



January 12, 2022

# *Overview of the Division of Water Infrastructure's Viable Utilities Program*

*Jon Risgaard, Division of Water Infrastructure*



# *History of North Carolina's Rural Utilities*

- Demographics

- 1970 – > 50% of population in rural areas
- 2010 – ~33% of population in rural areas
- Currently ~10 million people

- Economics

- Historically strong rural economies from industry and agriculture
- Past 30 years moved away from rural areas

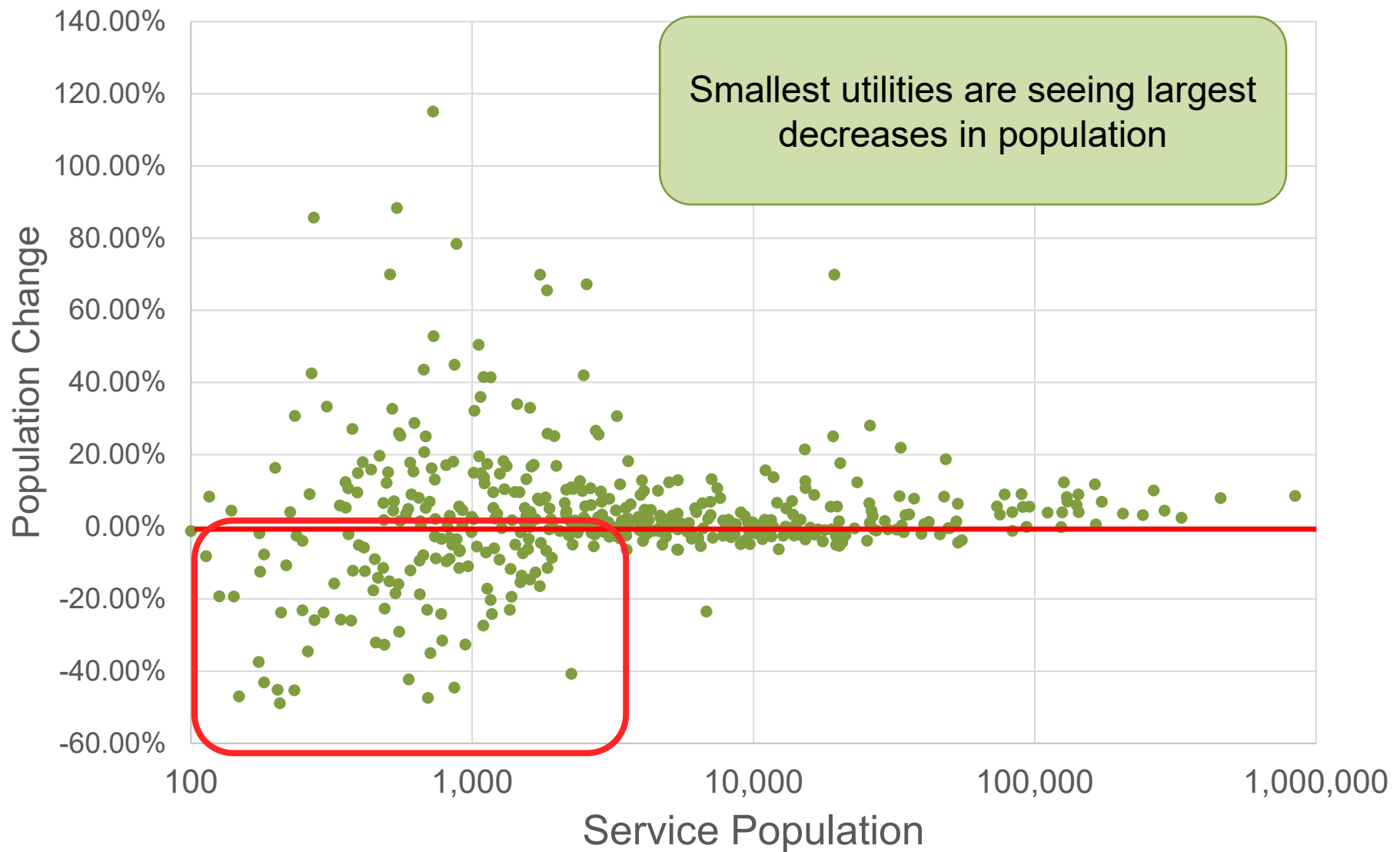
- Reoccurring natural disasters have made recovery especially difficult

# *North Carolina Utilities*

- Lots of utilities
  - ~500 drinking water utilities
  - ~300 publicly owned wastewater systems
- Lots of small systems
  - > 200 (40%) drinking water systems < 2,000 residential connections
  - Smallest 50% wastewater treatment plants serve ~4% of state's population

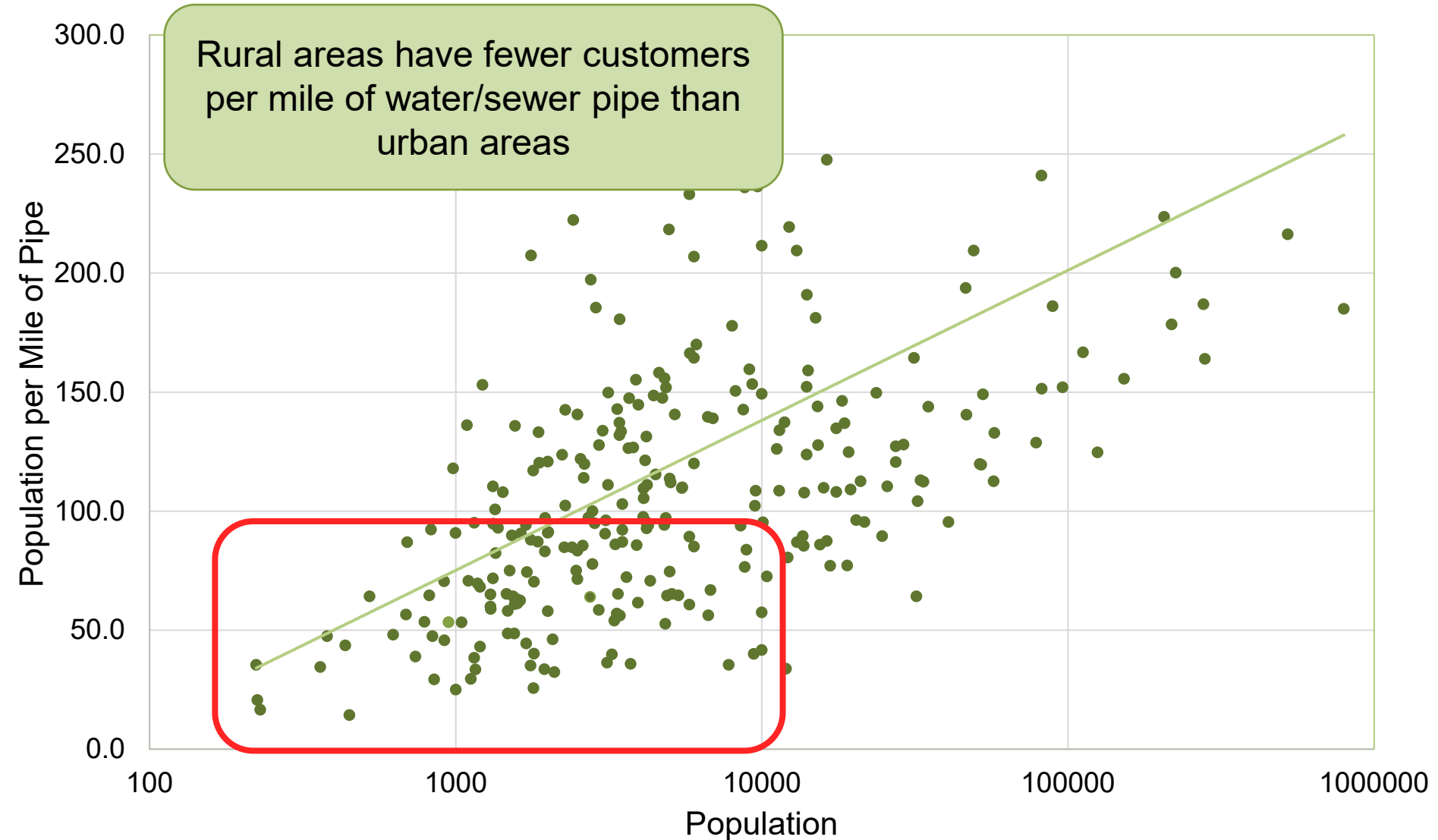
# *NC Population Change*

*(NC LGU with water or wastewater utilities)*



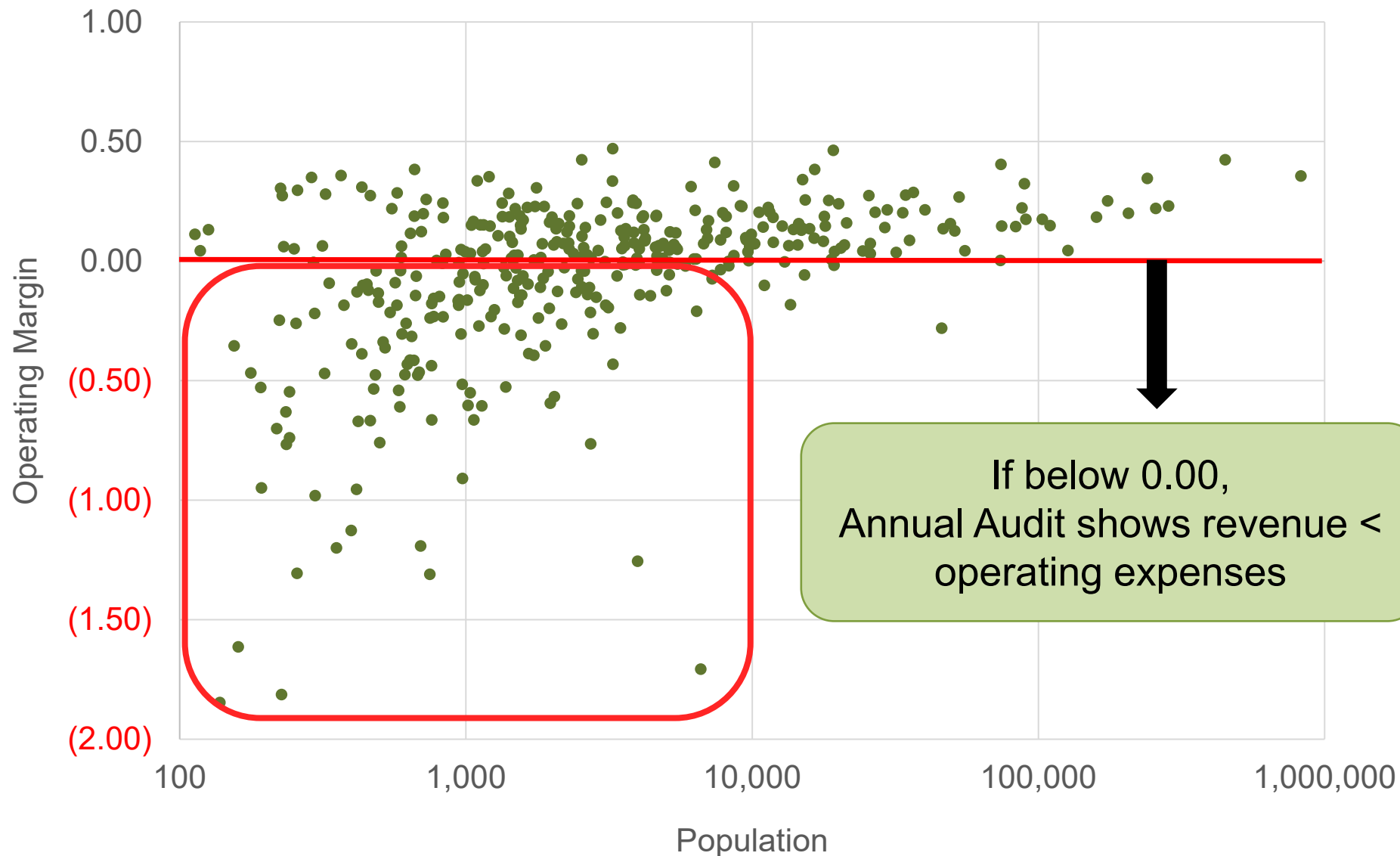
# *NC Sewer System Customer “Density”*

*(NC LGU with wastewater utilities)*



# *NC Water & Sewer Utility Operating Margins*

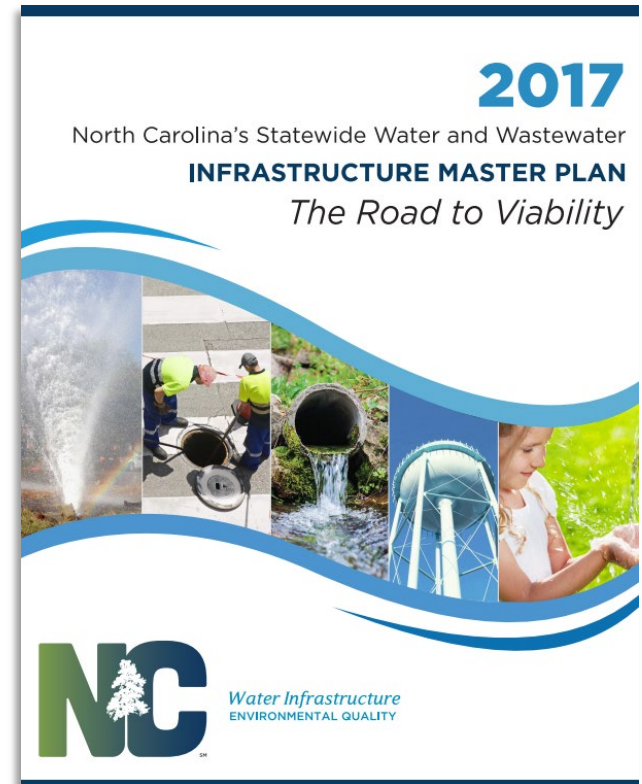
*(NC LGU with water or wastewater utilities)*



# *Master Plan – Definition of Viability*

## 2017 State Water Infrastructure Authority Master Plan

A viable system is one that functions as a long-term, self-sufficient business enterprise, establishes organizational excellence, and provides appropriate levels of infrastructure maintenance, operation, and reinvestment that allow the utility to provide reliable water services now and in the future.



# *Viable Utility Program*

Signed into law on July 1, 2020 (Reform of Water and Wastewater Public Enterprises, S.L. 2020-79)

- Updates to G.S. 159G “Water Infrastructure”

Foster the viability of water and wastewater operations across the state by:

- Identifies and designates distressed local government units (LGUs).
- Provides a process to develop viable water/sewer utilities.
- Joint approval by SWIA and Local Government Commission (LGC).

Created Viable Utility Reserve (VUR)

- Initial funding of \$9 million non-recurring.

# *Viable Utility Program Objectives*

- Assist Distressed utilities
  - Clear expectation for meeting statutory requirements
  - Support utility condition assessment and capital improvement planning
  - Encourage local leaders to be engaged, committed, and accountable for utility management
  - Assist in developing short-term and long-term plans for viability
- Support efforts and projects to improve viability
  - Coordinate with other funding programs to develop partnerships and share prioritization.
  - Coordinate and strengthen relationship with other resource agencies.
  - Develop a program that supports all utilities.

# *Distressed Criteria*

Distressed criteria were created to help identify LGUs most likely in need of assistance of maintaining utility viability.

Approved criteria:

1. LGC has formally taken financial control of LGU.
2. No annual audit submitted in the past 2 years.
3. Total Assessment Criteria score (20 separate parameters with value ranging from 1-4).
  - 9 for LGUs with both drinking water & wastewater systems.
  - 8 for LGUs with only one service (drinking water or wastewater).
4. Other information has become available.

# *Distressed Criteria and Designation*

- Nov and Dec 2020:
  - LGC and SWIA approve final criteria.
  - SWIA and LGC designates 4 LGUs under Criteria 1 as distressed.
- 2021:
  - February - SWIA and LGC designates 4 LGUs under Criterion 1 or Criterion 2 as distressed.
  - April – SWIA and LGU designates LGUs under Criterion 3 as distressed.
- Currently 96 LGU's designated distressed

# 96 LGU's designated distressed in 45 Counties



# *Requirements for LGUs Designated as Distressed*

- Studies:
  - Asset Inventory and Assessment (AIA).
  - Rate Study.
- Training and Education:
  - Initial.
  - Continuing (as part of action planing)
- Action plans containing:
  - Short-term action plan.
  - Long-term action plan.
  - Long-term financial management plan.

# *Asset Inventory & Assessment (AIA)*

- Infrastructure:
  - Above-ground
  - Below-ground
- Examines infrastructure condition, location, age.
- Assists with development of Capital Improvement Plan.

Hole in Frame (allows inflow)



Manhole w/active infiltration (stains)



Precast Manhole (for comparison)



Photos from Town of Warrenton AIA November 9, 2020, Municipal Engineering Services Company, PA

# *Rate Studies*

- Should be included as part of the AIA, regionalization study, and/or alternatives analysis process.
- Consideration/Evaluation of:
  - Current rate structure.
  - Historical financial information.
  - Capital Improvement Plan (CIP) - Infrastructure needs/planned maintenance, upgrades, and repairs.
- Projects system financial needs and compares these to current rate structure.

# *Training and Education*

- **Initial**

- Via the Division of Water Infrastructure:
  - Varying locations across the state.
  - Open to any distressed LGU.
- Via the NC League of Municipalities:
  - Advanced Municipal Leaders training.
  - On-demand training.
    - Mandatory completion of modules.
    - Mandatory completion of webinar discussion.

- **Continuing**

- Ongoing plan to grow local leaders and utility staff's knowledge base
- Part of the action plans
- Include elected officials and utility staff.
- Available from resource agencies.

# *Recent and Future Activity*

- *Awards*

- *\$330K Awarded for Emergency Operating Grants*
- *\$750K Awarded for Study Grants managed by DWI*
- *\$3.15M Awarded for Study Grants to LGUs*

- *Training*

- *Orientation for Distressed LGU representatives*
- *Recorded Utility Fundamentals for NCLM on-demand*
- *Live trainings in Winter/Spring 2022*

- *Other Efforts*

- *September 2021 – DWI accepted applications for funding study grants under the VUR from eligible LGUs.*
- *Continued program development - Internal Coordination/SOP development*
- *LGC Coordination*
- *Grow and strengthen partnerships*

# Partnerships

## NC Resource Agencies

- Many see the same issues
- Areas of overlapping services and gaps in services
- Many offer local and regional training for elected officials and finance officers; partner with DWI



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



SERCAP, Inc.  
SOUTHEAST RURAL COMMUNITY ASSISTANCE PROJECT, INC.



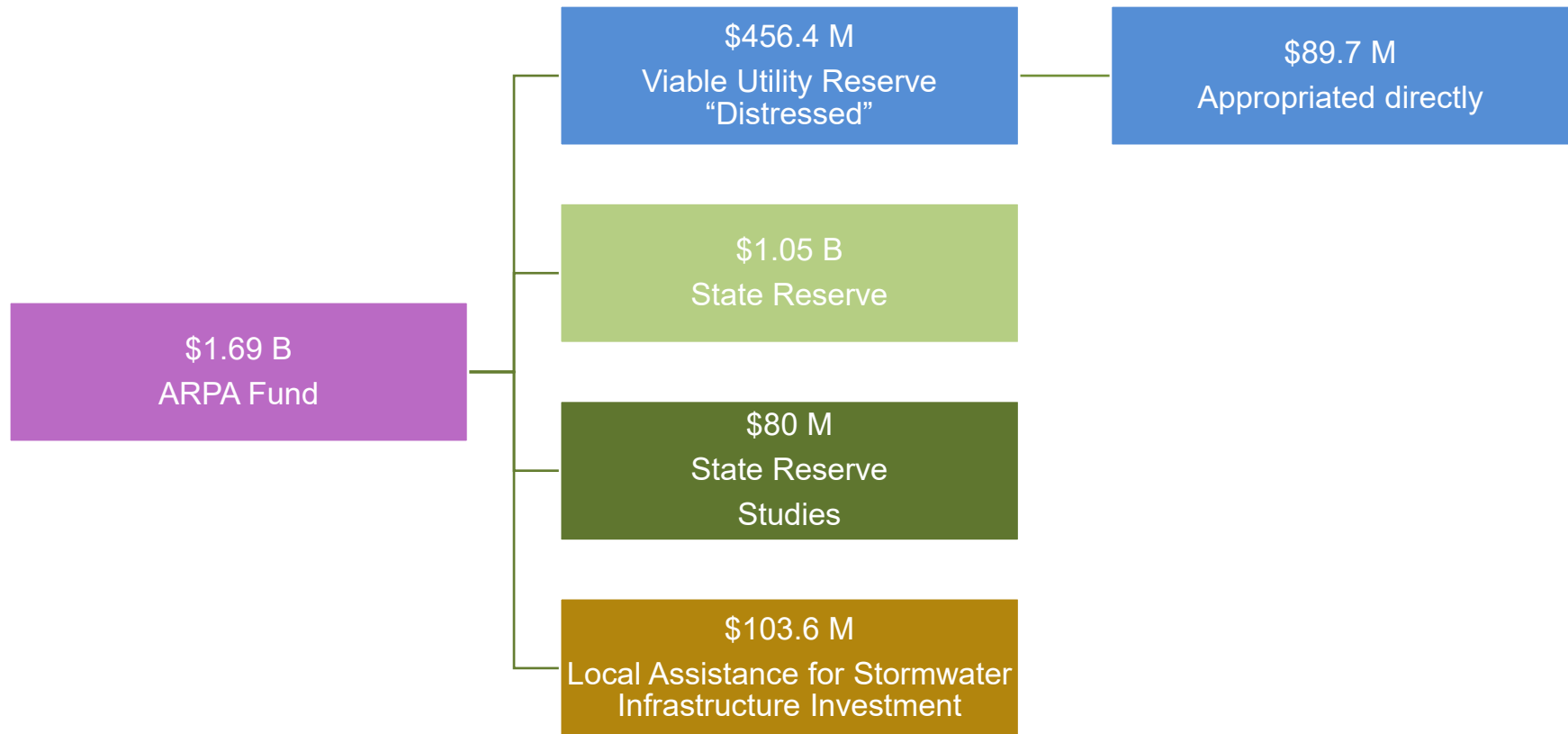
SCHOOL OF GOVERNMENT  
Environmental Finance Center



# *American Rescue Plan Act (ARPA)*

- March 11, 2021, Signed by President Biden
- ARPA allocates \$1.9 trillion to COVID-19 relief and economic recovery.
- North Carolina will directly receive more than \$5.7 billion.
- November 18, 2021, S.L. 2021-180
  - \$1.69 billion appropriated to DEQ in for water and wastewater infrastructure grants.

# *Final Budget (S.L. 2021-180) (ARPA Funds)*



# *ARPA Project Requirements (Federal and State)*

- ARPA / VUR funds limited to projects eligible for SRF funding and one of the following:
  - Rehab and replacement
  - Regionalization
  - Decentralization
  - Studies
  - Other projects demonstrating long-term viability
- Priority Rating Systems and funding processes are in place
- Funds must be spent by Dec. 31, 2026
- Applications for funding as soon as May 2, 2022

# *Bipartisan Infrastructure Law (BIL)*

- March 15, 2021, Signed by President Biden
  - Infrastructure Investment and Jobs Act
- \$550 billion in new federal investments
  - \$50 Billion investment to EPA for water and wastewater
    - ~\$43.4 Billion for SRF programs
  - Funds available next 5 years (2022 – 2027)

# *Bipartisan Infrastructure Law (BIL)*

- State allocations based on existing SRF allocation percentages.
  - NC ~ \$1.3 Billion additional funds over next 5 years.
  - 2022 allocation ~ \$199 million
- Funds reserved for
  - Regular State Revolving Funds (49% principal forgiveness (PF))
  - Lead Service Line Replacement (49% PF)
  - Emerging Contaminants (10% PF)
- Funds may be available for application as soon as Sept. 30, 2022

*Thank you!*  
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*Questions?*

