jonathan	Gerst	Peak Hydrogeologic Environmental Consultants, PLLC
Jay	Gibson, PE	Durham County
Judson	Greif	US Water Alliance
Chad	Ham	Public Works Commission, City of Fayetteville
Will	Hendrick	Waterkeeper Alliance
Nicola	Hill	Duke University, Nicholas School of the Environment
Bill	Holman	The Conservation Fund
Jeff	Hughes	UNC School of Government
Sig	Hutchinson	Wake County
Jennifer	Lenart	The Conservation Fund
Paul	Leonard	Cardno, Inc.
Anna	Martin	Water Resources Research Institute
Alix	Matos	Cardno, Inc.
Erik	Meyers	The Conservation Fund
Sydney	Miller	City of Durham
David	Moreau	UNC Chapel Hill
John	Morris	Former DWR Director
Megan	Murray	Duke University, Nicholas School of the Environment
Michael	Orbon	Wake County
Don	O'Toole	City of Durham
Joe	Pearce, PE	Durham County
Christy	Perrin	Water Resources Research Institute
Haywood	Phthisic	Lower Neuse River Basin Association
Teresa	Piner	Town of Wendell
Gloria	Putnam	North Carolina Sea Grant
Peter	Raabe	American Rivers

Marc	Recktenwald	City of Charlotte
Allison	Reinert	Orange County
Karen	Rindge	WakeUP Wake County
Ruth	Rouse	Orange Water and Sewer Authority
Will	Scott	Yadkin Riverkeeper
Todd	St. John	Kimley-Horn
Matthew	Starr	Sound Rivers
Nancy	Stoner	The Pisces Foundation
Iona L.	Thomas	McAdams
Mary	Tiger	Orange Water and Sewer Authority
Jenn	Weaver	Town of Hillsborough
Forrest	Westall	Upper Neuse River Basin Association
Vicki	Westbrook	City of Durham Water Management
Richard	Whisnant	UNC School of Government
Sandra	Wilbur	City of Durham

**US Water Alliance Listening Session Partnerships**

**National Program Partners**

National Association of Clean Water Agencies	Water Environment Federation
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**National Collaborating Partners**

American Planning Association	Ceres
American Rivers	The Conservation Fund
American Society of Civil Engineers	National Association of Water Companies
Bipartisan Policy Center	Water Environment and Reuse Foundation
Building America's Future	Water Research Foundation

**Regional Hosts**

American Water Resources Association, Washington Section	Metropolitan North Georgia Water Planning District
Atlanta Regional Council	Mid-America Regional Council
Bay Area Council	North Carolina Water Resources Research Institute
Cleveland Water Alliance	Northeast Ohio Regional Sewer District
Current/World Business Chicago	San Francisco Public Utilities Commission
Detroit Water and Sewerage Department	Santa Clara Valley Water District
The Everglades Foundation	Sewerage and Water Board of New Orleans
Hawaii Community Foundation	Tucson Water
Iowa Agricultural Water Alliance	Washington Public Utility Districts Association
Iowa Soybean Association	Washington State Department of Health
Kansas City Water	Washington Water Utilities Council
Los Angeles Bureau of Sanitation	Water Supply Forum