Viable Utility Committee of the State Water Infrastructure Authority
November 13, 2026, Meeting
Agenda Item C – Discussion of the Long-Term Viability Plan (LTVP) Program

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Division of Water Infrastructure Staff Report

Background

Session Law 2020-79, entitled in part "An Act to Improve the Viability of the Water and Wastewater Systems of Certain Units of Local Government…," requires that any local government unit (LGU) designated as distressed by the State Water Infrastructure Authority (Authority) and the Local Government Commission (LGC) complete the requirements of NCGS 159G-45(b), which states:

> *(1) Conduct an asset assessment and rate study, as directed and approved by the Authority and the Local Government Commission.*
> *(2) Participate in a training and educational program approved by the Authority and the Local Government Commission for that distressed unit. Attendance shall be mandatory for any governing board members and staff whose participation is required by the Authority and Local Government Commission. The scope of training and education, and its method of delivery, shall be at the discretion of the Authority and Local Government Commission.*
> *(3) Develop an action plan, taking into consideration all of the following:*
> *a. A short-term and a long-term plan for infrastructure repair, maintenance, and management.*
> *b. Continuing education of the governing board and system operating staff.*
> *c. Long-term financial management to ensure the public water system or wastewater system will generate sufficient revenue to adequately fund management and operations, personnel, appropriate levels of maintenance, and reinvestment that facilitate the provision of reliable water or wastewater services.*
> *d. Any other matters identified by the Authority or the Local Government Commission.*

In order to guide and assist LGUs designated distressed in meeting their statutory requirements, SWIA and LGC, along with the Division, have established the following:

- Conduct an asset assessment that results in at least a 10-year capital improvement plan (CIP) per NCGS 159G-45(b)(1),
- Perform a rate study that includes, among other options, a scenario by which the utility achieves full-cost pricing within five years of implementation, per NCGS 159G-45(b)(1),
- Completion of the Division's Best Utility Management Practices (BUMP) training by at least two elected officials: the chief financial officer, and the primary technical manager for the utility, per NCGS 159G-45(b)(2), and

- Develop a Short-Term Action Plan utilizing the Division's Status Report for Short-Term Action Plans to establish a timeline for completing numbers 1 through 3 above, per NCGS 159G-45(b)(3)a.

The final piece of the statutory requirement that we are working to develop addresses the longer-term requirements of NCGS 159G-45(b)(3). We are calling this the Long-Term Viability Plan (LTVP). It will be comprehensive by covering aspects of infrastructure management, financial management, and especially focusing on organizational management. The process will not only develop an action plan for the local government unit (LGU) but will also serve as a unit-specific roadmap for how they can improve their utility and move toward viability through implementing sound fiscal policies and efficient operation and management.

The purpose of this staff report is to provide an update on Division staff's efforts to develop a Long-Term Viability Plan program to assist LGUs designated as distressed in meeting the requirements in NCGS 159G-45(b)(3), to seek input from the Viable Utility Committee (VUC) on program concepts and direction, and to determine if the LTVP program's conceptual framework is ready to be moved to all State Water Infrastructure Authority members for discussion.

Developmental Process and Progress

With the development of the Rate Study Guidance Document wrapping up at the end of 2024, the Viable Utilities Unit (VUU) turned their efforts toward the concept of the Long-Term Viability Plan. The first rough iteration of the concept was presented to VUC for their thoughts and direction on March 19, 2025. Since the March 2025 VUC meeting, VU staff have solicited ideas for prioritization and resources from Resource Agency Partnership for Water Utilities (RAPWU) members and met regularly via internal workgroups and whole team work sessions.

Leaning on the input collected from SWIA, LGC staff, and technical assistance providers during the previous year's LTVP efforts, as well as our in-the-field experience with distressed utilities and utilities impacted by Helene, we worked to establish the guiding principles and goals of the program. From those, we broke into subgroups focused on the areas below to develop rough content and a format and process framework.

- Financial Management
- Infrastructure management
- Organizational management
- Key Performance Indicators/Metrics and Ordinance/Policies
- Implementation and Maintenance of LTVP by LGUs
- Viable Utility Programmatic issues

The current conceptual framework was presented on July 23, 2026, to LGC staff, who provided valuable input and financial perspective. It was also re-presented in brief to RAPWU on August

26, 2026, and the concept was introduced to SWIA during a Viable Utilities Unit update on September 16, 2026.

We have strived to include perspectives from all areas of utility management to develop a conceptual framework for the program that is easy to execute and beneficial for all parties involved.

Program Purpose and Goals

The LTVP program's purpose is not only to satisfy the action plan requirements of NCGS 159G-45(b)(3), but also to help develop the organizational management capacity of the units going through the process. The Asset Inventory and Assessment (AIA) and Rate Study programs focus on the Infrastructure and Financial Management aspects of utility operation, but Organizational Management is the one needed to make both of those effective. The following guiding principles and goals were developed to help frame the development of the program:

- **Keep it simple.** Although some units may need assistance from technical assistance (TA) providers, the goal is that LGUs can produce their own LTVP deliverable. They shouldn't need to hire a consultant.
- **Maximize the LGU's "ownership".** Ownership of the content increases the chance they will work to follow and implement the actions, and ownership is likely to increase by them creating the deliverable themselves.
- **Keep the program flexible enough to accommodate the unique needs of the majority of LGUs passing through the program.** Not every distressed unit will have a clear path toward independent viability, but for those that do, the process of working through an LTVP can help provide steps in that direction. For those that may not have a path toward independent viability, the LTVP process can help them realize the need for alternative solutions and identify possible options.
- **Verify the unit's capacity to utilize their existing "tools".** The many voluminous and technical documents that are developed for LGUs (permits, AIA studies, rate studies, Inflow & Infiltration studies, hydraulic analysis reports, financial audits, etc.) can be overwhelming for many small systems. The process of the LTVP will help walk them through the documents and understand how to pull out the critical information that can help them make better decisions for their utilities.
- **Create a continuity plan for the LGU.** The impact of staff turnover can lead to a loss of institutional knowledge, and the constant changeover of governing boards can result in lack of understanding of the operation and long-term planning needs of the utility. The LTVP deliverable can be a living document that captures that information and provides a means to educate and keep management focused on the utility's needs.
- **Don't reinvent the wheel**. There is a large amount of existing educational material on effective utility management concepts. We can utilize that material and focus our

efforts on meeting the goals and objectives of our program and helping the distressed utilities in NC.

The value of LTVP is in walking them through the process of development, more so than any specific answers in the final report itself. It functions as a roadmap for these units to identify capacity gaps in their utility, resources to address them, and move toward viability.

Program Conceptual Framework

The proposed conceptual framework develops three documents to define the program.

- **LTVP Guidance Document**
- **LTVP Deliverable Form**
- **LTVP Companion Document**

The LTVP Guidance Document is essentially a workbook for filling out the deliverable form. It will contain details about how to answer the questions being asked, and will be kept short and concise for ease of use. A list of example questions is provided at the end of the staff report. These questions will help the units:

- Explain their utility and how they run it
- Understand why they have been designated as distressed and describe how their proposed action items will move them toward viability
- Develop any needed levels of service goals, metrics, and targets (KPIs)
- Think about needed ordinances and policies
- Identify areas needing improvement in infrastructure, financial, and/or organizational management
- Consider long-range master planning concepts, including partnerships and regionalization

The LTVP Deliverable Form will be a standardized answer form of several pages. It will have both short-form questions to gather information, as well as structured, open-ended questions with writing space. The deliverable will also include an Action Plan Summary to bring out and highlight specific action items for the LGU to undertake in the following years (providing clear fulfillment of the NCGS 159G-45(b)(3) requirements).

The LTVP Companion Document is the reference document for the program. It will not only provide additional details and examples for each category of questions in the LTVP Guidance Document, but it will also explain the “why” of our questions. It will illustrate how the questions we are asking are important for finding the most useful information from a utility’s “tools” to give them the best knowledge to make improved decisions. It will also contain additional

information on best management practices and effective utility management, as well as references for additional information sources on various subjects. An example of conceptual outline of materials to be covered in the Companion Document is attached at the end of the staff report.

Programmatic Implementation Plan

Steps will be taken to help provide a smooth rollout and implementation of the program. These include:

- Develop implementation plan prior to official publication of documents
- Rollout plan for existing units in all stages of the program as well as future distressed units
- Planned meetings between VU staff and LGUs during production and/or review of their LTVP deliverable
- Internal review and approval procedures
    - We don't "grade" or "judge" the plan, but did they put together a well-thought-out plan… it's about the process
- What useful programmatic analysis and next steps can be done with LTVP deliverable information?
- Coordination with de-designation

Next Steps and Timeline

The project development goal up to this point was to have a working conceptual framework with enough examples and content to be able to get direction from SWIA and the LGC. If a vote to elevate the conceptual framework to the full SWIA board is approved, we will incorporate VUC member comments and present them to SWIA on December 9, 2026.

The motion to elevate the content will also signal that we are relatively on target and allow us to transition into full production mode. We will begin detailed content development, and initiate industry focus groups for guidance on content and process. During the development we can provide VUC and LGC staff updates and input sessions.

When the content of the program is ready, we plan to trial run the concept with a few select LGUs. These will be LGUs that have completed the majority of the Viable Utility Program and are willing to work closely with our staff not only walking through the process and creating their LTVP but also providing feedback and suggestions for improvements in the LTVP program.

- Present/discuss with SWIA (Dec 9, 2026)
- Writing content and engaging focus groups (winter thru summer 2027)
- Trial run concept with select LGUs (summer 2027)
- Anticipated full implementation beginning Fall 2027

Staff Recommendation

Division staff recommend approving the conceptual framework of the LTVP program as presented to serve as a basis for the action plan required under NC GS 159G-45(b)(3), and that the VUC approve moving the conceptual framework of the LTVP program to the full Authority for review.

Example Guidance Document Questions

Distressed Status

- Describe the issues your utility was facing that caused it to get on the distressed list. Include the infrastructure conditions, financial challenges and management opportunities.
- Describe which issues your utility has already addressed. Include the infrastructure conditions, financial challenges and management opportunities. (VU scorecards over time are available upon request)
- What are the top challenges and risk factors remaining for your utility? Describe how the proposed action items in your LTVP address those and help your system toward viability.

Fiscal Condition

- Is your unit currently on the Local Government Commission (LGC) Unit Assistance List (UAL) or experiencing fiscal constraints that limit opportunities to address operational issues? Please describe and include governance or management decisions to address related fiscal issues (i.e. opportunities for rate changes, investments in infrastructure, etc.).
- Did any of your three most recent audits have any financial indicators of concern (FPICs) related to water/wastewater utilities and/or internal controls?
- Has your unit been unable to consider or obtain loan or grant opportunities that would help address system issues because of fiscal conditions or management decisions?

Rates and Full Cost Pricing

- Please provide your current water and sewer rates for residential in-town service and calculate what the current monthly bill for 5000 gallons would be. Do the same for the Full Cost Pricing rates at five years and ten years from your rate study.
- Describe the likelihood your utility will be able to meet the Full Cost Pricing rates for projected expenses in five years and ten years, considering customer affordability and governing board resolve. Provide an achievable rate adjustment plan for the next 10 years. If your achievable rate adjustment plan does not achieve Full Cost Pricing, please provide a plan to close the gap.

Levels of Service / KPIs

- What strategic goals will help your utility meet your vision and mission statements well into the future, and how are those aligned with the communities directly and indirectly served by your utility?

- Please describe what indicators and targets (a.k.a. KPIs, metrics) your utility currently tracks, including financial indicators. What additional data and/or metrics might be available or needed to help you with decision making.
- Do Utilities Management and Unit Financial staff meet on a regular basis to review information and discuss opportunities?
- Explain how the data you collect and analyze (or intend to) will tie back to your Level of Service goals, the reasons you are on the distressed list, your current challenges, and help your utility move toward viability.

Ordinances and Policies

- What existing policies and ordinances do you have and when were they last updated, including operational, billing and financial policies?
- How well do the current policies/ordinances address your challenges and current or future goals, and are there any inadequacies, gaps, or missing policies/ordinances that should be addressed?

AMP and O&M Plan

- Please describe your O&M plan and long-term AMP, and when they were last updated.
- How are they utilized on a regular basis?
- Include details about your ability to meet O&M and long-term AMP funding needs of your utility.
- Please describe your existing work order system and what improvements and/or automation would assist in the day-to-day operations of your system.

Capital Improvement Plan (CIP)

- Does your unit have an approved Capital Improvement Plan? When was it last updated? What time period does it cover?
- Explain how your approved 10-year Capital Improvement Plan is prioritized around the long-term viability of your system, and whether there are any additional items that should be on the plan (meter replacement, equipment replacement, etc.)
- For any project or equipment listed within the next five years, please indicate how you intend to fund each project (self-finance, state/SRF grant or loan, USDA grant or loan, bonds, bank loan, etc.). Explain how these projects could still be funded if no grant money was available.

Staffing

- Has staffing been reviewed/updated to support the solution to viability for your unit? Provide explanation or details as needed.
- If less than 10 budgeted positions, please provide a basic organizational chart for your utility. Indicate which are filled and which are currently vacant. Describe whether those

positions are adequate to complete not only daily operation, but also the maintenance and replacement recommendations of the Asset Management Plan.

- Please indicate whether you have current, detailed job descriptions for each position identified in your org chart that you could use to advertise the opening.
- Describe whether the salary and benefits you currently offer need to be adjusted to hire and retain the necessary talent to properly operate your system into the future. When was the last wage/compensation survey performed?

Partnership Planning / Regional Opportunities

- If your utility is interconnected with another utility, or has existing ILAs with other utilities, please explain how often you and your partners discuss future capacity needs, rates, and ILA renewal conditions. Confirm the ILAs are being followed as written. Consider if they should be redrafted and agreed upon.
- Would any additional partnerships or agreements be beneficial? Has your unit reviewed the operational and financial benefits of additional partnerships? What obstacles have you identified, including financial, management support, environmental/geographical challenges, statutory constraints?
- If you do not currently have any formal partnerships, are there possible partnerships that could be explored in the coming years to help your utility's viability?

Long-Range Planning

- What capacity is the system permitted for and how much of that capacity is being used on a daily and annual basis?
- Are there any near-term capacity concerns? If there is lack of capacity or considerable excess capacity, what discussions have taken place to consider partnership opportunities to manage those issues or capitalize on opportunities?
- Are there any known long-term threats to the capacity needs of the utility or quality of supply/treatment?
- What utility information do you regularly share and discuss with other utilities in your region? And does your unit provide information for the UNC EFC dashboard?

Continuing Education

- Describe your utility onboarding education process for new board members.
- How does your utility encourage employees to obtain certification training (and required CEUs), as well as cross-train within your organization. Do those measures adequately provide what your utility needs for succession planning of your staff?
- Please describe your budget for training and continuing education.

Example Companion Document Content

The LTVP and Viable Utility Program

- What is the Viable Utility Program
- What is required of a distressed unit
- How a Long-Term Viability Plan fits in the program and can help a utility
- Documentation Process
    - LGU Requirements (Presentation of LTVP to the Board)
    - Submittal Requirements
    - Review and approval process
- Where to Get Assistance (RAPWU and VU)

Building Viability - Management Strategies

- Attributes of effectively managed utilities
    - Introduction to EPA EUM strategies
- Mission, Vision, Values
    - Foundational anchors, where are you going?
- Challenges, Levels of Service (LOS), and Goals
    - Identify challenges, set goals based on challenges
- Indicators and Targets (KPIs)
    - Inputs, activities, outputs, outcomes. Tied to goals.
- Monitoring and Adaptive Management Process
    - Plan-do-check-act cycle, tied back to goals

Building Viability - Infrastructure

- Knowing Your Utility
    - System assets, types of systems, examples of styles of operation
- Permits and Requirements
    - Required permits, water supply plans, wellhead protection plans, etc.
- System Mapping
    - Complete system mapping, storage and updating, preference for GIS, relation to real world for maintenance
- Asset Management Plan / Operation & Maintenance Plan
    - How to read an AMP/O&M Plan, important info to pull out and utilize, estimating staffing needs
- Capital Improvement Plan

- Making your CIP prioritized with viability needs, when to revise it, why you should stick to it, two years advance planning cycle

Building Viability – Financial

- Financial Systems
  - Enterprise fund vs general fund, general ledger, controls, software vendors
- Annual Budget Process
  - Who provides input, how long-term R&R and capital needs are incorporated, who analyzes, how it is approved, public engagement, is it posted
- Rate Studies and Rate Setting
  - Full-cost pricing, rate setting process, coordination with budget process
- Audit Reports
  - Meeting fund balance/reserve targets, internal control recommendations
- Monthly Board Meetings
  - Budget updates, year-to-date totals and percentages presented for each line item

Building Viability – Organizational

- Organizational Management Systems
  - Type of government, engagement and responsibilities of the board, culture
- Ordinances, policies, and ILAs
  - What is needed to help operate your utility based on its specific characteristics
- Employee and leadership development
  - Department structure, recruitment, retention, training, advancement opportunities, sharing of resources w/ neighboring utilities and TA providers
- Customer/stakeholder management
  - Public involvement, outreach, customer service, regulators, communication
- Long-range Strategic Planning and Partnerships/Regionalization
  - Growth, flows, expansion, partnership opportunities, emergency planning

Building Viability – Additional BMPs

- Water Audits, I&I Studies, and other Infrastructure Analysis Reports
- Energy Efficiency and Energy Audits
- Meter replacement programs
- Cybersecurity
- Projection tools
- Assistance from TA providers