

State Water Infrastructure Authority
North Carolina Department of Environment and Natural Resources
September 18, 2014
Meeting Minutes

State Water Infrastructure Authority Members Attending Meeting

- Kim Colson, Chair; Director, Division of Water Infrastructure
- Gwen Baker, President, CDM Federal Programs, CDM-Smith
- Leila Goodwin, Water Resources Manager, Town of Cary
- Vance Holloman, Deputy Treasurer, Local Government Commission (LGC)
- Maria Hunnicutt, Manager, Broad River Water Authority
- Dr. Patricia Mitchell, Assistant Secretary, Rural Development Division, Department of Commerce
- JD Solomon, Vice President, CH2MHill
- Charles Vines, Mitchell County Manager

Division of Water Infrastructure Staff Attending Meeting

- Julie Haigler Cubeta, Supervisor, Community Block Development Grant – Infrastructure Unit
- Francine Durso, Project Manager, Special/Technical Issues Unit
- Jennifer Haynie, Supervisor, Environmental and Special Projects Unit
- Seth Robertson, Supervisor, Wastewater Projects Unit
- Jessica Leggett, Project Manager, Environmental and Special Projects Unit
- Sharon Davis, Supervisor, Administrative Services Unit

Department of Justice Staff Attending Meeting

- Mary Lucasse, North Carolina Department of Justice; Special Deputy 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 requires 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. Approval of Minutes of July and August 2014 Authority Meetings

1. Mr. Colson presented the draft meeting minutes from the July 17, 2014 SWIA meeting for review and approval.

Action Item B.1:

- Dr. Mitchell made a motion to approve the July 17, 2014 SWIA meeting minutes. Mr. Vines seconded the motion. The motion passed unanimously.

2. Mr. Colson presented the draft meeting minutes from the August 8, 2014 Special Meeting via Conference Call for review and approval.

Action Item B.2:

- Mr. Vines made a motion to approve the August 8, 2014 Authority meeting minutes. Dr. Mitchell seconded the motion. The motion passed unanimously.

Item C. Attorney General's Office Report

Ms. Lucasse advised that when the Authority is giving direction to the Division staff, such as in Items F and G on today's Agenda, these are not required to be Action Items and they do not require a vote by the Authority.

Item D. Chair's Remarks

The binding commitments for the past state fiscal year ending June 30, 2014 include: Clean Water State Revolving Fund (CWSRF) – 35 binding commitments for approximately \$146 million; Drinking Water State Revolving Fund (DWSRF) – 18 binding commitments for approximately \$78 million; State Revolving Loan (SRL) – four binding commitments for a total of \$8 million; State Emergency Loan (SEL) – two binding commitments for a total of \$700,000.

The Division held training for the fall round of funding program applications on July 23, 2014; over 100 attendees participated, indicating strong continuing demand for funding assistance. On October 30, 2014, the Division will participate in the 2014 North Carolina Rural Assembly Funders Fair, which is designed to assist rural local governments in learning about funding opportunities and being able to talk with Division staff about their projects.

The Division prepared and distributed to the Authority members a CD of the presentation made to the Authority at the July 17, 2014 meeting by Cameron McHargue on "The Spindale Story: Economic Evolution of a Textile Town and Changing Perspectives through Wastewater System Asset Management."

The Division had originally scheduled Tommy Faulkner with the Professional Engineers of North Carolina (PENC) to speak to the Authority about PENC's infrastructure planning work. He was not able to attend but PENC's Executive Director Betsy Bailey attended to briefly describe their work. Ms. Bailey mentioned PENC's work to support the Blue Ribbon Commission established by House Bill 1043 to look at infrastructure needs related to public buildings as well as water and sewer infrastructure; the work is expected to be complete in 2016. The Authority will most likely be asked to present at some point early in the process. Question: will the Commission determine the infrastructure cost needs? Answer: it will most likely look at asset management and regionalization to determine if local governments are making the best use of current funds, and will examine the concept of public-private partnerships which is being used primarily in the transportation sector in North Carolina at this time.

Item E. Proposed Changes to Loan & Grant Priority Criteria

At the August 8, 2014 Special Meeting via Conference Call, the Authority approved the Division to provide the public notice of the following proposed priority criteria changes to the CWSRF, DWSRF, CDBG-I, the State Reserve funding programs: include a new priority point line item with points to be assigned if a local government located in a Tier 1 county applies for funding for a project that is required to be completed due to an EPA administrative order. The change was necessary due to a requirement in Section 14.16 of the 2014 Budget Bill. The Division noticed and began the 30-day public notice period on August 11, 2014 and ended the public notice period on September 10, 2014. The Division did not receive any comments regarding the proposed priority criteria changes.

Action Item E

- Mr. Solomon made a motion to approve the criteria changes to the CWSRF, DWSRF, CDBG-I, the State Wastewater Reserve, and the State Drinking Water Reserve funding programs. Mr. Holloman seconded the motion. The motion passed unanimously.

Items F and G. Potential Changes to NCGS 159G and Presentation of Draft November 1, 2014 Report to Legislative Committees

Because these two agenda items are so closely related, they were presented and discussed together. Division staff recommended that the specific changes to the General Statute be included as an appendix to the Report. Mr. Colson stated that the Report needs to be submitted before the 2015 legislative session begins since bills are introduced in joint committees and then proceed to separate House and Senate committees. With items such as the proposed NCGS changes, legislation is typically not introduced after the session begins.

The Authority supported the concepts of these recommended language changes: using an affordability index to help ensure that grant funds are awarded to the most economically distressed communities rather than basing eligibility on county tier or percent of median household income spent on water/sewer; providing incentives to encourage utilities to become more proactive in the management and financing of their systems; and, to make the Division's application review priorities consistent with the Authority's review priorities. The Division would research and present recommendations to the Authority regarding factors to consider for the affordability index, if it is to be pursued.

The Authority provided these comments with regard to the potential changes to NCGS 159G: Q: for LGUs that transfer funds from the Water and Sewer Fund to the General Fund, how many of these have property taxes? A: Mr. Holloman stated that very few LGUs do not levy a property tax but sometimes the property taxes are very low or have a low collection rate. The Local Government Commission (LGC) encourages smaller LGUs to work with their counties to enhance their property tax collection; in smaller LGUs the sales tax can generate more revenue than property taxes. Mr. Holloman supports increasing the loan maturity to 30 years but does not anticipate that the LGC will change from its approval of 20 year loans.

The Authority provided these comments with regard to the Draft November 1, 2014 Report: this is the Authority's opportunity to summarize where it is going, what needs to be done, and the State's overall infrastructure funding situation. The report should address the broad objectives of the Authority, and acknowledge and address that the Authority is uncovering past missed opportunities, in addition to presenting suggested changes to the statutory language.

Division staff will revise the draft report based on the Authority's comments and suggested that a Special Meeting via Conference Call be held in mid-October to receive the Authority's comments on the revised draft. A second Special Meeting via Conference Call may be needed in late October to finalize any additional changes.

Item H. Meeting Calendar for 2015

Potential dates for Authority meetings in 2015 were proposed by the Division as follows: January 15, March 19, May 21, July 23, August 13, and December 10. Q: will applications be accepted for the DWSRF twice a year? A: the DWSRF is a younger program than the CWSRF and has received less capitalization funds. It also contains set-aside funds which do not revolve so there are fewer revolving funds available. Currently, there are not enough funds to warrant splitting DWSRF into two rounds. The Division is working on a funding model and needs to complete it before forecasting sustainable funding levels for the DWSRF. Q: how will the Authority's other work tasks be fit into the 2015 schedule? A: the Authority could develop a work plan for 2015 and include the other tasks in the meeting agendas along with the funding-related work.

Item I. 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. Jon Carr, attorney for the North Carolina Rural Water Association (RWA), provided comments related to the proposed changes to NCGS 159G as follows: the RWA supports voluntary consolidation, suggests funding for the evaluation of the feasibility of regionalization, supports using funds for asset inventory and assessment, and supports the 30 year loan maturity terms as allowed by the Clean Water Act.

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

Comments included: the Authority should be ambassadors with the legislators for the requested statutory changes and for getting the message out about the gap between the demand for infrastructure funds and the funds available, and placing time on the December meeting agenda to discuss work planning for 2015. Mr. Colson stated that with regard to the transfer certification, the Division is working with applicants as best it can under the constraints of the new legislation.

Item K. Adjourn – The meeting was adjourned.
