

December 2, 2013

**MEMORANDUM**

TO: The Honorable Phil Berger, Co-Chair

The Honorable Thom Tillis, Co-Chair

**Joint Legislative Commission on Government Operations**

The Honorable Brent Jackson, Co-Chair

The Honorable Mike Hager, Co-Chair

The Honorable Ruth Samuelson, Co-Chair

**Environmental Review Commission**

The Honorable Brent Jackson, Co-Chair

The Honorable Andrew Brock, Co-Chair

The Honorable Roger West, Co-Chair

The Honorable Thomas Murry, Co-Chair

**Subcommittees on Appropriations for Natural and Economic Resources**

Mr. Mark Trogdon, Director, Fiscal Research Division

Mrs. Jennifer Hoffmann, Fiscal Research Division

**Division of Fiscal Research, North Carolina General Assembly**

FROM: Bryan M. Gossage, Executive Director, CWMTF

Re: Clean Water Management Trust Fund's 2013 Annual Report

## **Clean Water Management Trust Fund 2013 Annual Report**

### **Introduction**

The Department of Environment and Natural Resources and the staff and Board of Trustees of the Clean Water Management Trust Fund (CWMTF) would like to thank the members of the General Assembly of North Carolina for your continuing strong support for investments in clean water and protection our state's natural heritage resources and hereby present our annual report to the General Assembly and the public pursuant to GS 113A-257.

### **Background**

The 1996 General Assembly created the Clean Water Management Trust Fund (Chapter 113A Article 18 (GS 113A-251 et seq.)), "to clean up pollution in the State's surface waters and to protect, preserve and conserve those waters that are not yet polluted." As originally created, the CWMTF was to "use innovative and non-regulatory approaches to help finance projects that specifically address water pollution problems and focus on upgrading surface waters, eliminating pollution, and protecting, preserving and conserving unpolluted surface waters, including enhancement or development of drinking water supplies" and "to build a network of riparian buffers and greenways for environmental, educational, and recreational benefit."

Until recently, the CWMTF was an independent non-regulatory agency housed for administrative purposes in the Department of Environment and Natural Resources (DENR). A 21-member board of trustees established criteria, allocated funds, reviewed applications, and approved grants through three principal committees: infrastructure wastewater, restoration/stormwater/greenways and land/conservation easement acquisition. Local governments, state agencies, and nonprofit conservation organizations, such as land trusts, were eligible applicants. As a grant making agency, funds were allocated to address and correct pollution problems and to protect unpolluted waters that are identified by eligible grant applicants.

By mid-2013, the program through its appropriations from the General Assembly was able to partner with local communities and organizations and contribute over \$978,000,000 to the protection and restoration of the state's water. The fund had leveraged nearly one and a half times as much money (\$1,500,000,000) to support its efforts to protect, restore and enhance surface water quality. CWMTF staff manages more than \$46 million encumbered in about 175 existing grant contracts. Staff work to ensure due diligence for monitoring grant requirements

and expenditure of funds, while at the same time assisting the grantees successfully through the process by making the process transparent, clearly communicating the process and expectations, and providing meetings as needed and resources to guide them through project implementation.

The water quality grants this non-regulatory program provides help meet infrastructure needs of municipalities, increase recreational opportunities, and enhance quality of life in this state, all critical components for economic development. CWMTF protects more than the state's natural resources. The grants this program provides support North Carolina's major economies of agriculture, military, tourism, fisheries and forest products.

## **2013 Summary**

The past 6 months have brought significant changes to CWMTF through the ratification of NC Session Law 2013-360 as discussed below.

**Purposes:** The Natural Heritage Trust Fund (NHTF) was closed and its fund balance, and purposes transferred to CWMTF. This adds to CWMTF's grant mission the acquisition of land to protect natural heritage and historical properties and makes explicit the acquisition of land to protect military bases from encroachment. With the exception of "innovative" storm water projects, CWMTF will no longer award grants for stormwater and wastewater. Instead entities interested in financial support for these type projects will apply to assistance through the new Water Infrastructure Authority in the Department of Environment and Natural Resources (DENR).

**Trustees:** The CWMTF Board of Trustees was reduced from 21 to nine members and new appointments were made to create the new board.

The new Board of Trustees held their initial meeting in Raleigh on November 12, 2013, with an emphasis on orienting themselves to the program and their legislative charge. Additionally the Board created two special committees to decide on the organization of standing committees and the allocation funding formula for the 2013 grant cycle. Those committees met on November 25 and will report their recommendations to the full board at the next meeting of that body. The Board of Trustees will hold their next meeting on December 18 to continue their formation as a new appointed body and will consider the award of grants for 2013 land acquisition applications. More than \$42 million has been requested to acquire land to protect military bases from encroachment and preserve significant historic properties, natural heritage

resources and surface water quality and drinking water supplies. The existing balance from the former NHTF fund, as well as a portion of CWMTF revenues (appropriations and license plate sales), will be used to select land acquisition applications for funding. In December, the board will also approve a meeting schedule for calendar year 2014.

At their first meeting in 2014, the board will make awards for restoration and greenway projects, and continue to make changes to grant criteria to reflect the preservation and conservation of natural heritage resources, historic properties, and military interests into its mission.

As of November 2013, the members of the Board of Trustees are:

**Dr. Troy Kickler (Chair):**

**Resides-** Raleigh, NC

**Occupation-** Director of the NC History Project

**Education-** M.S in Social Studies Education from NC A&T State University, Ph.D. in history from the University of TN.

**Additional Information-** Formerly a high school social studies teacher and soccer coach. Recipient of numerous research awards and study grants. Currently a co-editor of *Nathaniel Macon: Collected Letters and Speeches*

**Frank Bragg:**

**Resides** - Huntersville, NC

**Occupation-** Investment Advisor

**Education:** B.A from Wake Forest University

**Additional Information-** Formerly served as chairman for Catawba Lands Conservancy. Served on Charlotte-Mecklenburg Historic Landmarks Commission and the Greater Banner Elk Heritage Foundation. Founder of Bragg Financial Advisors.

**Greer Cawood:**

**Resides** - Winston-Salem, NC

**Occupation-** Community Volunteer

**Education-** B.A from the University of North Carolina-Chapel Hill

**Additional Information-** Served as a trustee for the UNC School of the Arts and as a trustee for Forsyth County Day School. Enjoys traveling, hiking, tennis, golf and skiing.

**Frederick Beaujeu-Dufour:**

**Resides** – Clinton, NC

**Occupation**- Farmer

**Education** – BS in Hotel Management from Paris, France. MBA from University of North Carolina-Chapel Hill.

**Additional Information** – Involved in Rotary Club and Hiram Lodge 98. Enjoys horseback riding, hunting, photography and reading.

**Robin Hackney:**

**Resides** – Wilmington, NC

**Occupation** – Custom New Home Building

**Education** - BA in Journalism – Advertising from University of North Carolina - Chapel Hill, NC Brokers license (North Carolina Board of Realtors), NC Certified Appraiser (North Carolina Appraisal Board) and NAHB Green Certified

**Additional Information**- Member of the Wilmington Board of Realtors and Member of the Wilmington – Cape Fear Home Builders Association; Participated in Habitat for Humanity Builder Blitz 2012 Member of the St. James Episcopal Church. Enjoys Painting / Art / Home Design, Cooking, Tennis, Needlepoint and Gardening.

**Kevin Markham:**

**Resides** – Raleigh, NC

**Occupation** - Vice President, Raleigh Office Manager for Environmental Services, Inc.

**Education** - BS in Marine Biology, University of North Carolina -Wilmington, MS in Marine Biology (Coastal Ecology), University of North Carolina –Wilmington

**Additional Information** – Participates in the National Association of Environmental Professionals; North Carolina Association of Environmental Professionals; Society of Wetland Scientists and Freshwater Mussel Conservation Society. Attends Cary Presbyterian Church and enjoys bird watching and nature photography.

**Johnny Martin:**

**Resides** – Wake Forest, NC

**Occupation** – Civil Engineer

**Education** - BS in Civil Engineering from North Carolina State University and an MS in Civil Engineering from North Carolina State University.

**Additional Information** - Participates in the American Public Works Association and enjoys church and golf.

**William Toole:**

**Resides** – Belmont, NC

**Occupation** – Lawyer

**Education** - JD/MBA Wake Forest University and B.A Haverford College

**Additional Information** – Serves as Town of Belmont, City Councilman and various other civic and non-profit organizations. Enjoys trout fishing and cooking.

**Charles Vines:**

**Resides** – Bakersville, NC

**Occupation** – Retired US Air Force; Mitchell County Manager and Mayor, Town of Bakersville.

**Education** – USAF Finance, Accounting and Budget Management

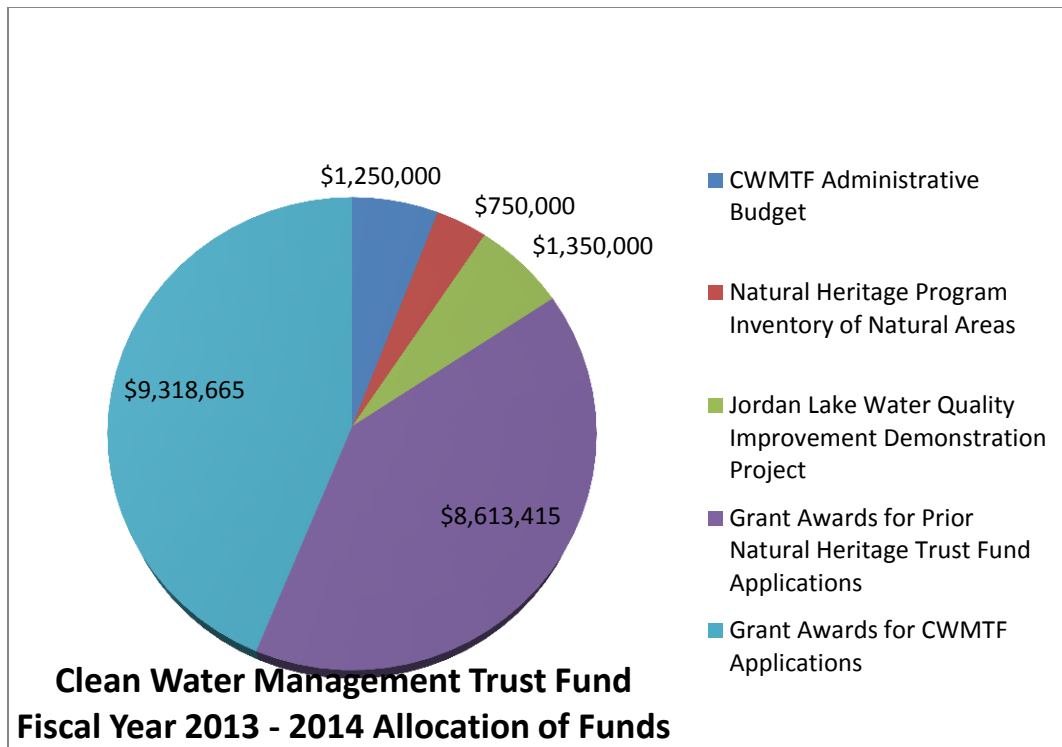
**Additional Information** – Served as a Trustee for Bakersville Volunteer Fire Department, served on Mitchell County EDC Board and Mitchell County Development Foundation and numerous other board and commissions. Serves as a deacon for Bakersville Baptist Church and enjoys gardening, fly fishing, golf and helping others.

**Staffing:** CWMTF is no longer an independent agency, but instead is administered by DENR. The new Office of Land and Water Stewardship (LWS) was created to coordinate the efforts of CWMTF, the Albemarle-Pamlico National Estuary Partnership, and the Natural Heritage Program the Stewardship Program and outreach programs. Bryan Gossage, formerly Deputy Secretary with the NC Department of Commerce, will head the new division and report directly to Cecilia Holden, special assistant to Secretary Skvarla. All CWMTF personnel have been transferred to DENR, but remain exempt from the North Carolina Human Resources Act.

See Attachment #1 – Organizational Chart

### **Financial Administration**

The appropriation to Clean Water Management Trust Fund (CWMTF) for the 2013-2014 fiscal year is \$10,426,976. Of that, up to \$1,250,000 may be used for the administration/operations of the Fund and up to \$750,000 may be used toward the inventory of natural areas by the Natural Heritage Program. In addition, \$1,350,000 shall be used toward the Jordan Lake Water Quality Improvement Demonstration Project.



Below is information provided to the CWMTF Board of Trustees at their first meeting of the 2013-2014 fiscal year on November 12, 2013. The report outlines the carry forward cash from the Natural Heritage Trust Fund and CWMTF as well as revenues for the 2013-2014 fiscal year including the appropriation, license plate revenue and interest earnings. From there, the report outlines the obligations, as noted above, of funds toward the CWMTF administrative budget, inventory of natural areas by the Natural Heritage Program and the Jordan Lake Demonstration Project. The remaining balance of \$17,932,080 is the amount the CWMTF Board of Trustees may award during fiscal year 2013-2014. Of the \$17,932,080 total amount available, \$8,613,415 will be applied to previously received applications to the Natural Heritage Trust Fund as outlined in Session Law 2013-360. The remaining amount of \$9,318,665 will be awarded to Clean Water Management Trust Fund grant applications. Additionally, any reductions in administrative costs made during FY13/14 may be applied toward grant applications. As mentioned previously, the Board of Trustees will begin the process of making awards at their December 18, 2013 meeting.

**Clean Water Management Trust Fund Fiscal Year 2013-2014  
Available Funds for Grants**

1	<b>Carry Forward Funds and New FY 2013-2014 Revenue</b>	
2	<u>CWMTF Unencumbered Funds since the June 2013 Board Meeting:</u> -Acquisition Program = <b>163,263.03</b> -Restoration/Stormwater/Greenway Program = <b>539,975.12</b> -Wastewater = <b>24,364.95</b>	\$727,603.10
3	CWMTF 2012-2013 administrative budget under-run and over-realized interest earnings	\$106,828.52
4	NHTF carry forward of unencumbered funds	\$8,613,414.73
5	2013-2014 Appropriation	\$10,426,976.00
6	2013-2014 License Plate Revenue received as of September 30, 2013	\$1,176,518.75
7	Interest Projection	\$150,000.00
8	Repayment from City of Shelby Grant 2007-537	\$80,739.00
9		
10	<b>FY 2013-2014 Obligations</b>	
11	CWMTF Administrative Budget (maximum allowed by legislation)	(\$1,250,000.00)
12	Natural Heritage Program Inventory of Natural Areas ( <b>action item</b> )	(\$750,000.00)
13	Jordan Lake Water Quality Improvement Demonstration Project	(\$1,350,000.00)
14		
15	<b><u>Running Total - potential for new grants</u></b>	<b><u>\$17,932,080.10</u></b>
16		
17	NHTF Carry forward obligation to fund toward NHTF applications	(\$8,613,414.73)
18		
19	Remaining amount available to fund toward CWMTF/NHTF applications	\$9,318,665.37

**Summary**

Protecting clean water and the conservation of natural resources is a vital role the CWMTF plays to help safeguard many of North Carolina's vital economic engines, including agriculture, tourism and recreation, and the military presence in our state. Though CWMTF is a division in transition, staff and the Board will continue to work diligently to provide oversight and accountability to the Fund's operating funds, grant funds, and the valuable non-regulatory role we play. Financial resources provided by the General Assembly fund projects that provide the greatest water quality benefit to the surface waters of the state and protect and preserve natural and cultural resources for our generation and those who will follow.