

December 1, 2012

MEMORANDUM

TO: The Honorable Phil Berger, Co-Chair

The Honorable Thom Tillis, Co-Chair

Joint Legislative Commission on Government Operations

The Honorable David Rouzer, Chair

The Honorable Robert Mitchell Gillespie, Co-Chair

The Honorable Ruth Samuelson, Co-Chair

Environmental Review Commission

The Honorable Brent Jackson, Co-Chair

The Honorable Carolyn Justice, Chair

The Honorable David Rouzer, Co-Chair

The Honorable Roger West, 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: Richard E. Rogers, Jr., Executive Director, CWMTF

Re: Clean Water Management Trust Fund's 2012 Annual Report

Introduction

The Board of Trustees of the Clean Water Management Trust Fund (CWMTF) is writing to thank the members of the General Assembly of North Carolina for your continuing support for investments in clean water and to make our annual report to the General Assembly and the public pursuant to GS 113A-257.

Water is the essence of life. All things that live rely on water to sustain themselves. As a state, our economic viability, health and ability to sustain ourselves and the natural environment all rely on clean water. The ability for the state to support its most important economies including agriculture, tourism and recreation require good water quality. To ensure sufficient drinking water supply for growing industry and the state's growing population, surface water must be protected. Since its start in 1996 the CWMTF, a non-regulatory program, has strived to protect North Carolina's surface waters while helping meet infrastructure needs of municipalities, increasing recreational opportunities, and enhancing quality of life in this state, all critical components for communities to obtain a competitive edge in their economic development. CWMTF has made these contributions to local communities through a wide array of programs that include wastewater, stream and wetland restoration, stormwater, riparian buffer conservation and greenways. The program has actively managed more than 1,500 grants while leveraging nearly \$1.50 (totaling almost \$1.5 Billion) for every \$1.00 the state has invested with the fund.

In 2012 the CWMTF was able to fund 26 projects (Appendix 1) to protect, restore and enhance the surface waters to the state, yet the CWMTF left more than \$110,000,000 in requests for projects unfunded. If funded these projects would have helped protect drinking water supplies and provided improved water quality to support the state's economy, improve our citizens' quality of life and sustain our natural heritage.

Today, the need for water quality protection is greater than ever because of the growing reliance our state will have on surface water to meet the drinking water needs of the growing population. The CWMTF has set its sights on aiding communities to help meet their need in protecting their drinking water supplies through drinking watershed protection as well as reservoir development. And with adequate funding the drinking water needs of the state can be met for generations to come. There remains a great deal of work that needs to be done to protect our surface waters in North Carolina.

Background

The 1996 General Assembly created the Clean Water Management Trust Fund (CWMTF). The purpose of the CWMTF is (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." The CWMTF "shall be used 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 benefits. It is lastly the intent of the General Assembly that moneys from the Fund also be used to preserve lands that could be used for water supply reservoirs."

The CWMTF is an independent non-regulatory agency housed for administrative purposes in the Department of Environment and Natural Resources (DENR.) A 21-member board of trustees

establishes criteria, allocates funds, reviews applications, approves grants, and hires the executive director. Seven members are appointed by the Governor; seven by the General Assembly upon the recommendation of the President Pro Tempore of the Senate; and seven by the General Assembly upon the recommendation of the Speaker of the House. An advisory council composed of the Commissioner of Agriculture, Chair of the Wildlife Resources Commission, Secretary of DENR, and Secretary of Commerce or their designees advises the board of trustees.

Local governments, state agencies, and nonprofit conservation organizations, such as land trusts, are eligible applicants. The next deadline for applications is February 1, 2013.

Monies from CWMTF may be used to repair failing wastewater collection and treatment systems; to eliminate failing septic tanks and straight pipes; to prevent, reduce, collect and treat stormwater pollution; to acquire conservation easements or land in fee simple to preserve riparian buffers, wetlands, floodplains, and greenways; to restore riparian buffers, streams, and wetlands; to plan water quality projects; and for administration and staff. The board works through three principal committees: infrastructure/wastewater, restoration/stormwater/greenways, and land/conservation easement acquisition.

CWMTF application forms for grants, grant evaluation guidelines, enabling legislation, lists of the board of trustees, staff directory, news releases, and other reports and documents are available at www.cwmtf.net.

The executive director, a deputy director, wastewater/infrastructure project manager, restoration and stormwater project manager, water quality advisor, business officer, stewardship coordinator, acquisition program assistant, and infrastructure program assistant are based in the central office in Raleigh. Three field representatives cover the coast, piedmont and mountain regions of the state.

In 2012, the Board of Trustees met four times in Raleigh. The board's regularly scheduled September and November meetings were cancelled.

2012 Summary

CWMTF received over \$122,000,000 in requests for funding in 2012. With only \$10,750,000 appropriated to CWMTF, by the General Assembly for fiscal year 2012-2013, caps were placed on grant awards limiting the fund's ability to maximize water quality benefits. Requests for more than \$62 million of critical local needs will not be addressed this year. These unfunded critical local requests would have protected drinking water supplies, created an estimated 700 local jobs, repaired 28 failing wastewater treatment plants and collection systems, supported local tourism economies, and kept 30,000 tons of sediment and other pollutants from further impairing North Carolina's streams and rivers.

In 2011, CWMTF was given the authority to fund the acquisition of land for the purpose of water supply reservoirs. In October, CWMTF adopted criteria to review and prioritize applications requesting funding for reservoir development. The Trustees also instructed staff to post a Request for Proposals (RFP) to assist local governments with the protection of their existing surface drinking water supply through watershed planning that is focused on the improvement of the water quality in

their water supply watershed and the management of their drinking water supply to extend its use for the community. The board will take action on these requests in February 2013.

In the 2012-13 Budget the General Assembly authorized funding for the program at \$10,750,000. The General Assembly also changed CWMTF funding from recurring to nonrecurring funding. The Legislature directed CWMTF to prioritize its funding to the acquisition of property to protect military bases and water infrastructure projects. To date, the Board of Trustees has awarded \$11.6 million dollars for new 2012 projects including \$5.8 million for infrastructure projects, \$1.8 million for military base protection acquisition projects, and \$3.8 million for other acquisition projects and donated minigrants. (Appendix 1)

The 2012-2013 Budget also capped administrative cost for the program at \$3 million. Administrative cost include: all costs for program operations and the programs debt service payment. The current year's estimated debt service payment is \$1.6 million. The Board of Trustees authorized an annual administrative budget of up to \$1.36 million for fiscal year 2012-2013 at its August 2012 meeting.

Program Administration

Clean Water Management Trust Fund (CWMTF) has been working to make significant reductions in its administrative and operating budget since the downturn in the economy. CWMTF has always sought to accomplish its work in an efficient manner. Over the past few years the Fund has made additional strides in this area by finding ways to streamline processes while still maintaining a superb level of customer service to its grant recipients. The Fund has reduced its total workforce by 43% since the 2008/09 fiscal year. This reduction equates to the elimination of over 9 FTE's, including full time permanent as well as temporary and contract positions. The total administrative budget has been reduced by 45% during that same time frame which is a nearly \$1.13 million reduction. In addition to staffing reductions, the Fund has made other significant cost reductions by moving from leased office space to a state owned facility, reducing the number of board meetings held each year, negotiating a lower indirect cost paid to the Department and reducing travel and leased motor fleet vehicles. CWMTF works at every turn to find cost savings and, when possible, uses technology and other means to reduce such operating costs as printing.

The Fund has implemented these reductions by simplifying programs and processes and by reshaping its business practices. While making significant administrative changes, the program has improved its effectiveness in managing projects and stewarding state funds. Through the trustee's oversight the Fund has been able to maintain and in some cases improve our management of the 240 ongoing grant contracts totaling nearly \$80,000,000 dollars that the program will continue managing this year.

CWMTF's management structure is attached. (Appendix 2)

Summary

In 2012 CWMTF did not have the opportunity to fund but a small percentage of the applications. More than \$100,000,000 in requests will go unfunded this year. However, the projects funded will assist local communities, many which are economically distressed, to protect the drinking water of almost 1.8 million North Carolina citizens and creating needed jobs in 22 counties.

CWMTF will continue to steward state dollars in its administration of grants and in funding projects that provide the greatest water quality benefit to the surface waters of the state. Water is a resource

that is vital to current economic engines in North Carolina such as agriculture, tourism and recreation. Access to clean water is critical in recruiting new industry. It is important to continue to assist local governments with infrastructure needs and keep our surface water clean for business interests and the people of North Carolina.

Looking to the horizon and NC's future water challenges, it is evident that with the population expected to increase by 30% by 2030 drinking water will be of great interest to those living in this state and to those yet to come to live here. Providing adequate water supplies and making sure there is drinking water where it is needed is one of the greatest challenges we face today. CWMTF continues to provide valuable assistance to communities in protecting their drinking water sources.

Clean Water Management Trust Fund 2012 Grant Awards

Appendix 1

Project Type	Board Approved For Funding	Conditional Approval Pending Funds Becoming Available	Total Project Cost	% Match
Protection of Military Installations	\$1,880,355	\$1,547,149	\$8,418,859	59%
Wastewater Infrastructure	\$3,790,000	\$1,784,000	\$38,048,564	85%
Restoration/ Stormwater Infrastructure	\$1,999,995	\$2,393,600	\$10,752,733	59%
Land Acquisition	\$3,599,505	\$2,430,992	\$20,849,731	71%
Donated Minigrants	\$350,000			
Total	\$11,619,855	\$8,155,741	\$78,069,887	75%

Project Number	Application Name	Board Approved For Funding	Conditional Approval Pending Funds Becoming Available	Total Project Cost	% Match	County
Protection of Military Installations Final Awards						
1	2012-063 NC Coastal Land Trust - Acq/ Wooden Tract, Tumagain Bay/ <u>Piney Island Bombing Range</u>	\$600,000		\$1,401,500	57%	Carteret
2	2012-068 The Nature Conservancy - Acq/ Troutman Farm Easement, Lumber River/ <u>Fort Bragg</u>	\$80,355		\$1,681,855	95%	Hoke
3	2012-062 NC Coastal Land Trust - Acq/ Luten's Tract IV, Brown's Cr/ <u>Piney Island Bombing Range</u>	\$600,000		\$1,178,735	49%	Carteret
4	2012-067 The Nature Conservancy - Acq/ Sharpe Tract, Horse Swamp/ <u>MCB Camp Lejeune</u>	\$600,000		\$1,196,915	50%	Onslow
	Protection of Military Installations Subtotal	\$1,880,355		\$5,459,005		
Wastewater Infrastructure Final Awards						
5	2012-540 Stanley, Town of - WW/ Sewer Interconnect, Long Creek	\$600,000		\$3,083,000	81%	Gaston
6	2012-610 Cherokee County Health Department - Septic/ Valley River Watershed Improvement Project, Valley River	\$175,000		\$243,000	28%	Cherokee
7	2012-522 Onslow Water & Sewer Authority - WW/ Package Plant Elimination, New River	\$600,000		\$5,470,000	89%	Onslow
8	2012-539 Henderson, City of - WW/ Nutbush Creek Water Reclamation Facility Improvements, Nutbush Creek	\$600,000		\$16,947,300	96%	Vance
9	2012-813 Ansonville, Town of - WW/ Plant WWTP Assessment & PER, Pee Dee River	\$25,000		\$27,500	9%	Anson

Project Number	Application Name	Board Approved For Funding	Conditional Approval Pending Funds Becoming Available	Total Project Cost	% Match	County
10	2012-612 Edgecombe Water & Sewer Dist No 5 - Septic/ NC Hwy 33/ Logsboro Rd Area WW/ Collection Sys, Swift Ck & Tar River	\$600,000		\$3,258,815	82%	Edgecombe
11	2012-548 Eden, City of - WW/ Tanyard Branch Outfall Rehabilitation, Dan River	\$500,000		\$3,031,949	84%	Rockingham
	Wastewater Infrastructure Final Awards Subtotal	\$3,100,000		\$32,061,564	90%	
	Restoration/Stormwater Infrastructure Final Awards					
12	2012-722 Charlotte, City of - Storm/ Wilson Pond Rehabilitation (design and construction)	\$200,000		\$919,594	78%	Mecklenburg
13	2012-721 Charlotte, City of - Storm/ Shadowlake Pond Rehabilitation (design and construction)	\$200,000		\$639,677	69%	Mecklenburg
14	2012-437 Mecklenburg County - Rest/ Main Stem McDowell Creek Restoration (design and construction)	\$400,000		\$2,200,000	82%	Mecklenburg
15	2012-433 Durham Soil & Water Conservation District - Rest/ Upper Sandy Creek Phase 5 Restoration (design and construction)	\$399,995		\$641,832	38%	Durham
16	2012-434 Greensboro, City of - Rest/ S Buffalo Creek Habitat and Water Quality Improvement Project (construction)	\$400,000		\$971,620	59%	Guilford
17	2012-438 RiverLink, Inc. - Rest/ Asheville - Craven Street Watershed Improvements (design and construction)	\$400,000		\$1,492,050	73%	Buncombe
	Restoration/Stormwater Infrastructure Final Awards	\$1,999,995		\$6,864,773	71%	

Project Number	Application Name	Board Approved For Funding	Conditional Approval Pending Funds Becoming Available	Total Project Cost	% Match	County
Land Acquisition Final Awards						
18	2012-077 Foothills Conservancy of North Carolina - Acq/ Redus Lands Tract, Henry Fork River	\$600,000		\$2,796,800	79%	Burke
19	2012-078 Southern Appalachian Highlands Conservancy - Acq/ Grassy Ridge Tract, Jerry Cr	\$599,905		\$1,211,905	50%	Avery
20	2012-016 Land Trust for Central NC - Acq/ Capel Tract, Uwharrie River	\$400,000		\$1,450,100	72%	Montgomery
21	2012-010 NC Forest Service - Acq/ East Fork of the French Broad Headwaters, Phase II	\$600,000		\$1,400,000	57%	Transylvania
22	2012-075 The Land Trust for Central NC - Acq/ Little Long Mountain, Poison Fork	\$199,600		\$775,600	74%	Montgomery
23	2012-028 Nature Conservancy, The - Acq/ Riverstone Tract, Waccamaw River	\$600,000		\$4,100,000	85%	Columbus
24	2012-008 Catawba Lands Conservancy - Acq/ Carolina Thread Trail	\$482,367		\$964,734	50%	Regional
Land Acquisition Final Awards Subtotal		\$3,481,872		\$12,699,139	73%	

Projects Receiving Conditional Awards Pending Funds Becoming Available Through June 30, 2013

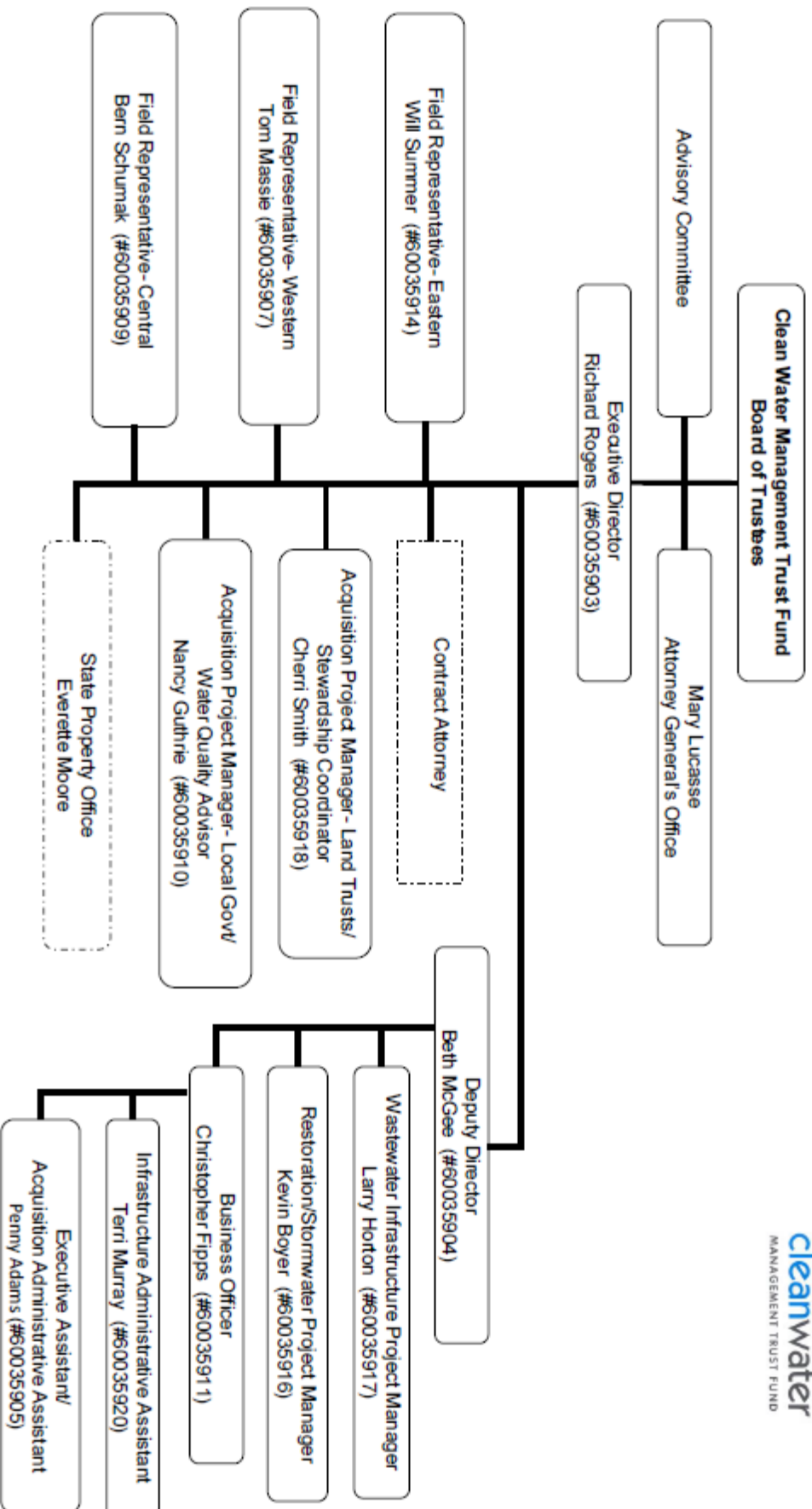
Project Number	Application Name	Board Approved For Funding	Conditional Approval Pending Funds Becoming Available	Total Project Cost	% Match	County
Wastewater Infrastructure Conditional Awards- Projects will be funded as listed below as funds become available.						
2012-542	Yadkin Valley Sewer Authority - WW/ SW Elkin Collection System Rehab, Yadkin River **	\$600,000		\$800,000	25%	Surry
2012-509	Elm City, Town of - WW/ Sewer Rehabilitation, Town Creek **	\$90,000		\$110,000	18%	Wilson
2012-502	Bailey, Town of - WW/ Sewer Rehabilitation, Camp Branch		\$600,000	\$1,082,000	45%	Nash
2012-549	Biscoe, Town of - WW/ WWTP Improvements, Little River		\$564,000	\$1,168,000	50%	Montgomery
2012-536	Wingate, Town of - WW/ Sewer Rehabilitation, Rays Fork		\$600,000	\$2,827,000	79%	Union
Wastewater Infrastructure Conditional Awards Subtotal		\$690,000	\$1,784,000	\$5,987,000	70%	

Project Number	Application Name	Board Approved For Funding	Conditional Approval Pending Funds Becoming Available	Total Project Cost	% Match	County
Restoration/Stormwater Infrastructure Conditional Awards - Projects will be funded as listed below as funds become available.						
2012-441	Resource Institute, Inc - Rest/ Aaral River and Lovills Creek Phase III Stream Restoration (design and construction) and Greenway (design)		\$400,000	\$625,000	36%	Surry
2012-435	National Committee for the New River - Rest/ New River Builder Program Phase 7		\$400,000	\$543,000	26%	Watauga, Ashe and Alleghany
2012-444	Hiwassee River Watershed Association - Rest/ Valley River Restoration (design and construction)		\$170,000	\$223,700	24%	Cherokee
2012-445	Goldsboro, City of - Rest/ Stoney Creek Enhancement Phase 2 (design and construction)		\$400,000	\$480,027	17%	Wayne
2012-440	Wilkesboro, Town of - Rest/ Cub Creek Restoration, Phase 3 (design and construction)		\$273,000	\$423,880	36%	Wilker
2012-431	Caldwell Soil & Water Conservation District - Rest/ Lower Creek Stream Restoration (design and construction)		\$350,600	\$503,353	30%	Caldwell
2012-718	Harrisburg, Town of - Storm/ Harrisburg Park Neighborhood Stormwater Drainage and BMPs (design and construction)		\$400,000	\$1,089,000	63%	Cabarrus
Restoration/Stormwater Infrastructure Conditional Awards Subtotal			\$2,393,600	\$3,887,960	38%	
Protection of Military Installations and Land Acquisition Conditional Awards						
<i>The order of funding for these projects will be determined by CWMTF as funds are made available through June 30, 2013.</i>						
2012-008	Catawba Lands Conservancy - Acq/ Carolina Thread Trail **	\$117,633		\$235,266	50%	Regional
2012-007	Carolina Mountain Land Conservancy - Acq/ Thompson River Headwaters, Thompson River		\$370,105	\$1,049,610	65%	Transylvania
2012-002	Albemarle, City of - Acq/ Rock Creek Park Expansion		\$35,000	\$79,100	56%	Stanley
2012-072	Carolina Mountain Land Conservancy - Acq/ Dupont Forest Connector, Reasonover Cr		\$367,269	\$997,193	61%	Transylvania
2012-011	Conservation Trust for NC - Acq/ Heffner Gap Tract, UT Honeycutt Creek		\$170,640	\$766,983	78%	McDowell, Mitchell
2012-021	Nature Conservancy, The - Acq/ Birgil Tract, Black River		\$294,498	\$568,798	48%	Pender

Project Number	Application Name	Board Approved For Funding	Conditional Approval Pending Funds Becoming Available	Total Project Cost	% Match	County
2012-074	Eno River Association - Acq/ Danube Lane Tract,		\$412,180	\$1,723,520	76%	Durham
2012-079	The Land Trust for Little Tennessee - Acq/Duvall Tract, Little Tennessee River		\$161,300	\$467,690	66%	Macon
2012-032	NC Forest Service - Acq/ Backbone Ridge Tract Phase II, Racket Creek		\$600,000	\$2,262,432	73%	Caldwell
2012-060	NC Coastal Land Trust - Acq/ Bate Land Co Tract, Dam Cr/MCAS Cherry Point		\$535,707	\$987,207	46%	Craven
2012-061	NC Coastal Land Trust - Acq/ Belangia Tract, Goodwin Cr/MCAS Cherry Point		\$411,442	\$775,192	47%	Craven
2012-069	The Nature Conservancy - Acq/Meyerhauser Tract, White Oak River/MCB Camp Lejeune		\$600,000	\$1,197,455	50%	Onslow
Military Installations & Land Acquisition Conditional Awards Subtotal		\$117,633	\$3,978,141	\$11,110,446	64%	

** Funds have become available and additional projects have received final approval for funding.

Clean Water Management Trust Fund Organizational Chart With Position Numbers



Current as of 07-2012

 = part time contract employee