

State Water Infrastructure Authority

Meeting Date: December 8, 2021

Agenda Item E

Approval of Timing for Reassessment for Identification Criterion 1

Division of Water Infrastructure Staff Report

Background

General Statute 159G-45 directs the State Water Infrastructure Authority (Authority) and Local Government Commission (LGC) to utilize an assessment and review process to identify distressed units, to develop evaluation criteria for grants from the Viable Utility Reserve (VUR) and, at their discretion, impose specific performance measures or conditions on any grant awarded from the VUR.

The assessment and review process has been implemented to identify distressed local government units (LGU). There are four Identification Criteria established by the Authority and LGC. Each criterion will need to be considered in establishing an assessment frequency. The four Identification Criteria are:

1. Under fiscal control of the LGC
2. Two consecutive years of missing annual audits
3. Assessment Criteria Score
4. Other information

G.S. 159G-45(d) requires that the Authority and the LGC establish the frequency of the cycle for assessment and review of local government units (LGUs) and stipulates that the frequency shall be no less than every two years.

Assessment Frequencies

Identification Criterion 1 – LGU control

The need for the LGC to assume financial control of a LGU has been rare and does not occur on a regular or predictable frequency. Division staff and LGC staff have routine quarterly meetings and others as needed to discuss the status of LGUs regarding their water and/or wastewater utility viability. The LGC considers recommendations from staff during their meetings.

The LGC staff have been collaborating with the Division staff on the language for the LGC adoption of a resolution for the distressed designation of a LGU under Identification Criterion 1 separate from their assumption of fiscal control resolution, with the intent that both actions would be presented for approval at the same LGC meeting.

Division staff recommend that the Authority approve consenting to its designation of a distressed LGU upon the LGC approving designation of the LGU as a distressed unit under Identification Criterion 1.

The timing for reassessment of Criteria 3 and 4 were approved during the July 14, 2021 SWIA meeting, and the timing for reassessment of Criterion 2 was approved during the September 16, 2021 SWIA meeting.

Staff Recommendation

Division staff recommend that the Authority approve consenting to its designation of a distressed LGU upon the LGC approving designation of the LGU as a distressed unit under Identification Criterion 1.