

# Water / Wastewater Public Enterprise Reform including the Viable Utility Reserve

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# Water Infrastructure Challenges

- Declining water use
- Loss of population (and declining income in many of these areas)
- Loss of manufacturing
- Difficulty recruiting and retaining staff
  - Financial
  - Operations
  - Management
- Aging infrastructure
- Capital costs increasing
- Increasing O&M costs
- Resiliency
- Etc.

Top 4 Issues from AWWA 2020 SOTWI Report

	2020		2019	2018	2017	2016
1	Renewal and replacement of aging water and wastewater infrastructure	↔	Renewal and replacement of aging water and wastewater infrastructure	Renewal and replacement of aging water and wastewater infrastructure	Renewal and replacement of aging water and wastewater infrastructure	Renewal and replacement of aging water and wastewater infrastructure
2	Financing for capital improvements	↔	Financing for capital improvements			
3	Long-term water supply availability	↔	Long-term water supply availability	Public understanding of the value of water systems and services	Long-term water supply availability	Public understanding of the value of water systems and services
4	Public understanding of the value of water systems and services	↔	Public understanding of the value of water systems and services	Long-term water supply availability	Public understanding of the value of water systems and services	Long-term water supply availability

# Water / Wastewater Public Enterprise Reform

- Session Law 2020-79 Signed into law by Governor Cooper
- Joint process
  - Local Government Commission (LGC)
  - State Water Infrastructure Authority (SWIA)
- Assessment of local government units
- Identification of distressed units
- Creates Viable Utility Reserve (VUR)
  - \$9 million non-recurring funding
  - More in the future?
- Appurtenant provisions

“AN ACT TO IMPROVE VIABILITY OF THE WATER AND WASTEWATER SYSTEMS OF CERTAIN UNITS OF LOCAL GOVERNMENT ...”

# Implementation Process Elements

- Element 1 – Local government unit assessment
  - Criteria
    - Required by statute
    - Infrastructure/organizational criteria
    - Financial criteria
  - Identification of distressed units
- Element 2 – Education (including governing board)
- Element 3 – Implementation of action plans

# Element 3: Implement Action Plans

- Asset assessment
- Rate study
- Short-term plan
  - Implementable by unit
    - Within their ability
    - With help from technical assistance organizations
    - Some potential VUR funding
  - Short-term rate change
  - Infrastructure repair, maintenance, management
  - Additional operations and maintenance activities

# Element 3: Implement Action Plans

- Long-term plan to ensure viability
- Financial plan to generate sufficient revenue to facilitate the provision of reliable water or wastewater services and adequately fund:
  - Management
  - Operations
  - Personnel
  - Appropriate levels of maintenance
  - Reinvestment (capital improvement)

# Viable Utility Reserve Grants

- VUR type of assistance
  - Asset Assessment (based on DEQ guidance)
  - Rate Study
  - Merger / regionalization options
  - Interconnection
  - Decentralization
  - Rehabilitation / replacement
  - Emergency operating deficit (only if LGC has assumed control)
    - 3 consecutive years
    - \$750,000 limit
- Total VUR funding limits
  - \$15 million to any single unit
  - \$30 million for 2 or more forming single utility

# Identification Criteria

- SWIA and LGC approved distressed unit identification criteria
- Four identification categories
  - Category 1: Unit under financial control of the LGC
  - Category 2: Failure to submit an audit in last two years
  - Category 3: Meets assessment criteria (assessment score)
  - Category 4: Other information representative of distressed unit

# Proposed Assessment

- Assessment criteria (Category 3)
  - Total score of 9 or more for units providing both drinking water and wastewater utilities
  - Total score of 8 or more for single provider utilities
- Presented at December's SWIA meeting and January's LGC meeting – listed all units with their total scores
- LGC and SWIA presented in February with assessment of only those units expected to be designated as distressed
- List includes total score as well as sub-totals by criteria type:
  - Statutory, Infrastructure & Organization, Financial

# Proposed Assessment

- Additional units may be recommended as distressed based on 2020 audits
- Key data from assessment scores
  - 118 units shown meeting criteria
  - 12 units have total score of 14 or higher (highest is 21)
  - 104 units have <10,000 population served
  - 72 do not generate sufficient revenue for expenditures
  - 68 on Unit Assistance List for control issues
  - 15 are under flow moratorium

# Proposed Assessment

		Population						
Utility Type	>=10,000	>=5,000 <10,000	>=2,000 <5,000	>=1,000 <2,000	<1,000	No Pop Data	Total	
<b>Both</b>	5	3	15	21	40	1	85	
<b>DW</b>	4	3	3	0	9		19	
<b>WW</b>	1	2	2	1	5	3	14	
<b>Total</b>	10 (9%)	8 (15%)	20 (21%)	22 (29%)	54 (40%)	4 (27%)	118 (24%)	

Note: Percentages are percent distressed among all units evaluated within the specific category

# Next Steps

- Mail letters to units informing them of the assessment
- Continue developing education program
- Move forward with approved grants
  - Bethel: review agreement for merger with Greenville Utilities Commission, rates analysis
  - Cliffside Sanitary District: sewer assessment, alternatives analysis, rate study
  - Kingstown: sewer assessment, rate study
- Develop prioritization system

# Next Steps: Prioritization

- How to prioritize distressed units
- Top priority to units when LGC has assumed control of fiscal affairs
- Higher priority for highest assessment criteria score
- Regional aspects
  - Lower assessment score units in area
  - Cooperating non-distressed units in area

# Next Steps: Prioritization

- Application process – invitation or open
  - Invite highest priority units
  - Open to willing units that want to look at viability
  - Units with definitive long-term solution
- More point-based system (e.g., construction project scoring system)
- More narrative-based system (e.g., AIA grants)

# Next Steps: Prioritization

- Grant eligibility and priority
- Construction projects not readily available from VUR due to limited funding
- Leverage all funding sources
  - Review existing affordability criteria
  - Use established construction project priority system for VUR construction projects
- What about units almost distressed

# Viability Utilities

- Additional funding opportunities
- Access scores and other VUR information in SWIA meeting materials
- All units are encouraged to review their assessments and look for areas that may need attention
- Focus of SWIA and LGC efforts is to work with local governments to identify and implement long-term solutions
- Questions – contact:
  - LGC: [SLGFD@nctreasurer.com](mailto:SLGFD@nctreasurer.com)
  - DEQ: [Susan.Kubacki@ncdenr.gov](mailto:Susan.Kubacki@ncdenr.gov) or [Amy.Simes@ncdenr.gov](mailto:Amy.Simes@ncdenr.gov)

