

**State Water Infrastructure Authority**  
**Meeting Date: December 10, 2025**  
**Agenda Item I – Additional Designations Related to the 2025 Reassessment of Local Government Unit Systems**

---

**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...”, authorizes the State Water Infrastructure Authority (Authority) and Local Government Commission (LGC) to develop criteria to assess and review local government units (LGUs) and to utilize the assessment and review process to identify distressed LGUs.

In the Fall of 2020, the Authority and the LGC developed the Identification Criteria and Assessment Criteria to evaluate LGUs and identify distressed LGUs. The Authority adopted the Assessment Criteria and the Identification Criteria at its meeting on November 18, 2020<sup>1</sup>; revisions to the Assessment Criteria were adopted on February 13, 2024; and revisions to the Identification Criteria and Assessment Criteria were adopted on February 19, 2025.

**Identification Criteria**

The Authority and LGC adopted the following Identification Criteria (as revised) to be used to identify distressed units:

1. An LGU whose fiscal affairs are under the control of the LGC pursuant to its authority granted by G.S. 159-181 (“under LGC fiscal control”), or
2. An LGU that has not submitted its annual audits for the last two fiscal years to the LGC as required by G.S. 159-34, or
3. An LGU with a total Assessment Criteria score that equals or exceeds nine, or
4. An LGU for which other information is available to or known by the Authority or LGC that reflects and is consistent with, but does not expressly appear in, the Assessment Criteria to account for situations in which the Assessment Criteria score does not wholly or accurately reflect a system’s level of risk due to the limitations of available data.

**Previous Assessments and Distressed Designations**

In 2021, Division and LGC staff compiled LGU data in accordance with the approved Identification and Assessment Criteria to complete the first assessment to identify distressed LGUs. Session Law 2020-79 requires that the Authority and the LGC assess and review LGUs against the Identification Criteria on a frequency of no less than every two years. At its

---

<sup>1</sup> The LGC adopted the Identification Criteria at their subsequent meeting.

July 14, 2021, meeting, the Authority agreed that the Division will conduct an annual review of the Assessment Criteria each spring and use a two-year cycle for notifications and designations under Identification Criterion 3. The two-year cycle involves notifying LGUs when their assessment score exceeds the designation threshold under Criterion 3 for the first time. Upon notification, these LGUs may choose to request designation at that time, provide additional information for consideration, correct errors in their score, or wait and see if they score above the threshold in the next assessment. LGUs that exceed the threshold a second time are recommended for designation if they have not already been designated.

Reassessments have been completed in 2021, 2022, 2023, 2024 and 2025 using the Identification Criteria and Assessment Criteria for scoring under Criterion 3. One LGU has been designated outside of the annual assessments under Identification Criterion 4. Based on previous assessments and actions taken to date by the Authority and the LGC, there are currently 155 LGUs with active water and/or sewer systems that are designated distressed (including designations made in September and October of this year.) Once designated, LGUs must meet the requirements of the Viable Utility (VU) program before the designation is removed, even if future assessment scores drop below the threshold for designation. To date, no LGUs have had the distressed designation removed. (Note, however, that the total number of designated distressed units has shifted over time, as some previously designated LGUs no longer have active water and/or sewer systems.)

### **2025 Reassessment Summary**

Results of the 2025 reassessment were presented at the Authority meeting on September 17, 2025. The Town of Woodland exceeded the threshold of nine points and was designated distressed under Criterion 3 by the Authority on September 17 and by the LGC on October 7, 2025.

The 2025 reassessment identified five LGUs that had not submitted audit data for the last two years as of June 30, 2025, and are not already designated as distressed. LGC staff reviewed these LGUs and made recommendations for designation to the LGC. The LGC designated the following LGUs as distressed under Criterion 2 at their meeting on October 7, 2025:

- Town of Aulander
- Town of Candor
- Town of Columbus

By prior agreement and action by the Authority, any LGUs designated under Criterion 2 by the LGC are automatically designated by the Authority without further action.

Ten LGUs exceeded the scoring thresholds for Criterion 3 for the first time and were sent notification letters and given the option to request designation. The following five LGUs have requested designation and submitted (or will submit) resolutions from their board supporting this request:

- Anson County

- Town of Bridgeton
- Town of Red Springs
- Town of Stedman (resolution expected in early December)
- Town of Walnut Cove

**Staff Recommendation**

Staff recommend that the Authority designate the following LGUs as distressed:

- Anson County
- Town of Bridgeton
- Town of Red Springs
- Town of Stedman (if resolution is received prior to the Authority Meeting)
- Town of Walnut Cove

Designations would be pending concurring action by the LGC at their subsequent meeting.