

**QUARTERLY REPORT TO THE LEGISLATIVE OPERATIONS COMMITTEE
REGARDING
FUNDS FOR LOCAL GOVERNMENT WATER AND SEWER IMPROVEMENT GRANTS
(CLEAN WATER PARTNERS' INFRASTRUCTURE GRANTS)
N.C. RURAL ECONOMIC DEVELOPMENT CENTER, INC.
DECEMBER 1, 2007**

During the 2007-2008 session of the North Carolina General Assembly, a \$100 million appropriation was made to the Rural Center for water and wastewater infrastructure grant making. The legislation defined two programs for funding: a Planning Grants program, and a Supplemental grants program. In both programs, rural, economically distressed communities receive priority in funding, especially if they are under Special Order of Consent or moratorium. The focus for both programs is the resolution of current water and wastewater infrastructure problems resulting in public health or environmental concerns.

Planning Grants Overview. Eligible applicants for Planning Grants are economically distressed rural counties, or economically distressed units of local government in rural counties. Regional Councils of Government and Regional Planning Commissions are also eligible applicants for Planning Grants, if the project is a regional project. Planning Grant projects must address a current, critical need in the applicant's community, or provide planning for construction efforts targeted at relieving a water or wastewater infrastructure problem. A total of \$2.0 million was allocated for Planning Grants out of the \$100 million appropriation.

The maximum award in the Planning Grants program is \$40,000.00. A dollar-for-dollar match is required, unless the applicant meets certain criteria. These criteria are:

- The applicant is an economic tier one county, or is a community in an economic tier one county.
- The applicant's poverty rate is 150% of the state's poverty rate.
- Be in part of a county that experiences an actual or imminent job loss of jobs equal to or greater than 5% of the total number of jobs in that part of the county.

Supplemental Grants Overview. Eligible applicants for the Supplemental Grants program are rural counties or communities in rural counties. In addition, the applicant must pass a resolution to set the household user fee for water and sewer service in the area to be served by the project at 1.5% of the median household income. Supplemental Grants fund construction activities, and are meant to supplement other local, state, and federal funds in a project. Like the Planning Grants, a dollar-for-dollar match is required unless the applicant meets certain criteria. These criteria are:

- The applicant is an economic tier one county, or is a community in an economic tier one county.
- The applicant's poverty rate is 150% of the state's poverty rate.
- The applicant's ability to pay, as calculated by the N.C. Department of Commerce, is less than fifty percent of the ability to pay of the county in which it is located.

In addition, in the Supplemental Grants program, a greater than \$500,000 grant is allowed, if the applicant meets one of the above criteria.

Program Development. Draft program guidelines were developed and approved by the Clean Water Committee and by the Physical Infrastructure Program Committee of the Board of Directors of the

North Carolina Rural Economic Development on August 28, 2007. The Executive Committee of the Rural Center Board of Directors subsequently approved the recommendation by the Clean Water Committee to utilize the guidelines presented by Rural Center staff, with minor revisions.

A conference call was held with the Clean Water Committee to finalize the application language and format on October 1. Two meetings followed with Chrys Baggett of the N.C. Department of Administration, and with Melba McGee of the N.C. Department of Environment and Natural Resources to discuss the environmental review provisions in the enabling legislation, and how the reviews could be coordinated between the Rural Center and the two state departments responsible for gathering comments on environmental documents. The grant applications and guidelines were subsequently released on October 25 at the Rural Partners' Forum, at the first "How to Apply" workshop in Raleigh.

The following week, a series of workshops was held across the state, in Plymouth, Lumberton, Wilkesboro, and in Clyde. Attendance was mandatory for interested applicants, and over 800 contacts were made through this training.

Policies surrounding the matching funds for the Rural Center Planning and Supplemental Grants programs and for the maximum grant amount in the Supplemental Grants program were emailed to the Clean Water Committee of the Rural Center Board of Directors on November 7. A conference call was held with the committee to determine the direction of the proposed policies on November 15, with a final decision reached on the 20th. The final versions of the policies were posted to the Rural Center website on November 27, with the Councils of Government posting the policies on their list serve as well. The policies are attached as Exhibit A. A list of committee memberships is attached as Exhibit B.

Application Procedure. In an effort to coordinate more closely with other state and federal funding agencies, a Notice of Intent form is required to be submitted prior to the submission of a full application. For the current grant round, the Notices of Intent are due November 30. The Notices of Intent list the funding sources applicants plan on utilizing for their projects, and these forms will be shared with other funders to allow them to contact potential applicants, or to monitor project budgets. As of November 28, the Rural Center had received 78 Notices of Intent to Apply. See Exhibit C for a copy of the Notice of Intent to Apply.

Full applications for both the Planning Grants and the Supplemental Grants are due to the Rural Center on December 17. See Exhibits D and E for copies of the Planning Grant guidelines and application, and the Supplemental Grants guidelines and application.

Crisis Needs Grants. In the August 28, 2007, Board meeting, the Rural Center Executive Committee approved a special category for grant making entitled "Crisis Needs", and allocated \$10 million of the \$100 million to the category. A crisis need is one where drinking water supplies are dangerously depleted, or one where drinking water is contaminated with pollutants to the point where health advisory notices are issued, and bottled water is required. Crisis needs requests are accepted on a rolling basis, upon proof of need, and proof that all other funding is in place for the project. Requests for drought relief must be verified by the Department of Environment and Natural Resources, through a listing on the Division of Water Resources' Tier One Drought-Affected Water Systems.

Three grants have been made, conditionally, under this category. All crisis needs applicants must complete grant applications prior to receiving funding for their projects. The three grants made to date are:

- **Tuckaseegee Water and Sewer District.** A group of homes outside of Sylva, Jackson County, had water supplies contaminated with benzene compounds leaking from an underground storage tank. A safe level of benzene is considered to be 1.0 ppb; levels were found in the wells up to 41.0 ppb. The state toxicologist had issued health advisories regarding using the water for bathing. Water was being hauled in for cooking and drinking. Tuckaseegee Water and Sewer Authority requested a \$439,067 grant from the Rural Center, to be matched with a \$300,000 grant from the Bernard Allen Memorial Emergency Drinking Water Fund, \$20,000 from an assisted living center affected by the contamination, and \$119,068 from Jackson County. This grant was approved by the Rural Center Executive Committee on August 28. Funds are obligated, and all conditions of the grant program must be met by the applicant prior to release of funds.

- **Central Nash Water and Sewer District.** The City of Rocky Mount was within 100 days of losing its water supply in late September, and was placed on the Division of Water Resources' Tier 1 Drought list, indicating they were among the most severely drought affected water systems in the state. Rocky Mount's Tar River Reservoir was set to empty at the end of October, and a secondary, quarry-based reservoir would empty at the end of November, should no rain fall in that time period. The Buckhorn Reservoir, owned by the City of Wilson, had more available water, and the City of Wilson had agreed to supply Rocky Mount with 2.0 million gallons per day to help alleviate Rocky Mount's water crisis. The Central Nash Water and Sewer District requested funding from the Rural Center to assist with a water line that would interconnect the City of Rocky Mount with the Central Nash Water and Sewer District, and then to the City of Wilson. A \$500,000 grant was conditionally approved by the Rural Center Executive Committee on September 18, for the Central Nash Water and Sewer District's water line effort. The Rural Center's grant was matched by a \$600,000 emergency loan from USDA- Rural Development. Funds are obligated, and all conditions of the grant program must be met by the applicant prior to release of funds.

- **Town of Siler City.** Siler City was declared a Tier one drought-affected water system in early October. Siler City had been on mandatory water restrictions all summer, and on October 8, 2007, the Town issued a proclamation mandating customer usage be reduced to fifty percent of normal usage. Major industries in Siler City were hauling over 900,000 gallons of water per day to help meet their needs. The town was trying to balance its available water supply against maintaining employment for over 2,400 residents. The Town requested a \$500,000 grant from the Rural Center to assist with an emergency connection with the Town of Sanford, through the Chatham County water system. Rural Center funds are matched with \$500,000 in local funds. Funds are obligated, and all conditions of the grant program must be met by the applicant prior to release of funds.

Administration. In the \$100 million appropriated to the Rural Center, 2 percent, or \$2.0 million was marked for administrative costs. Out of the \$2.0 million, \$250,000 was allocated for staffing the State Water Infrastructure Commission. Arrangements have been made for the State Budget Office and the Department of Environment and Natural Resources to administer the State Water Infrastructure Commission funds. The remaining \$1.75 million will be used to expand staffing and to cover overhead expenses such as supplies, travel, and marketing and outreach. The staff expansion will include a planning grants coordinator, two grants managers, and a design engineer. See Exhibit E for the administrative budget for cost allocations.

Next Quarter Activities. In the next quarter, we will receive the first round of grant applications, and potentially make early awards in February for projects that have all other funds, and all the environmental assessment work completed. We anticipate, as the drought deepens, to be involved in more crisis needs grant making for drought-stricken communities, in concert with other agencies that fund water infrastructure. In addition, a presentation on the Clean Water Partners' Infrastructure Program is planned for the UNC Environmental Finance Center's Water Infrastructure Capital Finance course on January 23, 2008.

COMMITTEE MEMBERSHIPS
N.C. RURAL ECONOMIC DEVELOPMENT CENTER, INC.
FY 2007-2008

Executive Committee:

Thomas W. Lambeth, Chair
Valeria Lee, 1st Vice Chair
William Veeder, 2nd Vice Chair
Sandra D. Gambill, Secretary
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Bill Gibson, Chair
Samuel P. Hunter, Vice Chair
E.H. Alexander
Katherine Thomas
Charles R. Tolley

Physical Infrastructure Program Committee:

Bill Gibson, Chair
Samuel P. Hunter
E.H. Alexander
Valeria Lee
James R. Leutze
Rex Baker
Janice Brumit
Kent Chavis

<u>Clean Water Program Admin</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Notes</u>
Income:						
Appropriation – nonrecurring						\$1,750,000 total
Expense:						
Personnel --						
Capacity grants coord./planner	37,500					1-2 yrs. Exp.; masters; Now; \$45,000
Grant manager 1	33,333					Now; \$40,000
Grant manager 2	19,999					January 08; \$40,000
Design engineer	46,666					80/20 split with BRR?; 12/07; \$80,000
Subtotal Personnel	137,498	211,150	217,485	224,010	230,730	3% annual adjustments
Benefits	42,625	65,457	67,421	69,444	71,527	Used 31%
Contracted Services	100,000	110,000	50,000	50,000	25,000	Now 41,500 w/out new program
Supplies	2,000	2,200	2,400	2,600	2,800	Now 2,400 w/out new program
Travel and meetings	7,000	7,000	7,000	7,000	7,000	Now 13,000 w/out new program
Equipment (4 computers)	10,000	3,000	3,000	3,000	3,000	Now 2,900 w/out new program
Marketing and outreach	1,200	1,200	1,200	1,200	1,200	Now 800 w/out new program
Subtotal all other	162,825	188,857	131,021	133,244	110,527	
TOTAL	300,323	400,007	348,506	357,254	341,257	1,747,347