

State Water Infrastructure Authority
North Carolina Department of Environmental Quality
April 19, 2017
Meeting Minutes

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
- Greg Gaskins, Deputy Treasurer, State & Local Finance Division; Secretary, Local Government Commission
- Leila Goodwin, Water Resources Engineer
- Maria Hunnicutt, Manager, Broad River Water Authority
- 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
- Seth Robertson, State Revolving Funds Section Chief
- Jessica Leggett, Project Manager, Environmental and Special Projects Unit
- Robin Peele, Project Manager, Environmental and Special Projects Unit
- 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.

Item B. Sheila Holman, NC Department of Environmental Quality Assistant Secretary for the Environment

Ms. Sheila Holman, NC Department of Environmental Quality Assistant Secretary for the Environment, addressed the Authority. She presented Secretary Regan's three goals: drawing on department staff expertise, stakeholder engagement, and re-engaging with the General Assembly. In early February, Division staff had briefed her and Chief Deputy Secretary John Nicholson on the Authority's Water and Wastewater Infrastructure Master Plan, which they felt helped convey the scope of the issues facing NC's utilities and provided creative ideas on how to better use existing resources. Ms. Holman attended a meeting of the Environmental Council of States (ECOS) in Washington, DC, several weeks ago and was later contacted by the State of Tennessee seeking additional information about the Master Plan which she noted is gaining national attention.

Item C. Approval of Meeting Minutes

Mr. Colson presented the draft meeting minutes from the January 2017 Authority meeting for approval.

Action Item C:

- Mr. Vines made a motion to approve the January 18, 2017 Authority meeting minutes. Ms. Goodwin seconded the motion. The motion passed unanimously.

Item D. Attorney General's Office Report

Mr. Reynolds had no items to report.

Item E. Chair's Remarks

The Chair was scheduled to present to the General Assembly's Agriculture and Natural and Economic Resources (AGNER) Appropriations Joint Committee on March 21; although the meeting was cancelled, information was provided to the Committee. The Chair participated in a panel discussion at the NC League of Municipalities' Town Hall Day on March 29. Treasurer Folwell was a featured speaker and he commented on the connection between financial management and water infrastructure. Mr. Gaskins has discussed the master plan with the Treasurer who is pleased that the two agencies are working together on issues such as the plan and the troubled system protocol. The Chair was invited by former Authority member Dr. Patricia Mitchell to speak to her Public Administration class at Appalachian State.

In early April, the Chair and Ms. Durso presented the Master Plan as the keynote speakers at the NC American Water Works Association/Water Environment Association (NCAWWA-WEA) Spring Symposium, which generated much interest in the state's new approach to viability and funding priorities. They will also be the opening session presenters for NC Rural Water Association Annual Conference in early May. On May 10, the Chair will brief the Environmental Management Commission Water Quality Committee on the creation of the Division, the consolidation of funding programs, and the Master Plan.

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 were held at four locations throughout the state in late February and early March; a total of total of 114 people attended the sessions.

The Chair summarized bills in the General assembly related to local government finance and environmental issues. The Authority's Annual Report date will likely be changed to coincide with the date for the Division Annual Report and to combine the Division's report on its water infrastructure programs with the Authority's report. HB 718, filed by Representative McGrady, would strengthen the statutory requirements related to enterprise funds.

The IRS has issued an Advisory Opinion related to per diem for boards and commissions; it is now considered income subject to taxation.

Item F. Communications Update

Ms. Cathy Akroyd, the Division's Public Information Officer, described and presented invitations to an event marking the roll out of the Master Plan to be held in Oxford on April 26, 2017 at 1:30 PM. Department of Environmental Quality Secretary Regan will be making remarks.

Item G. 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 EPA each year, in NC's IUP. 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 EPA as part of the state's capitalization grant application. At the Authority's January 18,

2017 meeting, the Division proposed no changes to the CWSRF and DWSRF Priority Rating Systems and the Authority approved the presentation of the 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.

Action Item G:

- Ms. Goodwin made a motion to approve the CWSRF and DWSRF Priority Rating Systems for use in the 2017 IUPs. Mr. Vines seconded the motion. The motion passed unanimously.

Item H. Providing Water and Sewer Services in NC

Ms. Kara Millonzi, Associate Professor of Public Law and Government at the University of North Carolina-Chapel Hill School of Government, presented “Providing Water and Sewer Services in NC.” The goal of the presentation was to describe 10 types of operating structures in NC under which local governments provide water and sewer services: municipalities, counties, city/county utility commissions, county water and sewer districts, water and sewer authorities, sanitary districts, metropolitan water and/or sewerage districts, and other commissions. For each structure, information was presented about how it is formed, its function/purpose, authority to establish rates, ability to mandate connections, availability fees it may charge, and its territorial boundaries.

Regarding regionalization and mergers, Ms. Millonzi noted that it is not simple to determine the best operating structure for potentially involved entities. The easiest structure to implement is through interlocal agreements (ILAs) because it provides the most flexibility and control at the local level and the approval of the General Assembly is not needed. The second easiest structure is a water and sewer authority.

Item I. Troubled System Protocol Update

The Division has continued work on the Troubled System Protocol by analyzing the following financial characteristics of potentially troubled systems: days cash on hand, median household income, percent population change, population, poverty rate, property valuation per capita, unemployment rate and utility rates. Data were graphically presented comparing the characteristics of local units of government to state benchmarks. The most relevant characteristics were refined to days cash on hand, population, and property valuation per capita. Staff proposes to initiate a pilot program with potentially troubled systems to inform development of the protocol framework. The Authority commented that getting out in the field and working with systems would be good experience and training.

Item J. City of Henderson Drinking Water State Revolving Fund Project Update

In January 2017, the Authority determined that the City of Henderson was eligible to receive a DWSRF loan in the amount of \$19.893 million for the Kerr Lake Regional Water Plant upgrades consisting of clarification improvements to assist in maintaining compliance with disinfection byproducts precursors. As the engineering report was being developed, the Division was notified that the City and its partners determined it would be a better project to construct a 10 MGD expansion of the Kerr Lake Regional Water Treatment Plant. By letter dated April 5, 2017, the City requested that the project be changed from a rehabilitation project to a rehabilitation project with a component of expansion. If the project had been originally submitted as an expansion, it would have scored high enough to have received funding as part of the fall 2016 application round. The applicant may apply for additional funds in the fall 2017 application round.

Action Item J:

- Mr. Vines made a motion to approve the revised project as eligible to receive funding through the DWSRF program. Mr. Gaskins seconded the motion. The motion passed unanimously.

Item K. Update on CDBG-I Funds for Public Schools

The Division previously presented information to the Authority regarding the 2017 budget allocation of approximately \$4.5 million in deobligated CDBG funds to the Department of Environmental Quality to fund water and sewer infrastructure needs at public schools. The Division invited participation in regional meetings to present the program and how to apply for funds by sending letters to every county manager and school superintendent in the state. The meetings were held in March in Asheville, Hickory, Lumberton, Raleigh, Washington and Wilmington, with approximately 60 attendees. There was great interest in the western part of the state from both school and county representatives. A county and a school system must work closely together because a county must be the applicant since CDBG funds cannot be awarded to a school system. The Division is waiting for the Dept. of Commerce to set a date for the required public hearing, to be followed by a 30-day public comment period.

Item L. Master Plan Outreach Committee

The Chair appointed the members of the Master Plan Outreach Committee as follows: Mr. Carswell as Chair, Ms. Hunnicutt, Mr. Solomon and Mr. Stiles. The Committee has assisted staff in reviewing the information about the Master Plan that will be distributed to the public. In March, the Division mailed Master Plans with cover letters to NCDEQ leadership, Governor's office, each member of the General Assembly, every mayor listed in the League of Municipalities database (approximately 540), the chair of every county commission, the executive directors of other water and sewer entities, and the executives directors of each Council of Government (COG). The COGs are very interested in working with the Division to get the messages of the Master Plan to their communities. The Master Plan rollout event will be April 26 in Oxford. Master Plan speaking points and a one-page sheet have been developed.

Item M. Recent Work of US EPA and US Water Alliance

Staff presented information about the Division's recent involvement with the EPA Water Infrastructure and Resiliency Finance Center's "Water Infrastructure Financial Leadership for Communities in Need" and the EPA Office of Ground Water and Drinking Water's "Water System Partnerships" workshops January in Washington DC. North Carolina was one of only 16 invited attendees for the Financial Leadership workshop. Master Plan concepts were discussed at both workshops and NC is becoming recognized as a national leader through its holistic view of organizational and financial management in addition to infrastructure management. Staff has also participated in the US Water Alliance's One Water Initiative listening session held in RTP in January. Summaries of these workshops were provided to the Authority.

Item N. Authority Members' Information Notebook

Staff compiled a notebook for each Authority member which includes information about each funding program, lists and location maps of projects funded by the Authority since January 2014, legislation related to the Authority, and other background information.

Item O. Informal Comments from the Public

Chair 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. There were no informal comments from the public.

Item P. Concluding Remarks by Authority Members, Chair, and Counsel

Ms. Adams stated that the new Deputy Secretary of the Department of Commerce, Rural Division, was Mr. Napoleon Wallace.

The next Authority meeting date is July 19, 2017. At the meeting, the Authority will review funding program applications that will be received in April, and a presentation will be made by the UNC Environmental Finance Center on work that they have been doing for the Division and the Authority.

Item Q. Adjourn – The meeting was adjourned.
