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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)

Smallest utilities are seeing largest decreases in population.
Rural areas have fewer customers per mile of water/sewer pipe than urban areas.
NC Water & Sewer Utility Operating Margins
(NC LGU with water or wastewater utilities)

If below 0.00, Annual Audit shows revenue < operating expenses
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.
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 Criterion 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
Viable Utility Program – Distressed Utilities

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.

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
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)

- $1.69 B ARPA Fund
  - $456.4 M Viable Utility Reserve “Distressed”
  - $1.05 B State Reserve
    - $80 M State Reserve Studies
    - $103.6 M Local Assistance for Stormwater Infrastructure Investment
  - $89.7 M Appropriated directly
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!

Viable utility reserve staff:

Victor D’Amato, P.E. - Supervisor
• Victor.Damato@ncdenr.gov
• 919-707-9186

Christyn Fertenbaugh, P.E. – Project Manager
• Christyn.Fertenbaugh@ncdenr.gov
• 919-707-9174

Susan Kubacki – Program Development Coordinator
• Susan.Kubacki@ncdenr.gov
• 919-707-9181

Linda Culpepper – Project Manager
• Linda.Culpepper@ncdenr.gov
• 919-707-9109

Matthew Rushing, EI – Project Manager
• Matthew.Rushing@ncdenr.gov
• 919-707-9060

Jennifer Haynie – Program Development Coordinator
• Jennifer.Hayne@ncdenr.gov
• 919-707-9173
Questions?