

State Water Infrastructure Authority
North Carolina Department of Environment and Natural Resources
January 15, 2015
Meeting Minutes

State Water Infrastructure Authority Members Attending Meeting

- Kim Colson, Chair; Director, Division of Water Infrastructure
- 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
- Cal Stiles, Cherokee County Commissioner
- 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
- Vince Tomaino, Supervisor, Water Projects Unit
- Jessica Leggett, Project Manager, Environmental and Special Projects Unit
- Sharon Davis, Supervisor, Administrative Services Unit

Other Attendees

- Phillip Reynolds, North Carolina Department of Justice; Assistant Attorney General, Environmental Division
- Ms. Robin Hammond, Assistant General Counsel, Local Government Commission, Dept. of the State Treasurer

Item A. Call to Order

Mr. Colson opened the meeting and reminded the members of the State Water Infrastructure Authority (Authority) 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 December 2014 Authority Meeting

Mr. Colson presented the draft meeting minutes from the December 11, 2014 Authority meeting for review and approval.

Action Item B:

- Dr. Mitchell made a motion to approve the December 11, 2014 Authority meeting minutes. Mr. Vines seconded the motion. The motion passed unanimously.

Item C. Attorney General's Office Report

Mr. Phillip Reynolds introduced himself as the new counsel for the Authority. He will provide additional contact information to the Authority members.

Item D. Chair's Remarks

The next deadline for funding applications will be on March 31, 2015 for the CWSRF and CDBG-I funding programs only. To help applicants, the Division of Water Infrastructure staff will be holding four application training events at various locations across the state. Additionally, training for applicants whose projects were funded in December 2014 will be held in early February. The location of the Authority meetings for the remainder of the year will be held at DENR's Green Square building in downtown Raleigh.

Item E. CDBG-I: One Potential New Project Type for Fall 2015 Applications

Information was presented regarding a potential new project type for the CDBG-I program that could be considered for funding starting with the Fall 2015 application round. The potential project type would fund water and/or sewer connections to low incoming housing. This item was presented because the Division would like to begin discussions with potential applicants to let them know that this type of funding is under consideration, and the Division is first seeking Authority feedback. The Authority expressed generally favorable support with the caution that this project type should not be an absolute priority and should not take away from the ability to fulfil other needs but that priority points could be made available just as with other types of projects.

Item F. 2015 Intended Use Plans (IUPs) for CWSRF and DWSRF Programs

The Division proposes to apply for the 2015 CWSRF and DWSRF capitalization grants as soon as possible due to concerns with federal reversions and to quickly pull the federal funds into the funds. The Division must first hold a public meeting to receive comments on the proposed 2015 Intended Use Plans (IUPs) for both of the SRF programs. The IUPs contain the priority criteria for each program. The Division proposes no changes to the priority criteria for the DWSRF program. The Division proposes one change to the CWSRF priority criteria as required by a change made to the Clean Water Act in 2014 (WRRDA); the change would provide 2 points for applicants in Tier 1 counties, 1 point for applicants in Tier 2 counties, and 0 points for applicants in Tier 3 counties. One of the Authority's powers and duties is to recommend changes to the criteria for the Division's programs, and the Division requests the Authority's approval to move forward with a public meeting to receive comments on the draft priority criteria for both programs.

Action Item F.1:

- Dr. Mitchell made a motion to approve the draft criteria for the DWSRF program to be advertised for public comment. Mr. Solomon seconded the motion. The motion passed unanimously.

Action Item F.2:

- Mr. Vines made a motion to approve the draft criteria for the CWSRF program to be advertised for public comment. Mr. Holloman seconded the motion. The motion passed unanimously.

Item G. Review of Recent Applications to CWSRF, DWSRF & CDBG-I Programs and Discussion of Potential Priority Criteria Changes for Fall 2015 Applications

The three goals of this agenda item are: (1) to review how the total project scores resulting from the application of the priority criteria in the 2014 funding rounds broke down by individual criteria within each program, (2) to receive the Authority's feedback on the 2014 priority criteria, and (3) to receive the Authority's input on potential new priority criteria that could be applied to the Fall 2015 funding round. Information was presented separately for each program.

CWSRF Program

The Division has used the evaluation system for the CWSRF program since 2010 and has made some minor changes over that time. The points awarded for Project Type drive the funded projects. To some degree, environmental benefits are also expressed within the Project Type. The separate Environmental Benefit category intentionally contains very specific, documentable water quality benefits that are in addition to the environmental benefits that may be inherent in project type. The current CWSRF system does not provide for any discretionary points.

Authority members commented that the CWSRF priority system appears to be working as intended and cautioned against making major changes to the points based on the results of one year of funding, although it was acknowledged that the Division really has several years of experience with the CWSRF system. The primary issue is there needs to be a way to consider projects that are “on the bubble” for funding (i.e. just below the funding cutoff line and may differ from the last funded project by only a few points). The Authority prefers to be able to use discretionary points to consider these “bubble” projects.

DWSRF Program

The system used for the DWSRF program has been used in only the most recent funding round; previously, the “readiness to proceed” model was used to determine projects selected for funding. Public health benefits drive the funded projects. To some degree, public health benefits are also expressed within the Project Type. Since the DWSRF program is newer than the CWSRF program and has received less capitalization, it has less funding available than the CWSRF program. In the most recent funding round, only a very limited number of projects could be funded. The Division believes that round was most likely an anomaly with one project receiving nearly half of the available funding.

Authority members again cautioned against making major changes to the points based on one round of funding under the new DWSRF system. The Authority prefers to be able to use discretionary points to consider “bubble” projects for the DWSRF program also.

CDBG-I Program

The points awarded for Economic Need drive the funded projects, however the percentage of low-to-moderate income (LMI) alone is not the driving factor. The Economic Need score is made up of 3 components that are equally weighted: LMI, poverty rate, and utility cost/median household income (MHI). The LMI expresses the economic needs within the small area to be served out of the larger community, while the poverty rate and cost/MHI express the economic situation within the overall community.

The Authority members agreed that these 3 components are balanced correctly by providing more weight to the economic needs of the community as a whole, while also considering the need of the specific population to be served but to a lesser degree. The Authority prefers to be able to use discretionary points to consider “bubble” projects for the CDBG-I program also.

Item H. Potential Affordability Factors

In order to comply with a change required to the CWSRF priority criteria under WRRDA, two new factors must be included in the criteria: population trends and unemployment. The purpose of this agenda item is to obtain the Authority’s feedback on ways in which to evaluate these factors. The Division examined a number of aspects that could potentially be used as surrogates for the factors including county tier, cost-of-living, and the American Community Survey (ACS) data which are currently used in the priority systems. The Division also made correlations between MHI, level of education, poverty rate and unemployment. The Authority commented that using county tier was not indicative enough of

economic situations within individual communities, the information should be easily validated year to year, and that unemployment was a useful indicator of conditions in addition to poverty rate. The Division recommended using a source of data that is high-quality, updated frequently and is widely available to the public, and will propose priorities for consideration at the March Authority meeting.

Item I. Overview of Steps in Funding & Contracting Processes for CWSRF, DWSRF and CDBG-I Programs

The Division presented an overview of the funding and contracting processes for the three programs, focusing on the steps that follow the Authority's approval of funding of an application. Each program follows a 24-month process that begins when the Letter of Intent to Fund is issued and ends with the start of construction of the project. Within this 24-month period, the loan/grant recipient and the Division work through the project planning/engineering report/environmental documentation, design, loan offer, project bidding and Authority to Award phases. After construction begins, periodic inspections by the Division occur and funds are disbursed throughout the construction period. In the CWSRF and DWSRF loan programs, the loan repayments begin at the end of the construction period, typically for a 20-year period.

Item J. Follow Up on 2015 Work Planning

Based on the Authority's work at the December 2014 meeting, the 3 top ranked elements on which to focus are: develop the master plan, assess the need for a 'troubled system' protocol, and recommend ways to maximize the use of current funding resources/ensure funds are used in a coordinated manner.

Master Plan

The Authority further discussed the audience, purpose and scope of the master plan. The target audience was decided upon as local-level decision makers and the North Carolina General Assembly. Purposes of the plan may include: communicating with local leaders about their managerial, fiduciary and technical responsibilities for water/wastewater utilities under their purview; providing tools to support entities in becoming more self-sustaining and less dependent on grant dollars; and presenting the state's policies/direction on infrastructure planning and management structured around principles of asset/infrastructure management. The plan is to be generally based around topics while acknowledging regional considerations.

Troubled Systems

The Authority discussed factors that may contribute to a 'troubled system' such as the lack of managerial, financial and technical expertise to operate a system; lack of priority placed on system maintenance; system age and construction materials which can contribute to very costly and potentially unaffordable renewal/replacement projects especially if a systems' rates do not cover its costs; and lack of opportunities to regionalize or consolidate with another system. The master plan can include ideas or policies that can potentially assist troubled systems.

Maximize the Use of Funding Resources

The Division believes that as the funding programs become more aligned, the use of the grant and loan funds will occur in a more coordinated manner and will maximize the use of the various resources. The Authority will be presented with additional information about program alignment at future meetings.

K. Authority Meetings: Change of Venue for 2015

The meetings for the rest of 2015 will be held at the Environment and Natural Resources Building (Green Square) in downtown Raleigh, located at 217 West Jones Street.

Item L. 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. There were no comments from the public.

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

Mr. Holloman stated that this was his last Authority meeting as he is retiring from state government. Mr. Colson thanked Mr. Holloman for his work and presented him with a certificate of appreciation.

Item N. Adjourn – The meeting was adjourned.
