

**2018**

**COMMITTEE TO STUDY  
RATES AND  
TRANSFERS/PUBLIC  
ENTERPRISES (LRC)**

**MINUTES**





**North Carolina General Assembly**

**LRC Committee: Committee to Study of Rates and Transfers**

**2017-18 Session**

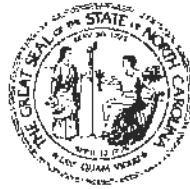
**Co-Chair(s)**

**Senator Paul Newton  
Representative Chuck McGrady**

**Committee Clerk(s)**

**Justus Cochran  
Carly Weaver  
Kimberly Neptune**





**North Carolina General Assembly**

**LRC The Study of Rates and Transfers**

**2017-18 Session**

**Co-Chair(s)**

**Senator Paul Newton  
Representative Chuck McGrady**

**Committee Clerk(s)**

**Justus Cochran  
Carly Weaver  
Kimberly Neptune**



**RULES FOR THE  
2017-18 LEGISLATIVE RESEARCH COMMISSION**

*[Adopted: November 9, 2017]*

1. **Legislative Research Commission; member; Cochairmen and designees; terms.**—As provided by statute, the Legislative Research Commission (hereinafter referred to as "Commission") shall consist of five (5) Senators appointed by the President Pro Tempore of the Senate and five (5) Representatives appointed by the Speaker of the House. The President Pro Tempore and the Speaker shall be ex officio members of the Commission and shall serve as the Cochairmen of the Commission. Each Cochairman, respectively, may select a legislator to serve as a Cochairman designee. Where applicable law requires the action of the Cochairmen, the Cochairmen designees shall make nonbinding recommendations to the respective Cochairmen for final action. The Cochairmen or Cochairmen designees shall set the agenda for the Commission's meetings. In the absence of a Commission meeting, the Cochairmen shall have the authority to allocate funds, to modify allocations of funds to the Commission's committees to direct studies to be conducted, and to request another State agency, board, commission or committee to undertake a study authorized by the Commission.
2. **Areas of study.**—The Commission shall determine which of the subjects the Cochairmen have authorized to be studied shall be funded and which the Commission shall request a more appropriate Study agency to study pursuant to G.S. 120-30.17(9).
3. **Committees; committee cochairmen; members.**—As provided by statute, the Cochairmen may appoint committees, including advisory subcommittees, to conduct the studies that the Commission is authorized to undertake. The composition of each committee is at the discretion of the Cochairmen, as advised by the Cochairmen designees. The Cochairmen shall appoint the committee chairs.

Pursuant to G.S. 120-30.10(c), the Cochairmen may appoint persons who are not legislators to advisory subcommittees. Non-legislator members are permitted to vote on questions before the advisory subcommittees.

Upon agreement between the cochairmen or chairman of each committee, either or both shall call the meetings of the committee, set the agendas for the meetings, and preside over the meetings. Other duties of the committee chairs include voting on all questions before the committee and signing and transmitting all reports of the committee to the Cochairmen.

4. **Procedure before the Commission and its committees.**—
  - (a) **Commission meetings and presiding officer.** Commission meetings shall be called by both Cochairmen or by both Cochairmen designees. The Speaker, or the Speaker's Chairman designee, shall preside over Commission meetings in odd-numbered years, and the President Pro Tempore, or President Pro Tempore's Chairman designee, shall preside in even-numbered years. A Cochairman or Cochairman designee may preside at any time (1) during the absence of the presiding Cochairman or Cochairman designee or (2) upon the presiding





- Cochairman's or Cochairman designee's request.
- (b) **Scheduling and notice of meetings.** Meetings of the Commission and its committees shall be held at the Legislative Building or the Legislative Office Building, unless otherwise approved in advance by the President Pro Tempore and the Speaker. The scheduling of meetings of the Commission and its committees wherever held shall be coordinated through the Legislative Services Office. Notice of meetings of the Commission and its committees shall be given by regular or electronic mail to those who have requested notice, and to the Legislative Services Office, which shall post the notice on the General Assembly web site. Any modification to the meeting schedule, as published, shall be noticed as soon as possible. Committees shall limit the number of meetings to no more than four (4) prior to the convening of the 2019 General Assembly, unless additional meetings are approved in advance by the President Pro Tempore and the Speaker.
  - (c) **Quorum.** As provided by statute, eight (8) members, including ex officio members, shall constitute a quorum of the Commission. With respect to any committee, a majority of the committee shall constitute a quorum of the committee.
  - (d) **Attendance.** When attending a meeting, each member should sit with the Commission or committee for at least three quarters of the time during which the Commission or committee is in session.
  - (e) **Voting.** All questions before the Commission shall be determined by a simple majority of the members present and voting. If both Cochairmen or both Cochairmen designees are present at a meeting of the Commission, they may vote on questions before the Commission. All questions before any committee shall be determined by a simple majority of the members present and voting. A two-thirds (2/3) vote of the members present shall be necessary to sustain any appeal from a ruling by the presiding officer.
  - (e) **Closed sessions.** The Commission or any committee can hold a closed session only as provided by law.
5. **Members' terms, compensation, and duties.**—As provided by statute, Commission and committee members' terms shall begin on the day of appointment and shall end on January 15, 2019. The Commission shall hold its final meeting prior to that date. As provided by statute, Commission and committee members shall be compensated as follows: All Commission and committee members who are members of the General Assembly are eligible to receive a travel allowance of twenty-nine (29¢) per mile for transportation by privately owned automobile and actual fare for any other conveyance. All others will receive mileage at the rate approved by the Office of State Budget and Management. The reimbursement to Commission and committee members for any mode of travel in-State shall not exceed the cost of travel by privately-owned automobile plus cost not exceeding one (1) extra day per diem.

Members of the General Assembly shall receive a subsistence allowance of one hundred and four dollars (\$104.00) per day. Committee members who are not members of the General Assembly or State officers or employees shall receive compensation at the rate of fifteen dollars (\$15.00) per day. All non-legislator advisory subcommittee members shall receive a maximum subsistence allowance for each day of service of one hundred five



dollars and twenty cents (\$105.20) when travelling in-State and one hundred twenty dollars (\$120.00) a day when travelling out-of-State. Costs of overnight lodging must be documented.

6. **Staff.**—Clerical assistance for the Commission and committees shall be determined and assigned by the Cochairmen. The Director of the Legislative Analysis Division shall coordinate the professional staffing of the committees by Legislative Services Office personnel or outside consultants, subject to the approval of the Cochairmen. The costs of travel by a staff member on behalf of a committee shall be paid from the appropriate committee budget as approved by the Cochairmen. Committee clerks shall be authorized to work up to five (5) days for each committee meeting, including the day of the meeting; provided that the Commission member responsible for the study shall be authorized, after consultation with either Cochairman, to approve additional work time as the member deems to be necessary. Committee clerks shall remain under the supervision and control of the supervisor of clerks of the respective house.
7. **Reports of committees.**—
  - (a) **Adoption by committee.** If a committee is to make recommendations to the Commission, the committee cochairmen shall ensure that a draft of the committee report is sent to the committee members and any person designated by the Cochairmen or the Cochairmen designees at least seven (7) days before the committee's meeting at which the report is to be approved. The actual text of the final report shall be adopted by the committee at its meeting prior to transmittal of the report to the Commission and shall include all recommended legislation. With the approval of the committee cochairmen, typographical errors may thereafter be corrected, but no other change may be made in the report by any individual or committee.
  - (b) **Transmittal to Commission.** Reports to the 2018 Session of the 2017 General Assembly shall be submitted to the Cochairmen or Cochairmen designees not later than Friday, April 20, 2018. Reports to the 2019 General Assembly shall be transmitted to the Cochairmen or Cochairmen designees not later than Friday, December 14, 2018. No committee shall meet after Friday, December 14, 2018.
  - (c) **Action by the Commission and transmittal to the General Assembly.** The Commission may accept for transmittal to the General Assembly the reports of its committees with whatever modifications to those reports the Commission deems to be appropriate. Such transmittals to the General Assembly are for its consideration of the recommendations of the committees and do not amount to endorsements of those recommendations.



NORTH CAROLINA GENERAL ASSEMBLY  
STATE LEGISLATIVE BUILDING  
16 W. Jones Street  
Raleigh, North Carolina 27601-1030



November 21, 2017

Senator Bill Rabon, Chairman  
Legislative Research Commission  
North Carolina Senate  
16 W. Jones Street, Room 2010  
Raleigh, NC 27601-2808

Representative David Lewis, Chairman  
Legislative Research Commission  
N.C. House of Representatives  
16 W. Jones Street, Room 2301  
Raleigh, NC 27601-2808

Dear Sen. Rabon and Rep. Lewis:

Pursuant to G.S. § 120-30.13, Senator Rabon has been designated as the Senate Cochair of the 2017-2018 Legislative Research Commission ("Commission" or "LRC"). Representative Lewis has been designated as the House Cochair of the Commission. This correspondence revises the letter we issued on November 9, 2017; the contents of which the LRC approved at its initial meeting. The change made herein is administrative and simply corrects the title of the third study committee. Committee charges and membership have not changed. The LRC is authorized to proceed with its committees and ratify this change when it meets to consider its recommendations to the 2018 session of the 2017 General Assembly.

As you prepare your agenda for the Commission, pursuant to G.S. § 120-30.17, we authorize the Commission to appoint Study Committees to study the matters outlined in this letter. Each of you shall serve as an ex officio member of each Study Committee. The Cochairs and appointees to each Study Committee are also identified. Please restrict each Study Committee to a maximum of four meetings unless additional meetings are pre-approved by our offices.

Unless directed otherwise in this letter, the Commission shall report its recommendations of the foregoing Study Committees, including recommended legislation, to the 2018 Session of the 2017 General Assembly. Individual Study Committees must submit their reports for the 2018 Session of the 2017 General Assembly to the Commission on or before April 21, 2018.



### Authorized Joint Committees

#### **I. Committee on Intellectual and Developmental Disabilities**

The Committee shall study and recommend changes in policy for consideration by the General Assembly regarding the quality and availability of evidence-based services to support individuals with intellectual and/or developmental disabilities ("IDD") in retaining employment. The Committee may examine the following:

1. The current resources and programs available in North Carolina to transition those with IDD into integrated, paid, competitive employment;
2. Review what services and supports are necessary to provide transition from education to employment for those with IDD;
3. Review what programs the State should support and invest in to allow more individuals with IDD to become employed, including programs within State and Local Governments to employ those with IDD;
4. Review what role the North Carolina Education System can play in the transition from education to employment for those with IDD;
5. Reviewing County-level coordination between programs and agencies serving individuals with IDD and how to increase awareness of available services to local governments and target populations; and
6. Care solutions and opportunities for those with IDD that are not capable of fully transitioning into a work environment.

Senate Members		House Members	
Sen. Rabon	Ex Officio	Rep. Lewis	Ex Officio
Sen. Lee	Chair	Rep. Bradford	Chair
Sen. Barefoot		Rep. Dollar	
Sen. Barringer		Rep. Malone	
Sen. Edwards		Rep. Sauls	
Sen. Chaudhuri		Rep. Insko	

#### **II. Committee on Private Process Servers**

The Committee shall study the safety and efficiency of the use of private process servers in summary ejectment proceedings. In doing so, the Committee may consider the following:

1. The percentage of North Carolina summary ejectment cases where each Sheriff fails to effectuate service of process within the five-day period required by G.S. § 42-29;
2. The safety and efficiency of the use of private process servers in summary ejectment proceedings in other states;
3. The safety and efficiency of the use of private process servers in those circumstances where private process servers are already allowed under North Carolina or Federal law; and
4. The economic impact of delayed service of process in summary ejectment proceedings.





Senate Members		House Members	
Sen. Rabon	Ex Officio	Rep. Lewis	Ex Officio
Sen. Daniel	Chair	Rep. Jordan	Chair
Sen. Britt		Rep. Stone	
Sen. Randleman		Rep. Szoka	
Sen. Sanderson		Rep. Earle	
Sen. McKissick		Rep. Duane Hall	

### **III. Committee to Study Rates and Transfers/Public Enterprises**

Pursuant to Section 24.3 of S.L. 2017-57, the Committee shall study the issues raised therein and make recommendations to the General Assembly on:

1. Fee and charge setting by units of local government in the operation of a water or sewer system, including collection rates of those fees and charges;
2. Proper accounting controls to ensure transparency in budgeting and accounting for expenditures and interfund transfers of public enterprise services by units of local government;
3. Legislation that may be necessary to ensure proper funding of infrastructure maintenance and improvements for the provision of water and sewer services, including whether regionalization could facilitate financially healthy systems with lower fees and charges to customers; and
4. Legislation that may be necessary to ensure that units of local government monitor aging water and sewer infrastructure to ensure proper maintenance and repair, including how this responsibility impacts the financial health of the public enterprise.

As part of the study, the Committee shall consult with the Local Government Commission, the School of Government, the Department of Environmental Quality, the North Carolina League of Municipalities, the North Carolina County Commissioners Association, and others.

*Note that for this Study Committee, the Commission is to make an interim report to the 2018 Session of the General Assembly prior to its reconvening in 2018 and shall make a final report to the 2019 Regular Session of the General Assembly.*

Senate Members		House Members	
Sen. Rabon	Ex Officio	Rep. Lewis	Ex Officio
Sen. Newton	Chair	Rep. McGrady	Chair
Sen. J. Davis		Rep. Ford	
Sen. Tarte		Rep. Brawley	
Sen. Tucker		Rep. Goodman	
Sen. Smith-Ingram		Rep. Hanes	



**IV. Committee on Dispute Resolution Options for Homeowners, Associations and Governing Entities**

Pursuant to S.L. 2017-211, the Committee shall study issues surrounding the creation of a mediation and arbitration board to resolve disputes between the owners of property located in a homeowners or property owners association and the governing entities of such homeowners or property owners associations.

Senate Members		House Members	
Sen. Rabon	Ex Officio	Rep. Lewis	Ex Officio
Sen. Bishop	Chair	Rep. Stevens	Chair
Sen. Cook		Rep. Floyd	
Sen. Gunn		Rep. Grange	
Sen. Wells		Rep. Destin Hall	
Sen. Ford		Rep. R. Moore	

**V. Committee on Access to Healthcare in Rural North Carolina**

The Committee shall study issues surrounding the access rural communities in North Carolina have to health care. As part of the study, the Committee may consider the following:

1. The physician shortage in North Carolina and its impact on medically underserved areas in the state;
2. Potential solutions to address the shortage and its impacts, including approaches used by other states facing similar issues; and
3. Availability of eye care in rural communities and ways to increase provision of related services.

Senate Members		House Members	
Sen. Rabon	Ex Officio	Rep. Lewis	Chair
Sen. Curtis	Chair	Rep. Murphy	
Sen. Harrington		Rep. Dobson	
Sen. Krawiec		Rep. Terry	
Sen. Wade		Rep. Hunter	
Sen. D. Davis			



We will look forward to reviewing the Commission's report regarding the study results, as well as any recommended legislation, prior to dissolution of the Commission on January 15, 2019 pursuant to G.S. § 120-30.11. Please let us know if we, or our staff, may be of assistance.

Thank you for your service.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Berger", with a long horizontal flourish extending to the right.

Sen. Phil Berger

Pro Tempore of the Senate

A handwritten signature in black ink, appearing to read "Tim Moore", with a long horizontal flourish extending to the right.

Rep. Tim Moore

Speaker of the House





# NORTH CAROLINA GENERAL ASSEMBLY

## Legislative Services Office

Paul Coble, Legislative Services Officer

Legislative Analysis Division  
300 N. Salisbury Street, Suite 545  
Raleigh, NC 27603-5925  
Tel. 919-733-2578 Fax 919-715-5460

Karen Cochrane-Brown  
Director

November 27, 2017

The Honorable Paul Newton, Co-Chair  
LRC Committee to Study Rates and  
Transfers/Public Enterprises  
North Carolina Senate  
16 W. Jones Street, Room 2111  
Raleigh, NC 27601-2808

Dear Senator Newton:

Congratulations on your appointment as Co-Chair of the LRC Committee to Study Rates and Transfers/Public Enterprises.

I have asked Mr. Nicholas Giddings, Mr. Giles Perry, and Ms. Erika Churchill of the Legislative Analysis Division to serve as staff to this Committee. At the direction of the Chairs, the staff will aid in all aspects of the Committee's work and will attend the meetings of the Committee when it convenes upon the call of the Co-Chairs.

I have asked Mr. Giddings to serve as the coordinating staff person (point person) for the committee staff's efforts. If you have not already done so, I would encourage the Co-Chairs to meet with committee staff for planning purposes before the next meeting. Please note that these individuals also will be responsible for staffing other study committees and commissions during the Interim.

Should you wish to contact Mr. Giddings, Mr. Perry or Ms. Churchill, they may be reached by telephone at (919) 733-2578.

My best wishes to you and the Committee in its work. If I may be of any service to you or the Committee, please contact me.

Yours truly,

*Karen Cochrane-Brown*

Karen Cochrane-Brown  
Director

KCB: rlh

cc: Hon. Phil Berger, President Pro Tempore  
Hon. Tim Moore, Speaker  
Hon. Bill Rabon, LRC Co-Chair  
Hon. David Lewis, LRC Co-Chair  
Hon. Chuck McGrady, Co-Chair  
Mr. Bart Goodson  
Mr. Jim Blaine  
Mr. Paul Coble

Mr. Nicholas Giddings  
Mr. Giles Perry  
Ms. Erika Churchill  
Mr. Brian Peck  
Ms. Kelsey Lewis





**LRC TO STUDY RATES AND TRANSFERS**

**2017-2018 SESSION**

Clerks: Neal Inman, Kimberly Neptune, Justus Cochran



Sen. Paul Newton  
Co-Chair



Rep. Chuck McGrady  
Co-Chair



Sen. Jim Davis  
Member



Sen. Erica Smith  
Member



Sen. Jeff Tarte  
Member



Sen. Tommy Tucker  
Member



Rep. Bill Brawley  
Member



Rep. Carl Ford  
Member



Rep. Ken Goodman  
Member



Rep. Robert Reives  
Member



Sen. Bill Rabon  
Ex-Officio



Rep. David Lewis  
Ex-Officio



## **LRC TO STUDY RATES AND TRANSFERS - 2018**

<b><u>Member</u></b>	<b><u>Assistant</u></b>	<b><u>Phone</u></b>	<b><u>Office</u></b>
<b>Co-Chairs</b>			
Rep. Chuck McGrady	Kimberly Neptune	919-733-5956	304 LOB
Sen. Paul Newton	Justus Cochran	919-733-7223	2111 LB
<b>Members</b>			
Rep. William Brawley	Lynn Taylor	919-733-5800	534 LOB
Rep. Carl Ford	Olivia Baumann	919-733-5881	608 LOB
Rep. Ken Goodman	Judy Veorse	919-733-5823	1309 LB
Rep. Robert T. Reives, II	Veronica Green	919-352-3033	1323 LB
Sen. Jim Davis	Sidney Overby	919-733-5875	621 LOB
Sen. Erica D. Smith	Kelby Hicks	919-715-3040	1118 LB
Sen. Jeff Tarte	Jan Copeland	919-715-3050	623 LOB
Sen. Tommy Tucker	Joey Stansbury	919-733-7659	300-A LOB
<b>Ex-Officio Members</b>			
Rep. David R. Lewis	Grace Rogers	919-715-3015	2301 LB
Sen. Bill Rabon	Paula Covington-Fields	919-733-5963	2010 LB



## ATTENDANCE

## 2017-18 LRC Study of Rates and Transfers

[illegible]



**Kimberly Neptune (Rep. Chuck McGrady)**

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**From:** Kimberly Neptune (Rep. Chuck McGrady)  
**Sent:** Wednesday, January 31, 2018 04:04 PM  
**To:** Kimberly Neptune (Rep. Chuck McGrady)  
**Subject:** <NCGA> Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)  
Meeting Notice for Monday, February 12, 2018 at 10:00 AM  
**Attachments:** Add Meeting to Calendar\_LINC\_ics

**NORTH CAROLINA GENERAL ASSEMBLY**

Raleigh, North Carolina 27601

**January 31, 2018**

**MEMORANDUM**

**TO:** Members, Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)  
**FROM:** Sen. Paul Newton, Co-Chair  
Rep. Chuck McGrady, Co-Chair  
**SUBJECT:** Meeting Notice

The **Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)** will meet at the following time:

<b>DAY</b>	<b>DATE</b>	<b>TIME</b>	<b>LOCATION</b>
Monday	February 12, 2018	10:00 AM	643 LOB

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting <http://www.ncleg.net/graphics/downtownmap.pdf>.

If you are unable to attend or have any questions concerning this meeting, please contact Kimberly Neptune at [mcgradyla@ncleg.net](mailto:mcgradyla@ncleg.net).

cc: Committee Record   X    
Interested Parties   X





# **Meeting of the Legislative Research Commission Committee to Study Rates and Transfers/Public Enterprises**

## **Agenda**

**Monday, February 12, 2018, 10:00 A.M.  
Room 643 LOB**

**Rep. Chuck McGrady, Presiding**

### **1. Welcome and Opening Comments**

Representative McGrady and Senator Newton, Co-Chairs

### **2. Committee Charge**

Nick Giddings, Legislative Analysis Division

### **3. Overview of Public Enterprises in North Carolina**

- Basic Overview of Public Enterprises
- Water and Wastewater Structures and Functions
- Water and Wastewater Revenues for Operating and Capital
- Accounting for Public Enterprise Expenses and Transfers
- Current Rate-Setting Practices/Trends/Issues
- Regionalization Opportunities/Trends
- Question and Answer

Jeffrey Hughes and Kara Millonzi

*University of North Carolina School of Government*

### **4. Overview of Local Government Fiscal Issues and Infrastructure Concerns in Municipal Enterprise Operations**

Kim Colson – *North Carolina Department of Environmental Quality*

Sharon Edmundson – *North Carolina Department of State Treasurer*

Greg C. Gaskins – *North Carolina Department of State Treasurer*

### **5. Committee Discussion**

### **6. Adjourn**

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#### **House Members**

Rep. McGrady (Co-Chair)

Reps. Brawley, Ford, Goodman and Hanes

#### **Senate Members**

Sen. Newton (Co-Chair)

Sens. J. Davis, Smith-Ingram, Tarte and Tucker



## 2018 ATTENDANCE

### LRC Study of Rates and Transfers

<b>MEMBERS</b>	2/12/18					
Sen. Paul Newton, Co-Chair	X					
Rep. Chuck McGrady, Co-Chair	X					
Sen. Jim Davis	X					
Sen. Erica Smith						
Sen. Jeff Tarte						
Sen. Tommy Tucker	X					
Rep. Bill Brawley	X					
Rep. Carl Ford						
Rep. Ken Goodman						
Rep. Ed Hanes						
<b>Ex-Officio Members</b>						
Sen. Bill Rabon						
Rep. David Lewis						
<b>Committee Staff</b>						
Erika Churchill, Legislative Analysis Division	X					
Nicholas Giddings, Legislative Analysis Division	X					
Giles Perry, Fiscal Research Division						

01/2018

↳ retiring





**COMMITTEE TO STUDY RATES AND TRANSFERS/PUBLIC  
ENTERPRISES (LRC) (2017)  
February 12, 2018  
Room 643 of the Legislative Office Building**

The Committee to Study Rates and Transfers/Public Enterprises (LRC) (2017) met on Monday, February 12, 2018 at 10:00 AM. The meeting was held in Room 643 of the Legislative Office Building. Members present were: Chairman Chuck McGrady, Chairman Paul Newton, Representative Bill Brawley and Senators Jim Davis and Tommy Tucker.

Representative McGrady presided. The meeting was called to order at 10:06 AM.

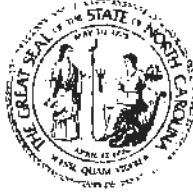
Representative McGrady recognized the Sergeants at Arms, Terry McCraw, James Moran and John Gilbert from the House and Becky Myrick and Hal Roach from the Senate. Representative McGrady continued with introductory remarks and expressed that it was the desire of the chairs to bring members of the committee up to speed on the issues. Representative McGrady stated that this committee originally came about when he was trying to solve issues that came up with the City of Asheville water system. He mentioned, though, that the committee charge goes beyond that of just water, but also covers other enterprises. Senator Newton provided a few opening remarks as well, thanking central staff for their help and those in attendance for being there.

Representative McGrady then recognized Nicholas Giddings of Legislative Analysis to review the committee charge (see Attachment A).

Next, Jeffrey Hughes and Kara Millonzi from the University of North Carolina School of Government gave an overview of Public Enterprises in North Carolina (see Attachment B). Kara Millonzi presented first and focused on a basic overview of public enterprises, followed by Jeffrey Hughes who spoke more specifically about the structures used to provide water and wastewater services. Kara then addressed revenue sources with a particular focus on water and wastewater. Jeffrey finished up talking about the numbers.

Representative Brawley asked about the costs for the capital to provide service for new development (not the existing rates of new development). He continued by asking if the new person will also be paying for the cost of service for other people who were not charged a capacity fee in the past. Ms. Millonzi answered that by mentioning the notion of double-dipping – people being charged twice for the same cost. She mentioned that the legislature just enacted a new upfront charge fee authority that attempts to reign in what might have been a practice where you had situations of double dipping or pyramid





schemes where a new development was being asked to pay for the money that then would be used just to bring on other new development as opposed to paying for what was truly the cost that new development was imposing on the system. Ms. Millonzi stated that there is a lot of nuance to this. She said that what we have now under the system development law that went into effect in October of 2017 is an attempt to reign in that practice such that when developers are assessed at the very first stage, they're being assessed on a very careful calculation of that development's proportional share of past costs and their proportional share of future costs, not future costs to bring on other new customers, but future costs that are going to be necessary to continue to serve that property. She said she thinks that what was once a little nebulous is now fairly clear in terms of these up-front charges that they are very particular to the costs that are associated with that particular property parcel.

Representative Brawley asked a follow-up question about if that meant that those costs were covered by capacity fees would never be included in the rate structure. Ms. Millonzi responded that the way this is structured, if the fee framework is being followed legally and precisely, there shouldn't be double dipping because there should never be the same costs included in the calculation at any of these stages.

Senator Tucker asked about duty of service and if the state embarked on assisting counties and municipalities with water and sewer what that would mean because that threw up a red flag for him. Mrs. Millonzi responded that she meant the opposite, that under existing law and under the common law when you engage in enterprise activities, there is no duty of equal service and no duty of service at all. She said that means that if any county wants to provide service to the northern area but not the southern that's up to the county. She said that the legislature could change that and mandate equal service. Ms. Millonzi concluded by reiterating that there is no duty of equal service with one exception, in the case of annexations with cities.

Senator Tucker also asked a question regarding Chatham County that Mr. Hughes had touched on. Senator Tucker explained that they did special legislation to allow a private investor to invest in water or sewer in that county and then the county without impacting the credit of the county and then that developer or the county would be allowed to charge rates to pay back the investor. He asked how that impact, overall, and is this scenario a viable option for municipalities or counties. Ms. Millonzi answered that what happened in Chatham County is that they used special assessments. She explained that special assessments are a type of charge that can be levied against either new or existing developments and those charges are used to fund a particular capital project where the unit can front the cost, or in the case of Chatham, the entity can front the cost and then the ultimate property owners would pay over a time period that can be as long as 25 years to reimburse the government or, in the case of Chatham, the private development for the upfront investment. Ms. Millonzi continued that this special assessment authority and the way Chatham County has implemented it is new to North Carolina. North Carolina got the authority in 2009 and it has a sunset that was set for every five years but the North







Carolina General Assembly keeps extending the sunset. Ms. Millonzi said she thinks it is set to sunset in 2022 or maybe 2020. She said this is an authority that is newer to local government and that it doesn't seem like they are as comfortable with it. She furthered that with the tweaks Chatham made, it did open up some options to do public/private partnership that may or may not work for other units. She stressed that this is a tool any county or city can use as a way to fund a particular capital project. She also said that where it differs from another type of authority is that it can't be used for reimbursement for past expenses and it can't be used for anything in the future. It's for a particular project that is being funded now.

Senator Tucker then asked about a bond in which roughly \$300 million was set aside for water extensions and availability for funding there for municipalities and/or counties. Staff was instructed to get back to Senator Tucker about this.

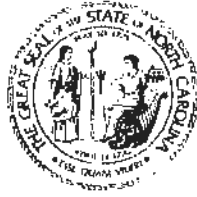
Representative Brawley asked about "no duty of service and no duty of equal service" and if that was the same for the privately-owned, not-for-profit and privately-owned, for-profit utilities. Ms. Millonzi responded that she did not know the answer to. Mr. Hughes responded that there is not exclusively a mandate to serve coming from the Utilities Commission. He continued that there are certain cases where there are negotiated (inaudible). He also said that if someone was on the line, the Utilities Commission would likely require good reasoning for someone to not be served. He also said that the not-for-profit entities are very unique and thought they had discretion.

Representative Brawley followed up by asking if a city could have a water line by its municipal enterprise utility and decline to service a home that is on that line and is that what is meant by "no duty of equal service?" Ms. Millonzi answered that it could be what is meant and that it depends on factors. She said that generally the notion of no duty of equal service get applied to service zones or the policy of where and if lines get extended. She said it would be the rare case where the decision is made to extend the lines but then not to provide the service. Though, she added, there are situations where local government has some flexibility. She said a valid utility basis is to deny a particular customer but that a particular house may not be a valid reason to deny service.

Representative Brawley followed up by asking to whom one appeals a decision in the case of a city-owned enterprise. Ms. Millonzi answered that it depends on the particular unit but that ultimately, it's the governing board of the unit that would be the final arbiter. If there was a legal violation, it would be through a civil suit.

Representative Brawley asked about storm water fees for service and if all are charged the same whether they receive the service or not. Ms. Millonzi stated that storm water, in some ways, has been shoehorned into public enterprise framework but that it is better understood what is referred to as a benefit principal. Properties with certain qualities have different issues with storm water. She said the legal reason she thinks the legislature has placed storm water in the public enterprises framework is because of the notion that





everyone that fits in certain parameters related to the characteristics of their property. With storm water, it seems that there is a fee or charge because receiving benefit of these services. Representative Brawley followed up with a comment. He described a situation in his district where the local YWCA was forced to fund a pipe installation and they still were charged a monthly fee. Representative Brawley expressed his opinion that there are times where this structure for storm water fees does not work. Mr. Hughes added that things are changing with storm water policies and units of government are beginning to roll out credits for monthly fees.

Representative McGrady came back to Senator Tucker's question about the bond and reported that the bond had \$200 million for loans \$100 million for grants, totaling \$300 million.

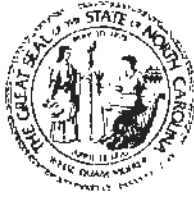
Representative McGrady asked if there was money flowing from the enterprise to the local government unit. He noted that typically money flows from local government to the enterprise. Ms. Millonzi answered that this issue would be covered in the remainder of her presentation.

Senator Newton asked Ms. Millonzi to confirm that as long as the local government unit has adequate funds from the enterprise fund to fund the existing fiscal year, they can transfer funds unencumbered. Ms. Millonzi answered that Senator Newton's understanding was correct. She clarified that this statement is general correct unless the money that is in the enterprise fund is otherwise statutorily earmarked for that purpose. As a follow-up, Senator Newton asked about the duty and obligation of the local government to fund capital improvement and plan for maintenance activities. Ms. Millonzi answered that there is no duty of local government to have maintenance, capital improvement or long-term plan. She added, though, that these practices are encouraged. Mr. Hughes added that it often comes down to being an environmental, regulatory outcome and that if those investments aren't made sometimes environmental regulations are not able to be met. He added that on the regulatory side that is a requirement under the permitting structure for sewer systems that local governments have a capital plan and implement that.

Representative McGrady asked about money flowing from enterprise fund back to local government. He mentioned a time in the past with Asheville when the General Assembly jumped in and stopped that. He asked if the General Assembly had jumped into that set of issues and in what way. Ms. Millonzi responded that a couple years ago the General Assembly enacted G.S. 159G-37(b) which didn't prohibit these transfers but if the transfer was made from the public enterprise fund to the general fund for other transfer reasons other than to reimburse you would lose the ability to apply for loans or grants for water or wastewater systems from the state.

Representative McGrady then asked if there was any understanding about how the people that don't have a vote get represented with respect to the rates, quality of water, etc. when





they are being served by a municipal system in which they are not within the municipality. Ms. Millonzi responded that aside from Asheville, it is “anything goes,” fee for service, contract negotiate by contract. Theoretically, those outside do not have to sign up for the service. Statutorily, local governments can set the parameters for these types of situations. The courts have said that it is up to those parties to figure it out. Representative McGrady expressed concern with people having no voice with what happens to their water system.

Senator Jim Davis if the governing entities of these enterprises, whether appointed or elected, subject to SEI filing. Ms. Millonzi did not know. Erika Churchill of Legislative Analysis responded that the public enterprise governing structure is a local board and local boards are not required to file Statements of Economic Interest.

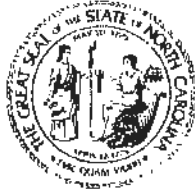
Senator Davis then asked if there was a legal difference between a tap or hookup fee and an impact fee. Ms. Millonzi responded that as of October 2017 there is no difference. Tap or hookup fees are intended just to reimburse the government entity for the direct cost of connecting a particular property parcel within the system. An impact fee, which is now called a system capacity or development fee is purposed to reimburse the government for past investments in the system or to cover future maintenance upgrade costs necessary to serve that particular property that is paying it.

Then, Kim Coulson from the North Carolina Department of Environmental Quality on State Water Infrastructure Authority (see Attachment B).

Senator Jim Davis asked about the grants DEQ provides and if they are in-kind with the expertise they provide or if this is additional money to solve the problems. Mr. Coulson answered by discussing Fair Bluff. He explained that, in this case, DEQ has provided some infrastructure grants to complement their expertise. He added that with the Asset Inventory and Assessment grants and Merger Regionalization Feasibility grants are completely locally driven. Local entities come to DEQ for funds and go on to do their own study but DEQ does review their reports and makes sure their proposal and what they are studying meets their criteria. As a follow-up, Senator Davis asked why if we have expertise in the state, why would municipalities go outside of that to bring in their own experts. Mr. Coulson responded that there is a capacity issue. He said that while DEQ has a lot of expertise, they are being stretched thin.

Representative McGrady then asked about towns like Fair Bluff that are running at a loss and probably not able to keep up with their infrastructure needs and keep up with water quality standards DEQ sets. He asked if DEQ had seen instances where enterprise funds, utilities, local governments are having to come back more than once for additional funding to cover their capital needs. Mr. Coulson responded that they do see folks come back. He mentioned that DEQ has somewhat limited grant funding and that there are statutory limitations to how much funding can be given. He added that localities can go to





federal-level entities, such as USDA, for funding as well. He also said that all of this is predicated on if they qualify for grant funding. Some grant funding also requires a local match.

Senator Newton asked what DEQ's mechanisms for enforcement around preserving water quality standards are. Mr. Coulson responded that regulatory divisions work with these local governments to give help with compliance issues across the state. He said that the funding program is non-regulatory. Mr. Coulson mentioned that they try to get utilities to do asset inventory assessment grants to be much more proactive and encourage asset management planning so that good behavior is getting rewarded. He added that there are a number of mechanisms if it does get to enforcement.

Greg Gaskins from the North Carolina Department of State Treasurer then presented on the State and Local Finance Division.

Representative McGrady asked why asset condition not one of data points considered with the Unit Assistance List? Mr. Gaskins replied that at the time that the list was put together, asset condition was not widely enough available enough to put on the list but they are working to add it.

Then, Representative McGrady asked if the Local Government Commission only engages when local government comes forward and is seeking financing of some sort and what authority they have. Mr. Gaskins responded that the Local Government Commission is designed to be monitoring constantly what is being done in the local governments on the financial side including looking at the books and records. There is also an annual audit done by the outside audit firm. Representative McGrady asked if when they find a local government unit that makes their list are there ways to incentivize them to move to a different place and if they had enough authority to try to fix the problem. Mr. Gaskins answered that they have quite a bit of authority in terms of being able to go in and investigate, get the records and make determinations for local governments. He continued by saying they don't have the ability to create economic drivers if they aren't there anymore. Representative McGrady commented that we probably have some water and sewer systems that are not sustainable and that we should work to figure out how to create incentives to achieve sustainable systems. Representative McGrady then asked if there are any other large blocks of units they'd put together. Ms. Sharon Edmundson responded that the other unit on the list is internal controls and that they are working on training program General Assembly funded through the community college system.

Senator Newton asked if they have to have a metric for financial reliability that would include capital improvement investment moving forward. Mr. Gaskins responded that there is no metric right now but they have some guesses and are working on this. They stated that they are hoping to develop this as the committee meets.







Closing questions and remarks:

Chairman McGrady let the committee know that the committee planned to meet every month.

There being no further business, the meeting adjourned at 12:33 PM.

A handwritten signature in black ink, appearing to read "Chuck McGrady", is written over a horizontal line.

Representative Chuck McGrady

Presiding

A handwritten signature in blue ink, appearing to read "Carlyle S. Weaver", is written over a horizontal line.

Carlyle Weaver, Committee Clerk



## OVERVIEW OF PUBLIC ENTERPRISES IN NC

Jeff Hughes, Director of Environmental Finance Center

[jhughes@sog.unc.edu](mailto:jhughes@sog.unc.edu)

Kara Millonzi, Professor of Public Law and Government

[kmillonzi@sog.unc.edu](mailto:kmillonzi@sog.unc.edu)

Shadi Eskaf, Senior EFC Project Director

[eskaf@sog.unc.edu](mailto:eskaf@sog.unc.edu)



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### General Government

- Law enforcement
- Land use planning
- Local regulation
- Parks & recreation
- Fire
- Community & economic development
- Human services
- Elections
- Register of deeds
- Education

### Public Enterprises

- Water
- Sewer
- Solid Waste
- Stormwater
- Public Transportation
- Airports
- Electric / Gas
- Cable



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# Public Enterprise

## Public Enterprises

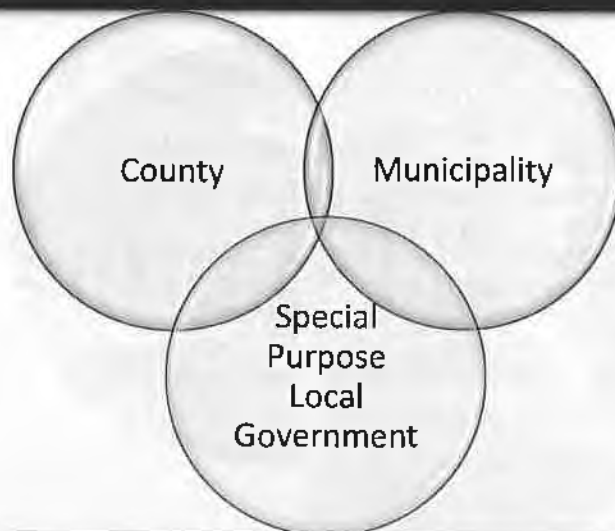
- Water
- Sewer
- Solid Waste
- Stormwater
- Public Transportation
- Airports
- Electric / Gas
- Cable

Economic or business activity that is owned/operated by a government entity

- Service motive
- Heavy investment / long gestation period
- Self-supporting—ish
- No duty of service or equal service



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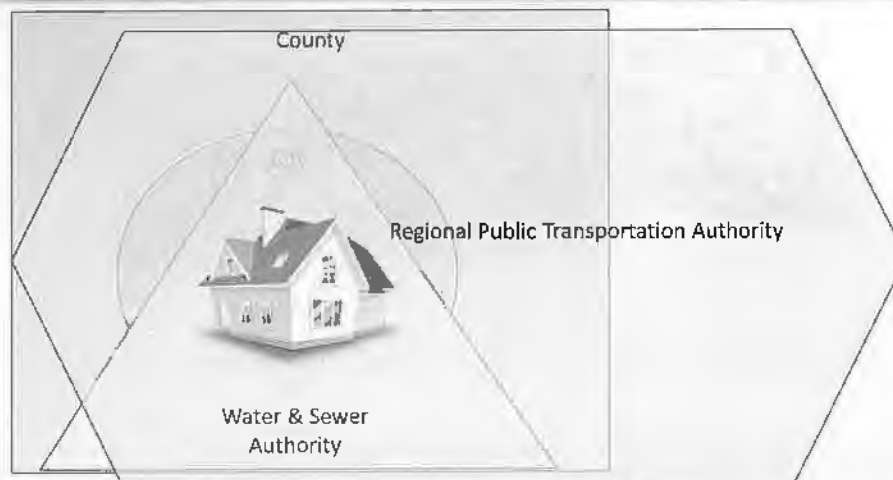
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Counties	Municipalities (Cities, Towns, Villages)	Special Purpose Local Governments (Public Authorities)
<ul style="list-style-type: none"> <li>Primarily Mandated Functions ("arm of the state")</li> <li>Public Enterprise Authority               <ul style="list-style-type: none"> <li>Water</li> <li>Sewer</li> <li>Solid waste</li> <li>Electric</li> <li>Natural gas</li> <li>Public transportation</li> <li>Cable television</li> <li>Off-street parking</li> <li>Airports</li> <li>Stormwater</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Broad discretionary authority (urban-type services)</li> <li>Public Enterprise Authority               <ul style="list-style-type: none"> <li>Water</li> <li>Sewer</li> <li>Solid waste</li> <li>Airports</li> <li>Off-street parking</li> <li>Public transportation</li> <li>Stormwater</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Single function</li> <li>Often regional boundaries</li> <li>School administrative units</li> <li>Sanitary districts*</li> <li>County water and sewer district*</li> <li>Metropolitan water / sewer districts*</li> <li>Mosquito control districts*</li> <li>Special airport districts</li> <li>Public transportation authorities</li> <li>Housing authorities</li> <li>Redevelopment commissioners</li> <li>Water and sewer authorities</li> <li>Soil and water conservation districts</li> <li>Parking authorities</li> <li>Tourism development authorities</li> <li>Regional natural gas districts</li> <li>Public health authorities</li> <li>Councils of government</li> <li>Regional planning commissions</li> <li>Regional planning and economic development commissioners</li> <li>Mental health, development disabilities and substance abuse authorities</li> <li>District health boards</li> <li>Regional libraries</li> <li>ABC boards</li> </ul>

*municipality list*

*county list*

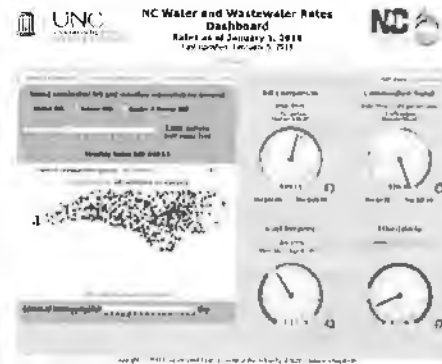
*\* = taxing authority*



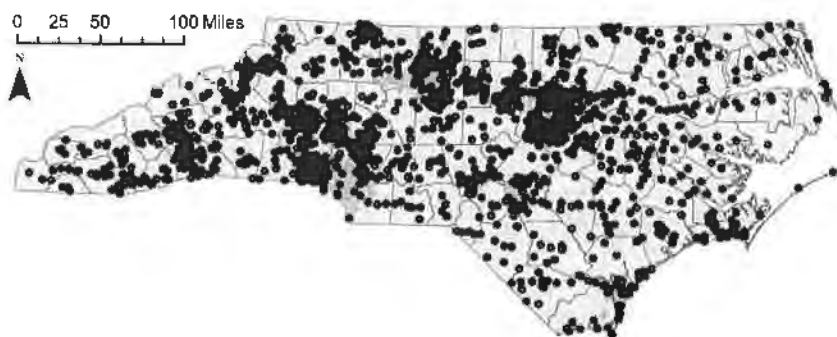
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## Water and Wastewater Provision in North Carolina

- Lots of systems
- Diverse governance structures
- Diverse economic regulation (local boards, LGC, NCUC, Lenders..)
- Variation in size, rates, rates practices



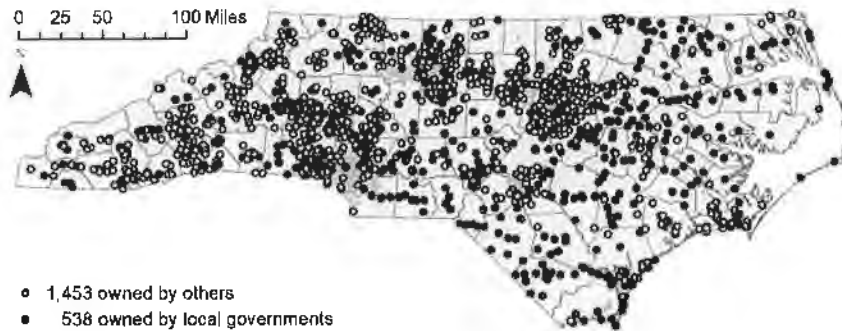
**There are 1,991 Active Community Water Systems Serving Approximately 8,271,000 People in North Carolina (as of Sept 2017)**



Analysis by the Environmental Finance Center at the UNC School of Government.

Data source: SDWIS database maintained by the Division of Water Resources in the NC Department of Environmental Quality. Geospatial locations are approximated by the EFC using secondary sources from NCOneMap (NC Geographic Information Coordinating Council), NC Department of Environmental Quality, NC Rural Economic Development Center, and primary sources.

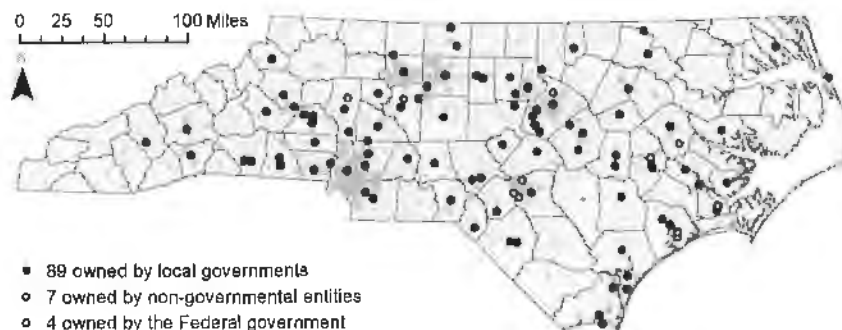
### 27% of the Water Systems are owned by Local Governments Serving 89% of the Service Populations



Analysis by the Environmental Finance Center at the UNC School of Government.  
Source: SDWIS database (Sept. 2017) maintained by the NC Department of Environmental Quality Division of Water Resources. Geospatial locations are approximated by the EFC using secondary sources from NCOneMap (NC Geographic Information Coordinating Council), NC Department of Environmental Quality, NC Rural Economic Development Center, and primary sources.



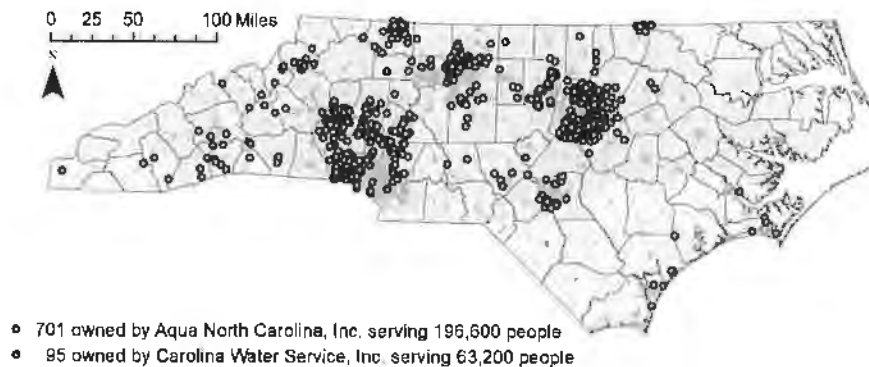
### Local Governments Make Up 89 of the 100 Largest Water Systems that Serve a Total of 76% of the Service Population



Analysis by the Environmental Finance Center at the UNC School of Government.  
Source: SDWIS database (Sept. 2017) maintained by the NC Department of Environmental Quality Division of Water Resources. Geospatial locations are approximated by the EFC using secondary sources from NCOneMap (NC Geographic Information Coordinating Council), NC Department of Environmental Quality, NC Rural Economic Development Center, and primary sources.



### Nearly 800 (40%) of the Water Systems are Owned by Two Investor-Owned Utilities

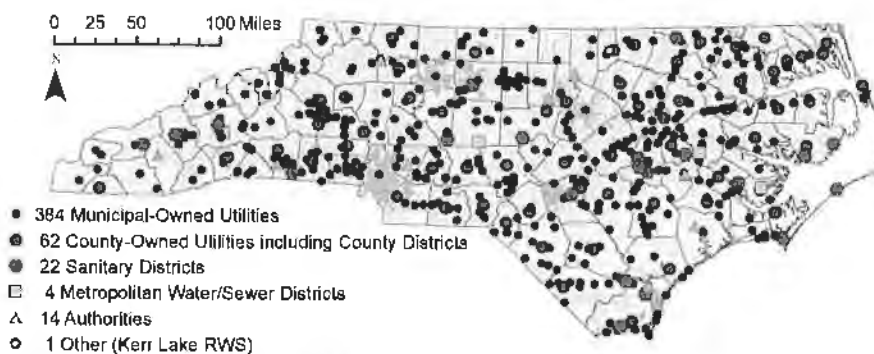


Analysis by the Environmental Finance Center at the UNC School of Government.

Source: SDWIS database (Sept. 2017) maintained by the NC Department of Environmental Quality Division of Water Resources. Geospatial locations are approximated by the EFC using secondary sources from NCOneMap (NC Geographic Information Coordinating Council), NC Department of Environmental Quality, NC Rural Economic Development Center, and primary sources.



### There are 487 Local Government-Owned Water and/or Wastewater Utilities Active as of January 2018



Analysis by the Environmental Finance Center at the UNC School of Government.

Excludes utilities not owned by local governments.

Source: Database maintained by the EFC (Jan. 2018) updated with new information from the NC Department of Environmental Quality Division of Water Resources (SDWIS), and the Local Government Commission. Geospatial locations are approximated by the EFC using secondary sources from NCOneMap (NC Geographic Information Coordinating Council), NC Department of Environmental Quality, and primary sources.



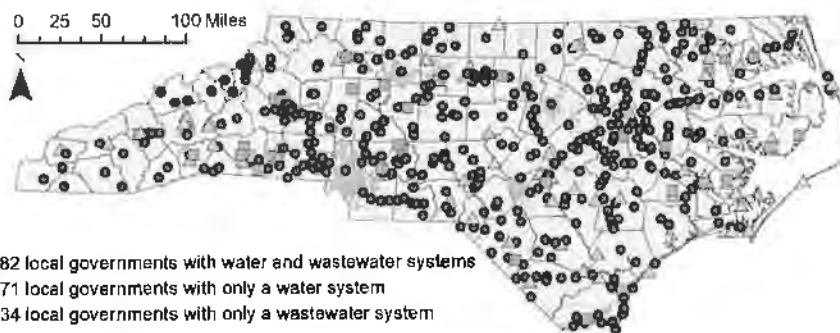


## Utilities Not Owned by Local Governments

- At least 42 **not-for-profit water associations/corporations** serving more than **380,000 people**, including Davidson Water Inc. serving 147,000 people.
- **Multi-system investor-owned for-profit utilities** serving more than **262,000 people** [regulated by the Utilities Commission]
- Independently-owned small water systems (mobile home parks, homeowner associations, etc.)
- Federal Government (military bases, etc.), State of North Carolina (university campuses, etc.)



## Most Local Government Utilities Own Both Water and Wastewater Systems



Analysis by the Environmental Finance Center at the UNC School of Government.

Excludes utilities not owned by local governments.

Source: Database maintained by the EFC (Jan. 2018) updated with new information from the NC Department of Environmental Quality Division of Water Resources (SDWIS), and the Local Government Commission. Geospatial locations are approximated by the EFC using secondary sources from NCOneMap (NC Geographic Information Coordinating Council), NC Department of Environmental Quality, and primary sources.



## Some Differences Between Models

- Governance structure
- Oversight/economic regulation
- Ability to implement taxes, special assessments
- Ability to charge different rates



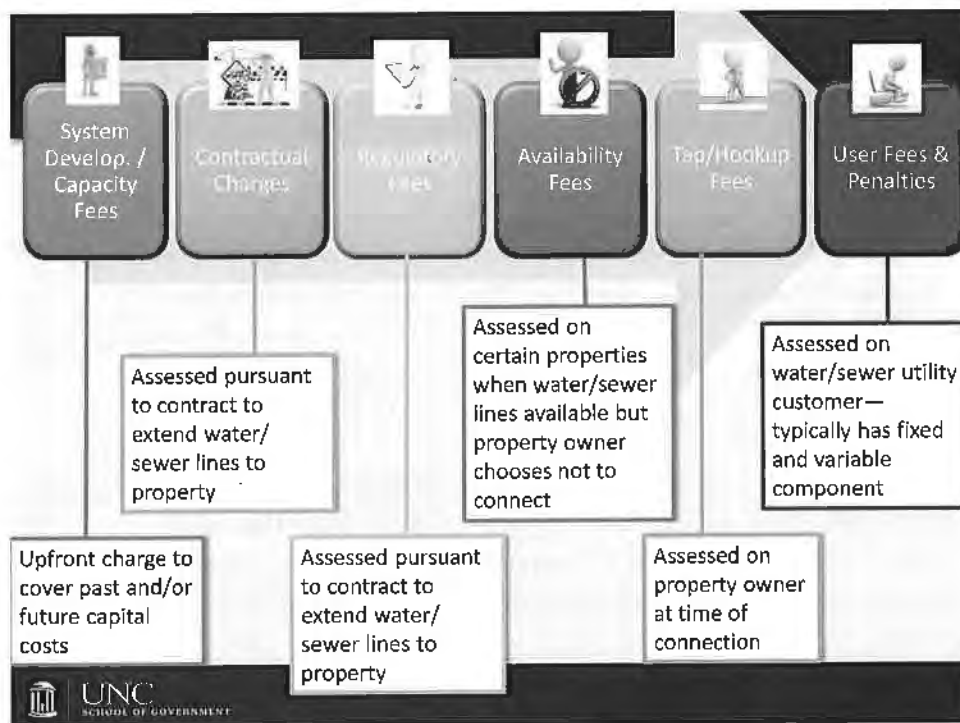
## Funding Enterprises

Counties	Municipalities	Special Purpose Local Governments with Taxing Authority	Special Purpose Local Governments without Taxing Authority
<ul style="list-style-type: none"> <li>• Fee revenue</li> <li>• Property tax revenue</li> <li>• Special tax districts</li> <li>• Other unrestricted general fund revenue</li> </ul>	<ul style="list-style-type: none"> <li>• Fee revenue</li> <li>• Property tax revenue</li> <li>• Special tax districts</li> <li>• Other unrestricted general fund revenue</li> </ul>	<ul style="list-style-type: none"> <li>• Fee revenue</li> <li>• Property tax revenue</li> </ul>	<ul style="list-style-type: none"> <li>• Fee revenue</li> </ul>



## Fee Matrix for Water/Sewer

New Development Within Territorial Jurisdiction	Existing Development Within Territorial Jurisdiction	New or Existing Development Outside Territorial Jurisdiction
System Development Fee (capital only)	"Capacity" Fees	"Capacity" Fees
Regulatory Fees	Regulatory Fees	Regulatory Fees
Tap/Hookup Fees	Tap/Hookup Fees	Tap/Hookup Fees
Contractual Charges	Contractual Charges	Contractual Charges
Availability Fee* (if applicable)	Availability Fee* (if applicable)	
Special Assessments* (capital only)	Special Assessments* (capital only)	
User Fees	User Fees	User Fees (can be different than inside rates)
Penalties	Penalties	Penalties



## Transfers



### Reimbursement Transfers

- General overhead
- Shared personnel
- Shared Facilities

### Other Transfers

- ROI
- General Fund Supplement
- Special Projects

G.S. 159 ★

## Transfers

**G.S. 159G-37(b) Certification.** – The Division of Water Infrastructure shall require all local governments applying for loans or grants for water or wastewater purposes to certify that no funds received from water or wastewater utility operations have been transferred to the local government's general fund for the purpose of supplementing the resources of the general fund. The prohibition in this section shall not be interpreted to include payments made to the local government to reimburse the general fund for expenses paid from that fund that are reasonably allocable to the regular and ongoing operations of the utility, including, but not limited to, rent and shared facility costs, engineering and design work, plan review, and shared personnel costs.

### Monthly Residential Combined Water and Wastewater Bill for 5,000 Gallons January 2018 Rates Inside Rates Only

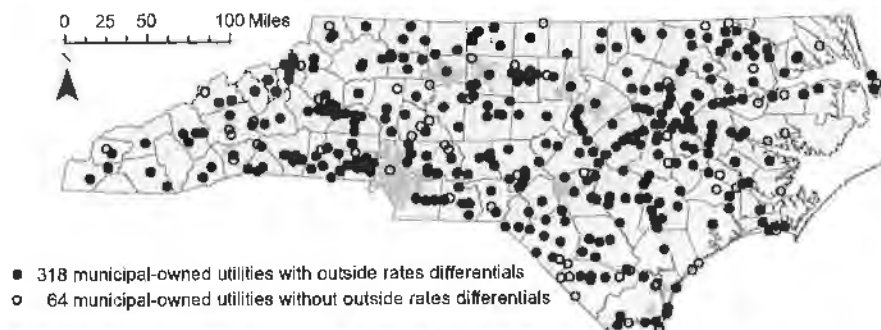


Analysis by the Environmental Finance Center at the UNC School of Government.  
Showing January 2018 rates for 367 combined water and wastewater utilities that apply to "inside" customers only.  
Sources: 2018 water and wastewater rates survey conducted by the EFC and the NC League of Municipalities.  
Geospatial locations are approximated by the EFC using secondary sources from NCOneMap (NC Geographic Information Coordinating Council), NC Department of Environmental Quality, and primary sources.



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### 83% of Municipal-Owned Utilities Charge Different Rates for Customers Living Outside the Municipal Limits

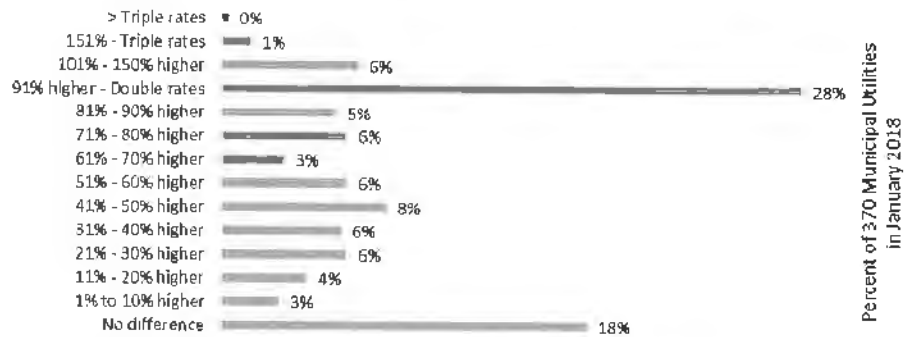


Analysis by the Environmental Finance Center at the UNC School of Government.  
Excludes two municipalities with no data on outside rates differentials. Outside service populations are estimated for only 242 of the 318 municipalities with outside rates differentials, averaging 14% of their service populations.  
Sources: Annual water and wastewater rates surveys conducted by the EFC and the NC League of Municipalities, 2017 Utility Management Survey (funded by the NC Policy Collaboratory), and FY2011 Annual Financial Information Reports compiled by the Local Government Commission. Geospatial locations are approximated by the EFC using secondary sources from NCOneMap (NC Geographic Information Coordinating Council), NC Department of Environmental Quality, and primary sources.



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### Difference between Outside Rates and Inside Rates for 370 Municipal Water/Wastewater Utilities As of January 2018

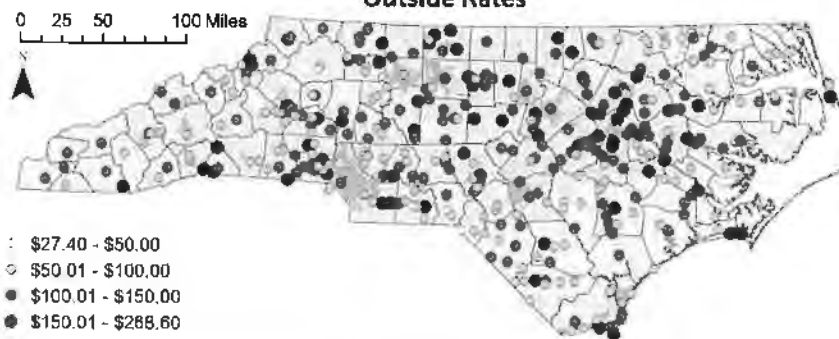


Analysis by the Environmental Finance Center at the UNC School of Government.

Source: 2018 water and wastewater rates survey conducted by the EFC and the North Carolina League of Municipalities. Difference between outside rates and inside rates are computed for the monthly residential bill for 5,000 gallons for combined water and wastewater (where possible), or for water or for wastewater bills only for single-service utilities.



### Monthly Residential Combined Water and Wastewater Bill for 5,000 Gallons January 2018 Rates Outside Rates



Analysis by the Environmental Finance Center at the UNC School of Government

Showing January 2018 rates for 367 combined water and wastewater utilities that apply to "outside" customers (or inside customers if not applicable).

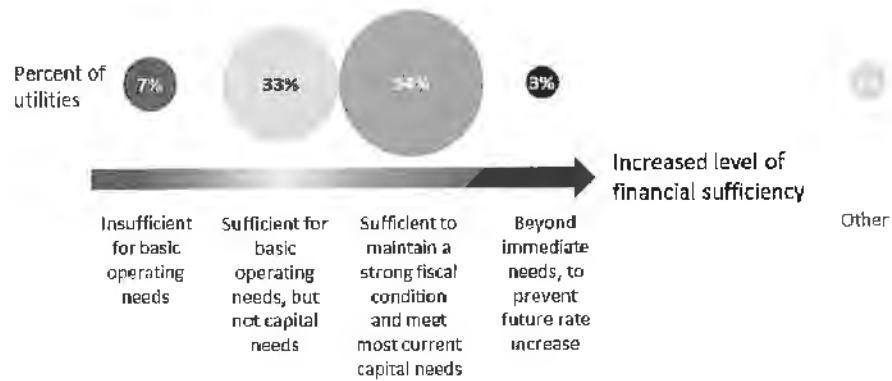
Sources: 2018 water and wastewater rates survey conducted by the EFC and the NC League of Municipalities.

Geospatial locations are approximated by the EFC using secondary sources from NCOneMap (NC Geographic Information Coordinating Council), NC Department of Environmental Quality, and primary sources.



## Among 149 Utilities, the Rates Last Proposed to the Governing Body Would Have Been...

(Preliminary results from an ongoing survey)

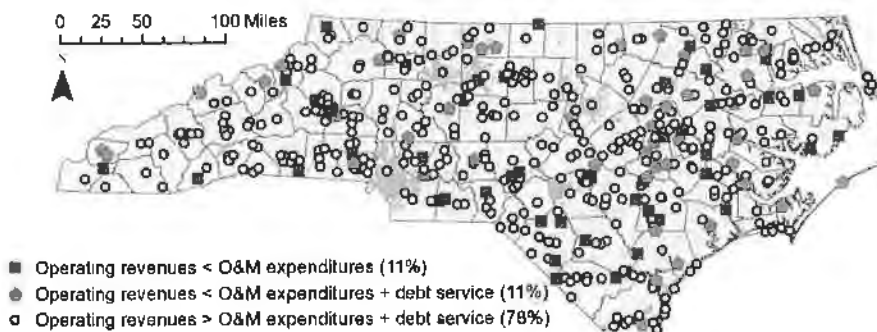


Analysis by the Environmental Finance Center at the UNC School of Government.

Source: Ongoing 2017 NC Water and Wastewater Utility Management Survey conducted by the Environmental Finance Center and the North Carolina League of Municipalities (preliminary and incomplete results). Excludes "don't know"s.

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## Cost Recovery in 449 Local Government-Owned Water and Wastewater Utilities during FY2016



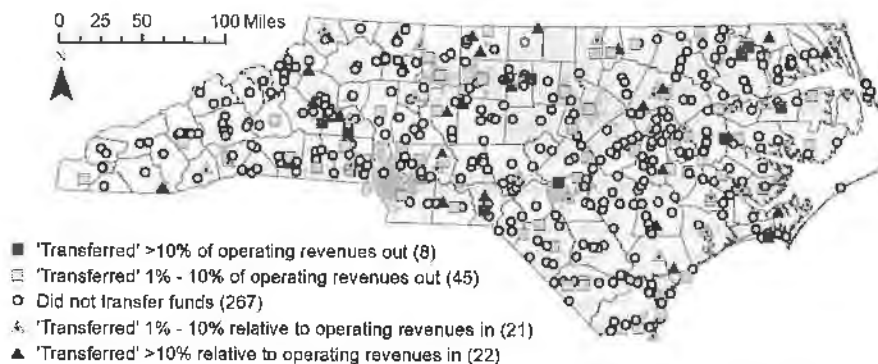
Analysis by the Environmental Finance Center at the UNC School of Government.

O&M expenditures calculated as total operating expenses minus depreciation.

Sources: FY2016 audited financial statement data compiled by the Local Government Commission. Geospatial locations are approximated by the EFC using secondary sources from NCOneMap [NC Geographic Information Coordinating Council], NC Department of Environmental Quality, and primary sources.

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### Transferring Funds Out of or Into the Water and Wastewater Enterprise Fund during FY2016 among 363 Local Governments



Analysis by the Environmental Finance Center at the UNC School of Government.

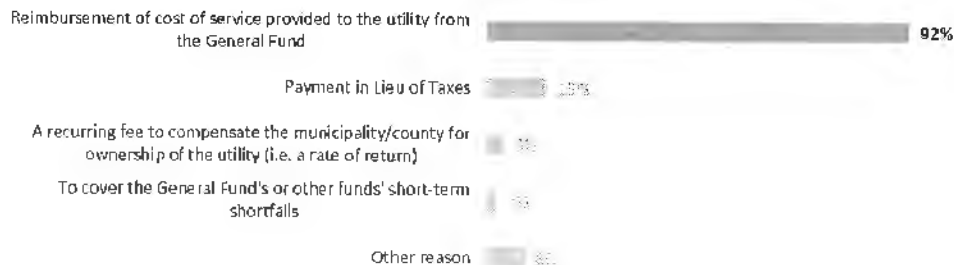
Many, or most, "transfers" are actually reimbursements due to splitting of costs (e.g. salaries) across various Funds.

Sources: FY2016 audited financial statement data compiled by the Local Government Commission. Geospatial locations are approximated by the EFC using secondary sources from NCOneMap (NC Geographic Information Coordinating Council), NC Department of Environmental Quality, and primary sources.



### Reasons Provided by 64 Municipalities and Counties for Recording Transfers from the Water/Wastewater Enterprise Fund to the General Fund

In addition, an equal number of municipalities and counties indicated they do not transfer funds. (Preliminary results from an ongoing survey)



Analysis by the Environmental Finance Center at the UNC School of Government.

Source: Ongoing 2017 NC Water and Wastewater Utility Management Survey conducted by the Environmental Finance Center and the North Carolina League of Municipalities (preliminary and incomplete results). Excludes "don't know's".







February 12, 2018  
State Water Infrastructure Authority  
Division of Water Infrastructure  
*Department of Environmental Quality*



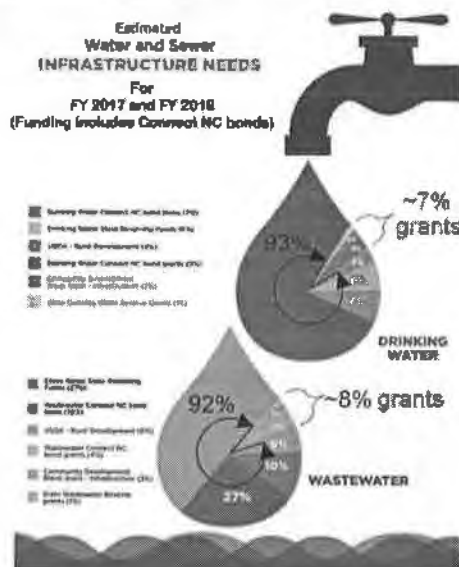
### *Legislation in 2013*

- **Created Division of Water Infrastructure**
- **Created 9-member State Water Infrastructure Authority**
  - 3 ex officio members
    - Director of the Division of Water Infrastructure, serves as Chair
    - Director of the Local Government Commission or the Director's designee
    - Secretary of Commerce or the Secretary's designee
  - 6 appointed members – qualifications and knowledge
    - Wastewater professional engineer
    - Federal water/wastewater funding
    - Urban water/wastewater systems
    - Rural water/wastewater systems
    - Rural county commissioner/resident; public health services experience
    - Water, wastewater, stormwater issues and state funding sources
  - 12 tasks

*Department of Environmental Quality*



## Water Infrastructure Needs

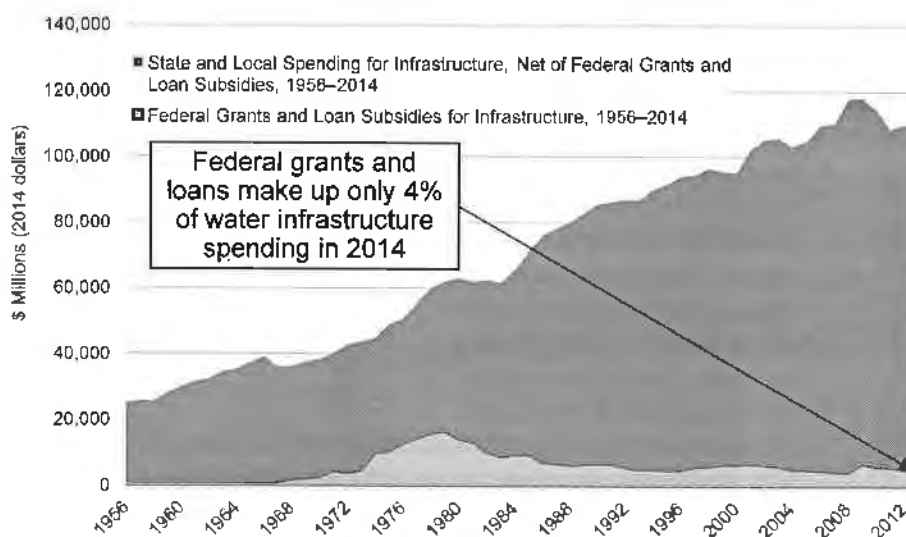


- Drinking water systems needs are \$10-\$15 billion over next 20 years\*
- Wastewater systems needs are \$7-\$11 billion over next 20 years\*
- For most funding sources, users pay to meet capital needs (e.g., loans, bonds, reserves, etc.)

(\*) Environmental Finance Center at the University of North Carolina's School of Government (EFC) evaluation of needs surveys



## Spending on Water Infrastructure, 1956 to 2014



Source: CBO's March 2015 report *Public Spending on Transportation and Water Infrastructure, 1956 to 2014*.

## *AWWA's 2017 SOTWI Report*

### The two most important issues facing the water industry:

1. Renewal and replacement (R&R) of aging water and wastewater infrastructure (#1 in 2016)
2. Financing for capital improvements (#2 in 2016)

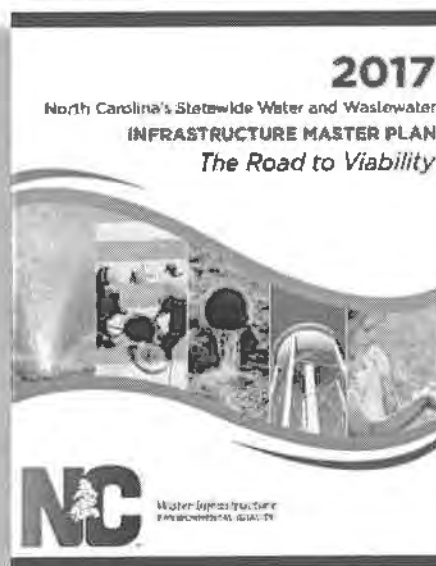
"The water industry seems to continuously face difficulty in recruiting, training, and retaining skilled employees, especially for small systems."



## *Master Plan Vision*

The state will best be able to meet its water infrastructure needs by ensuring individual utilities are, or are on a path to be, viable systems

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



## Best Practices in Utility Management



### Infrastructure management

- Proactive approaches
- Life-cycle costs
- Risk management



### Organizational management

- Long-term nature of system needs
- Governing boards prioritize the most critical projects
- Adequate human resources



### Financial management

- Sufficient revenue generation for O&M, renewal/replacement, reserves
- Permanent local funding solutions



Department of Environmental Quality



## System Management Funding Programs

### • Asset Inventory and Assessment grants

- Assist with costs of first steps toward asset management plans
- Inventory – many systems do not have full inventories of buried assets
- Assessment – understand the condition of assets
- \$150,000 maximum / 3 years
- 107 awarded in first two offerings
- 175 applications pending



### • Merger Regionalization Feasibility grants

- Assist with costs of exploring alternate organizational structures
- \$50,000 maximum / 3 years
- 13 awarded in first two offerings
- 5 applications pending

Department of Environmental Quality



## *Water Infrastructure Funding Programs – Looking Ahead*

- **Small System Assistance – Fair Bluff, Fairmont, etc.**
  - Five small towns with regional sewer treatment but all independent utilities
  - Fair Bluff enterprise fund losing money before hurricane
  - Small customer base
  - Debt for infrastructure no longer used
- **Comprehensive assessment based on master plan**
  - Team: DWI, Local Government Commission, Environmental Finance Center, Compass Services, and HDR
  - Operation and maintenance
  - Capital cost projections
  - Organizational opportunities
- **Template for assistance to others**



*Department of Environmental Quality*

many of these things in existence before the hurricane



**Division of Water Infrastructure**  
<http://portal.ncdenr.org/web/wi/home>

**State Water Infrastructure Authority**  
<http://portal.ncdenr.org/web/wi/authority>





NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOIWEIL, CPA

## STATE AND LOCAL GOVERNMENT FINANCE DIVISION

"Overview of Local Government Fiscal Issues and Infrastructure Concerns  
in Municipal Enterprise Operations?"



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State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOIWEIL, CPA  
*Dale R. Foivell, CPA*

### Unit Assistance List

- Existed initially as internal working document to assist in allocation of resources to units; developed into the current published list/map
- Three main areas of data analyzed (data from audited financials)
  - Fund balance available in General Fund
  - Liquidity/profitability in Water/Sewer Funds
  - Status of internal control environment
- Timeliness of annual audit also considered
- Final decision to include or exclude is at discretion of SLGFD management

# North Carolina Local Government Units Currently on Unit Assistance List

Based on Audited Financial Statements as of June 30, 2016



Troubled Counties (13):

Anson  
Edgecombe  
Greene  
Hoke  
Hyde

Martin  
Northampton  
Robeson  
Scotland  
Tyrrell

Vance  
Warren  
Washington

8/01/17

## 117 Municipalities

- 42 have severely financially troubled water and/or sewer systems



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*Dale R. Foitwell, CPA*

## Frequent Collaboration with Other Agencies

- Information on UAL and other units shared regularly with DEQ and SWIA
  - Shared process of UAL designation with DEQ and SWIA as part of their troubled system protocol development
  - Meet quarterly with DEQ to exchange information and discuss ideas on how to best serve units in need
- Audit and AFIR data shared with EFC annually plus other data on ad hoc basis





## Frequent Collaboration with Other Agencies

- Partner with DEQ, EFC on Fair Bluff/Fairmont project to develop solutions that have applicability to create sustainable systems across the State
  - Service delivery options
  - Challenges of declining economies and populations at same time struggling with aging/failing utility systems
- Partner with NCLM and NCACC



# VISITOR REGISTRATION SHEET

Study Rates and Transfers/Public Enterprises Joint

2/12/18

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Hayden Burgess	Electric Cities of NC
Phil Eley	AMWA
Katye Jobe	SML
Dan Geyerker	NCAHA
Amanda Donovan	KTS
Jon Carr	NCAHA
Hugh Johnson	McAfee
Rose Williams	NCLM
Erin Wynia	NCLM
Doug Miskew	PSO



# VISITOR REGISTRATION SHEET

Study Rates and Transfers/Public Enterprises Joint

2/12/18

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Caitlin Saunders	NC League of Municipalities
CHRIS NIDA	NCLM
SHADI ESKAF	SCHOOL OF GOVERNMENT ENVIRONMENTAL FINANCE CENTER
Jessica Leggett	NC Division of Water Infrastructure
Francine Durso	NC Division of Water Infrastructure DEQ
Angela Humphries	Jones Dairy Farm Fair Water Rates Comm.
Phoebe Anderson	MWE
Chris Shill	NC Treasury
David Collins	Walk West.



**Kimberly Neptune (Rep. Chuck McGrady)**

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**From:** Carlyle Weaver (Sen. Paul Newton)  
**Sent:** Thursday, March 08, 2018 02:41 PM  
**To:** Carlyle Weaver (Sen. Paul Newton)  
**Subject:** <NCGA> Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)  
Meeting Notice for Monday, March 26, 2018 at 2:00 PM  
**Attachments:** Add Meeting to Calendar\_LINC\_.ics

**NORTH CAROLINA GENERAL ASSEMBLY**  
Raleigh, North Carolina 27601

**March 8, 2018**

**MEMORANDUM**

**TO:** Members, Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)  
**FROM:** Sen. Paul Newton, Co-Chair  
Rep. Chuck McGrady, Co-Chair  
**SUBJECT:** Meeting Notice

The **Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)** will meet at the following time:

<b>DAY</b>	<b>DATE</b>	<b>TIME</b>	<b>LOCATION</b>
Monday	March 26, 2018	2:00 PM	643 LOB

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting <http://www.ncleg.net/graphics/downtownmap.pdf>.

If you are unable to attend or have any questions concerning this meeting, please contact Carlyle Weaver at [newtonpla@ncleg.net](mailto:newtonpla@ncleg.net).

cc: Committee Record ☒   
Interested Parties ☒





# **Meeting of the Legislative Research Commission Committee to Study Rates and Transfers/Public Enterprises**

## **Agenda**

**Monday, March 26, 2018, 2:00 P.M.**

**Room 643 LOB**

**Sen. Paul Newton, Presiding**

### **1. Public Enterprise "Best Practices"**

*North Carolina Department of State Treasurer*

Sharon Edmundson – Director, Fiscal Management Section

### **2. Various Issues Facing Public Enterprises in North Carolina**

*North Carolina Rural Water Association*

Daniel Wilson, P.E. – Executive Director

*North Carolina League of Municipalities*

Rose Williams – Associate Executive Director, Public Government Affairs

*North Carolina Association of County Commissioners*

Hugh Johnson – Government Relations Coordinator

Steve Ward – Harnett County Public Utilities Director

### **3. Regulated Water Industry Perspective**

*National Association of Water Companies, Southeast Chapter*

Shannon Becker – President, *Aqua North Carolina, Inc.*

Matthew Klein – President, *Carolina Water Service, Inc. of North Carolina*

### **4. Committee Review of LRC Interim Report to the 2018 Session of the General Assembly**

### **5. Committee Discussion**

### **6. Adjourn**

---

#### **House Members**

Rep. McGrady (Co-Chair)

Reps. Brawley, Ford, Goodman and Hanes

#### **Senate Members**

Sen. Newton (Co-Chair)

Sens. J. Davis, Smith-Ingram, Tarte and Tucker





## **COMMITTEE TO STUDY RATES AND TRANSFERS/PUBLIC ENTERPRISES (LRC) (2017)**

**March 26, 2018**

**Room 643 of the Legislative Office Building**

The Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017) met on Monday, March 26, 2018 at 2:00 PM. The meeting was held in Room 643 of the Legislative Office Building. Members present were: Chairman Paul Newton, Chairman Chuck McGrady, Representatives Carl Ford and Ken Goodman and Senators Jim Davis and Jeff Tarte.

Senator Newton presided. The meeting was called to order at 2:04 PM.

Senator Newton recognized the Sergeants at Arms, Terry Barnhardt and Charles Marsalis from the Senate and Doug Harris, Warren Hawkins and Malachi McCullough from the House.

Senator Newton then recognized Sharon Edmundson from the North Carolina Department of State Treasurer to review Public Enterprise "Best Practices" (see Attachment A). Later in the presentation she went over the Town of Cary Financial Analysis (see Attachment B).

Representative McGrady asked how many of the best practices are statutorily required to where the public enterprise has to hit them and if these are written in law or not. Ms. Edmundson responded that she did not believe that any are written in statute. She added that if a unit of government follows the Local Government and Fiscal Control Act with its enterprise fund they would meet some of those benchmarks. Representative McGrady followed up by asking if there is a way to fix some of the problems we have with public enterprise funds by putting best practices in statutory form, including putting in statute that there should be no subsidization of funds. Ms. Edmundson said that this is definitely something that could be considered. However, she said they would want to be careful not to put something in place that would bind an entity when there was a legitimate reason for an exception.

Then, Representative McGrady asked if the cash flow from operations isn't positive and this is a trend, what would be the typical solution. Ms. Edmundson responded that if the trend is negative year after year, eventually the enterprise funds end up borrowing money from another fund, usually from general fund. As a follow-up, Representative McGrady instances where lack of funding leads to sewer problems and if that might become a public health issue. Ms. Edmundson replied that it does become a public health issue if it is not functioning correctly. She added that at the point where there is no money available left in the fund, the money has to come from somewhere.





Next, Representative McGrady asked Ms. Edmundson, in her experience, where the largest group of issues with cash flow with public enterprise funds is. Ms. Edmundson said that typically, local governments tend to make money on water and lose money on sewer.

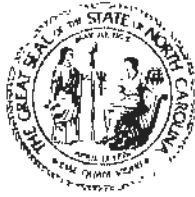
Senator Jim Davis asked if a unit of government were to end up on the Unit Assistance list, what assistance is available. Ms. Edmundson explained that the unit of government would be contacted by someone on her staff and plans would be made to visit that unit and review their operations. She added that they typically advise units of government to assistance from whoever is best suited to help analyze their operations. As a follow-up, Senator Davis asked if local governments go to other entities for assistance what type of assistance is given. Ms. Edmundson replied that it depends on what services they need but that usually it is at least expertise.

Representative Ford asked if one enterprise fund should be funding another in totality. Ms. Edmundson answered no and added that the definition of an enterprise fund is that it should run like a business. To follow-up, Representative Ford asked what options citizens have for recourse if this is happening. Ms. Edmundson said that citizens could come to her group at the Department of the State Treasurer. Representative Ford then asked if something could be done for citizens if an enterprise continues to borrow money. Ms. Edmundson responded that the entity could come to them for loan approval and they would like to see a long term payment plan that is enforced.

Representative Goodman asked how the Treasurer's office addresses rural or poor communities where people can't always pay their bills on time. Ms. Edmundson replied that in those cases, they try to find a regional solution for them so they can spread the capital costs over a larger population. She said that this is usually helpful long term. She added that this is what they are doing in Fairmont and Fairbluff. As a follow-up, Representative Goodman asked if raising rates for other consumers is the answer in these areas. Ms. Edmundson said that sometimes that is a temporary solution but that this might become untenable at some point.

Senator Newton asked how widely adopted is the full set of best practices. Ms. Edmundson said that there is only a small minority that blatantly ignore these best practices and that most try really hard to capture all. She added that there are some systems in the middle who can't keep up. As a follow-up, Senator Newton asked if there is something the state can do to help the financial systems and if there is a "one-size-fits-all" solution. Ms. Edmundson responded that there is no one-size-fits-all. Senator Newton then asked what percentage of revenue should be used on maintenance capital. Ms. Edmundson said that she didn't know that. Next, Senator Newton asked about the actual cost of recovery and Ms. Edmundson said that people are transitioning over to that and not using inside vs. outside rates.





Representative Ford asked if a municipality can lease out public enterprise to private entity. Ms. Edmundson said she didn't know the answer.

Senator Newton then recognized Daniel Wilson of the North Carolina Rural Water Association to discuss various issues facing public enterprises in North Carolina (see Attachment C).

Representative McGrady asked about Mr. Wilson's suggestion to create a rating or scoring system that effectively identifies when a system is underperforming and if he was aware of a rating system that already exists in other states that could do this. Mr. Wilson said he wasn't aware of anyone that does this and does it well and added that North Carolina has an opportunity to do so and that the unit assistance list is a good start. He also said that putting all the data in one database would be good because it is all sitting in different pockets.

Senator Davis asked about the rationale for severely restricting inter basin transfers. Mr. Wilson said that he did not want to address the major river basins but that inter basin transfers need to be strict but that is not so much the case with sub basins.

Next, Senator Newton introduced Rose Williams of the North Carolina League of Municipalities to discuss various issues facing public enterprises in North Carolina (see Attachment D).

Representative Ford asked about utility and enterprise systems bringing in millions of dollars and if that enterprise fund could bail out the general fund or another enterprise fund. Ms. Williams responded that this isn't really happening with water enterprise funds. Numbers show that about 2% of systems may do this. She noted that there may be some transfers. Then, Representative Ford made a comment that this is happening and expressed concern that the taxpayers will eventually have to pay for this.

Then, Hugh Johnson and Steve Ward of the North Carolina Association of County Commissioners also discussed the various issues facing public enterprises in North Carolina (see Attachment E).

Representative Ford asked if Mr. Ward was referring to private or community wells during his presentation. Mr. Ward replied that Harnett County has a lot of privately owned or community systems. He explained that there were several systems throughout the county where there was one operator and a number of people were tied to one well. As a follow-up, Representative Ford asked if they look for a shutdown date for wells rather than using them as a supplemental source of water. Mr. Ward responded that Harnett County relies on surface water, not ground and strictly treats surface water.

Finally, Senator Newton introduced Matthew Klein and Shannon Becker, both part of the National Association of Water Companies: Southeast Chapter, to address the regulated water industry perspective (see Attachment F).







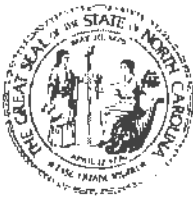
Senator Tarte asked about HB 752 and where it applies. Mr. Klein said that HB 752 is intended to protect the utility and the consumer. He added that in a drought condition, usage goes up. Mr. Klein stated that a consumption adjustment would protect the level of revenue that comes in. The proposed consumption adjustment in this bill is 1% so that if consumption goes up or down 1%, at the end of that year, a true-up mechanism kicks in to give back the over earning piece of revenue or allows a surcharge in the case of a monsoon. He added that this allows them not to worry about fluctuations. Senator Tarte followed-up by asking of the total utilities, is there a sense of what would happen if a large corporation shuts down that is a primary user on a water system. Mr. Klein replied that Carolina Water is 95% residential at Carolina Water so losing a major user wouldn't really be a concern in their case. Senator Tarte then asked if central staff could compile a list of utilities who might be at risk due to having a large single user or a couple users. Next, Senator Tarte asked if they could speak to non-revenue water and how they adjust to that. Mr. Klein responded that at Carolina Water, they have a non-revenue strategy that has two parts. First, is what they call parent losses which are due to things like meter inaccuracies and then they have what they call real loss which would be something like the pipes leaking. Mr. Klein said they do water audits and allocate money based on these so they can replace infrastructure as needed to reduce the amount of non-revenue water. Then Senator Tarte asked if they could increase revenue by increasing pressure and if this should be regulated or monitored. Mr. Klein replied that pressure management is part of their non-revenue water strategy and that customers will tell them when pressure is too low and too high. He said that customer satisfaction is an important piece to them. Mr. Becker added that they make sure replace old meters because water loss means revenue loss. Finally, Senator Tarte asked what percentage of the market have moved to digital meters. Mr. Becker answered saying that his company analyzed a lot of different types of meters and doesn't think there is a big difference between analog and digital.

Representative Ford asked what happens when a company is serving area and it is annexed. Mr. Becker answered that the hope would be that the companies could work with the new organization that is looking to annex the systems and potentially sell the system. As a follow-up, Representative Ford asked who is responsible for water and system servicing following an annexation. Mr. Becker answered that whoever is servicing or owns the system should be responsible.

Senator Newton asked about HB 351 and if a formerly municipal system was purchased if this would mean that a rate case. Mr. Becker answered that they would assume the rates of the municipality until a rate case occurred.

There being no further business, the meeting adjourned at 4:09 PM.





A blue ink signature of Senator Paul Newton, written in a cursive style, is positioned above a horizontal line.

Senator Paul Newton  
Presiding

A blue ink signature of Carlyle Weaver, written in a cursive style, is positioned above a horizontal line.

Carlyle Weaver, Committee Clerk



## 2018 ATTENDANCE

### LRC Study of Rates and Transfers

MEMBERS	2/12/18	3/26/18				
Sen. Paul Newton, Co-Chair	X	X				
Rep. Chuck McGrady, Co-Chair	X	X				
Sen. Jim Davis	X	X				
Sen. Erica Smith						
Sen. Jeff Tarte		X				
Sen. Tommy Tucker	X					
Rep. Bill Brawley	X					
Rep. Carl Ford		X				
Rep. Ken Goodman						
Rep. Ed Hanes						
<b>Ex-Officio Members</b>						
Sen. Bill Rabon						
Rep. David Lewis						
<b>Committee Staff</b>						
Erika Churchill, Legislative Analysis Division	X					
Nicholas Giddings, Legislative Analysis Division	X					
Giles Perry, Fiscal Research Division						

01/2018



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

STATE AND LOCAL GOVERNMENT FINANCE DIVISION  
DALL R. TOWELL, CPA

## STATE AND LOCAL GOVERNMENT FINANCE DIVISION Financial Best Practices Local Government Utility Systems

LRC Meeting  
Monday, March 26, 2018



State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALL R. TOWELL, CPA  
*Dall R. Towell, CPA*

### Financial Best Practices – Utility Systems

- General best practices
- Four sub categories
  - Sales and other inflows
  - Collections
  - Operations and other outflows
  - Capital needs
- Benchmarks and Unit Assistance List



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State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

## General Best Practices

- Like any other function of government, must comply with requirements of Local Government Budget and Fiscal Control Act
- Operation should be self-sustaining
- Operation should not be subsidizing other funds
- Cash reserves (fund balance) should not be used to cash flow operations
- Need qualified and trained staff to manage including the financial aspects



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*Dale R. Folwell, CPA*

## Sales and Other Inflows

- Rates should be sufficient to cover:
  - Current operations and maintenance costs
  - Current and future debt service
  - Savings to cover any budgetary shortfalls
  - Capital component





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*Dale R. Folwell, CPA*

## Sales and Other Inflows

- Rate setting
  - Obtain professional assistance if don't have expertise on staff
  - Examine rate structures each year as part of budget process - *nothing in law requires this*
  - Follow up on rate changes to ensure having the projected effect on revenues



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## Sales and Other Inflows

- Inside/outside rates
  - Focus on cost differential to provide service
    - Greater distances, different elevations to outside customers
    - Increased travel time and related expenses for maintenance and operations associated with outside customers
    - Lower development densities resulting in higher cost per connection
    - Larger pumps, additional storage, larger transmission lines required to provide adequate water and water pressure out of town



## Sales and Other Inflows

- Inside/outside rates (cont.)
  - Outside rates have historically been set at 1 ½ to 2 times or more of the inside rates
  - Focus should be on cost recovery
  - Long term solutions that focus on “we” instead of “us” and “them”



## Collections

- Adopt strong collections policy and enforce uniformly
- Set billing cycle for a reasonable amount of time
- Establish late fees to serve as a deterrent; cut-off or reconnect charges that recover entity's cost
- Adopt ordinance prohibiting meter tampering, with sufficient penalties; utilize locks on meters if necessary
- Ensure deposit is sufficient to cover potential lost revenue
- Utilize debt setoff program



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*Dale Edwards, CPA*

## Operations

*"run like a business" is the goal*

- Goal is to capture full cost of providing service
  - May include a reasonable cost allocation of indirect costs; should be supported by sufficient documentation to show reasonable correlation
  - Don't present as a transfer on GAAP financials
  - Should be operated like a business and therefore should bear all applicable costs



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## Operations

- Reconciliation
  - Should be able to reconcile number of gallons pumped to the number of gallons billed
  - Unaccounted for or "lost" water should be 15% or less
  - Accounted for but not billed should be tracked
  - AWWA, RWA, and SERCAP are have resources to assist with water auditing



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COMPTROLLER: DAVID R. FOWELL, CPA  
*John T. Bell, CPA*

## Capital Needs

- Rates should include a capital cost component to build reserves
- Operations budget should include regular maintenance
- Entity should be charging sufficient rates to avoid dipping into reserves to cover operation costs, including routine repairs and maintenance



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*John T. Bell, CPA*

## Capital Needs

- CIP: Capital Improvement Plan
  - All systems should have
  - Planned capital needs 5 to 10 years or longer
  - Debt issuance, reliance on grant funding, and planned use of reserves
  - Can integrate with rate model

[illegible]

## Benchmarks and Unit Assistance List (UAL)

- Benchmarks pulled from annual audit data
  - Liquidity ratio – should be 1.0 or greater at a minimum
  - Working capital – should be positive at a minimum
  - Net income before capital contributions – should be positive
  - Revenues over expenditures (budgetary basis) – should be positive
  - Days sales in receivables – should be stable and match up with billing and collection cycle
  - Cash flow from operations – should be positive and sufficient to cover both principle and interest payments made during the fiscal year (easy to understand)



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*Dale Edwards, CPA*

## Benchmarks and Unit Assistance List (UAL)

- Poor showing on any of benchmarks will make a unit a candidate for consideration to be on the UAL
- Units with negative trends in multiple benchmarks OR repeated years of negative cash flow from operations will likely be on the UAL

*don't isolate any 1 benchmark*



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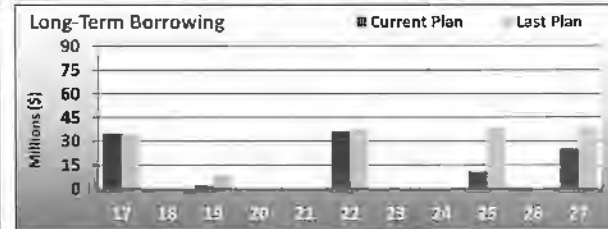
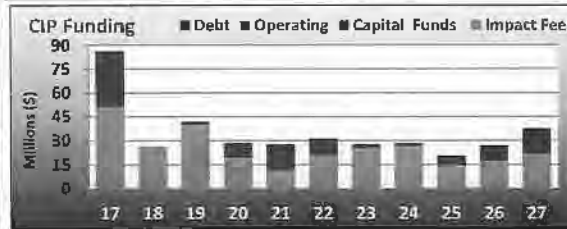
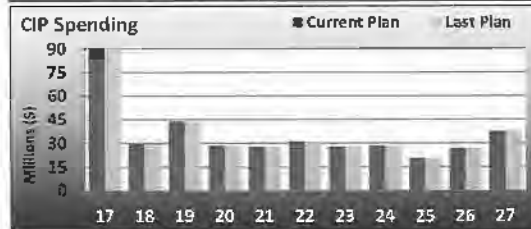
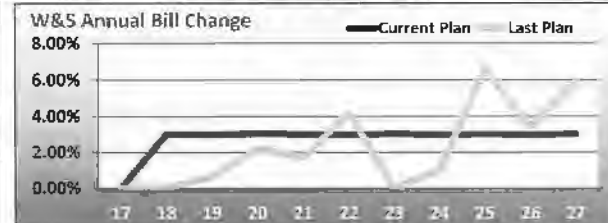
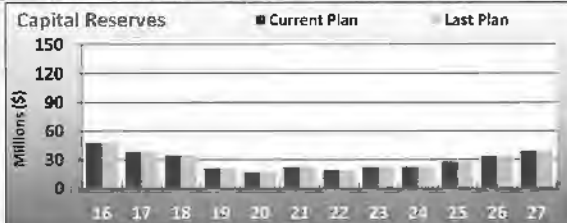
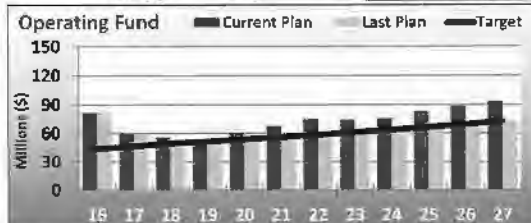
## Contact Information

Sharon Edmundson, MPA, CPA  
Director, Fiscal Management

[Sharon.Edmundson@nctreasurer.com](mailto:Sharon.Edmundson@nctreasurer.com)  
(919)814-4289

### TOWN OF CARY FINANCIAL ANALYSIS AND MANAGEMENT SYSTEM (FAMS) SUMMARY

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Cumulative Change	
<b>Override ▶</b>		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	<b>FY 2022</b>	<b>FY 2027</b>
Water Base Rate Increases	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	15.96%	34.40%
Last Plan	0.00%	0.00%	0.64%	2.27%	1.73%	4.22%	0.00%	0.99%	6.66%	3.44%	5.95%	9.01%	28.53%
<b>Override ▶</b>		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%		
Water Volume Rate Increases	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	15.96%	34.40%
Last Plan	0.00%	0.00%	0.64%	2.27%	1.73%	4.22%	0.00%	0.99%	6.66%	3.44%	5.95%	9.01%	28.53%
<b>Override ▶</b>		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%		
Sewer Base Rate Increases	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	15.88%	34.35%
Last Plan	0.00%	0.00%	0.64%	2.27%	1.73%	4.22%	0.00%	0.99%	6.66%	3.44%	5.95%	9.03%	28.62%
<b>Override ▶</b>		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%		
Sewer Volume Rate Increases	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	15.88%	34.35%
Last Plan	0.00%	0.00%	0.64%	2.27%	1.73%	4.22%	0.00%	0.99%	6.66%	3.44%	5.95%	9.03%	28.62%
Parity Indebtedness	6.27	5.03	4.60	4.48	4.49	3.95	3.82	3.88	3.91	4.00	3.76	PS FY18 ▶	95%
Last Plan	3.90	3.15	2.91	2.85	2.81	2.50	2.27	2.20	2.11	2.07	1.97	O&M FY18 ▶	95%
Total Debt	1.73	1.63	1.69	1.73	1.78	1.76	1.93	1.97	1.96	1.98	1.90	1" Meter Match 5/8"?	Yes
Last Plan	1.72	1.54	1.50	1.50	1.50	1.50	1.55	1.50	1.50	1.50	1.50	Dev. Fee Off?	
CIP \$ Redistribution ▶	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	Optimize Approp.?	Yes
CIP Execution % ▶	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Optimize FY18?	Yes
Operating Reserve Mo ▶	15	15	15	15	15	15	15	15	15	15	15	Optimize FY19?	Yes
Water \$25.87	\$25.87	26.66	27.45	28.30	29.15	30.00	30.91	31.82	32.78	33.75	34.77	Optimize FY20?	No
Sewer \$51.82	\$51.82	53.36	54.95	56.60	58.30	60.05	61.86	63.72	65.63	67.60	69.62	Optimize CIP?	No
Average Bill (\$,000 gals.)	\$77.69	80.02	82.40	84.90	87.45	90.05	92.77	95.54	98.41	101.35	104.39		
% Change in Current Plan Average Bill		3.00%	2.97%	3.03%	3.00%	2.97%	3.02%	2.99%	3.00%	2.99%	3.00%		
Last Plan	\$77.69	77.69	78.18	79.92	81.27	84.70	84.70	85.56	91.22	94.31	99.90		
% Change in Last Plan Average Bill		0.00%	0.63%	2.23%	1.69%	4.22%	0.00%	1.02%	6.62%	3.39%	5.93%	Check	\$ -









North Carolina Rural Water Association, Inc®

Post Office Box 540 ♦ Welcome, NC 27374 ♦ Telephone (336) 731-6963 ♦ Fax (336) 731-8589 ♦ [www.ncrwa.com](http://www.ncrwa.com)

March 26, 2018

Legislative Research Commission  
300 North Salisbury Street  
Raleigh, NC 27603

Re: Potential Solutions to Address Public Enterprise Transfers, Rates, and Regionalization

Dear LRC,

The North Carolina Rural Water Association, Inc® (NCRWA) appreciates the opportunity to work with the LRC Public Enterprise Study-Rates and Transfers. We have prepared the following list of potential legislative and local solutions that could assist in facilitating improved managerial, financial, and technical operations of public enterprises, improve regional efforts, and make more efficient use of the state's water resources, which would encourage economic growth in communities across the state.

We worked, along with local governments associations, with Senator Hartsell to enact legislation (see attached NCGS 130A-317(g))(2015 Session) to encourage voluntary regionalization. Also, the Water and Sewer Working Group of the Environmental Review Commission recommended a DENR Study of IBT Laws (see attached Senate Bill 757)(2014 Session).

NCRWA defines regionalization of water and wastewater systems as being a voluntary combined effort of two or more entities, through physical interconnection, joint management or interlocal agreement, or shared or transferred assets, to take proactive steps to realize the joint benefits of economies of scale in order to plan for and provide a high quality, sustainable product and service to the citizens and businesses of the state. We oppose mandated regionalization. **All comments provided are made in the context of voluntary regionalization where desired by the systems that would be party to the regionalized system.**

1. Remove/reduce statutory obstacles and burdens that restrict regional efforts, including the repeal of *sub-basin* interbasin transfer laws and rules. Interbasin transfer (IBT) laws restricting the movement of water within the same major river basins due to sub-basins being considered separate river basins under state law need to be modified to accomplish the following:
  - a. Define and identify the sub-basins separately from the major river basins in the North Carolina General Statutes, and direct that conforming changes be made to



the North Carolina Administrative Code. See attached map of river basins and sub-basins as provided by NCDEQ.

- b. Regarding sub-basins, expand current exemptions as to what does not constitute a transfer. A major step in this effort is to provide that water sold through a wholesale agreement is "not a transfer".
  - c. Develop different requirements for transfers within sub-basins for different types of ownership rights. We understand now that a certificate that is issued as a result of an application for an IBT is a permanent right. If rights to withdraw are for limited time periods, then different requirements for obtaining approval for such transfers could be developed. This would include provisions for the differences between registrations of transfers, permits for transfers, and certificates for transfers, and distinguishing between what transfers are permanently granted and what transfers have some permitted length.
  - d. Amend the application process and requirements for sub-basin transfers to facilitate the transfer of water within the same major river basin.
  - e. Expand the existing exemptions contained within the current IBT laws, in general, to facilitate the transfer of water.
2. Significantly increase the prioritization for regional projects for all state grants and loans and set aside some funds for regional projects. Accommodation must be made for those systems for which regionalization is not geographically feasible.
3. Recognize and encourage the use of joint management agreements and interlocal agreements as forms of regionalization.
4. Ensure that the LGC Unit Assistance List addresses more than financial position or internal controls. Asset condition and investment into infrastructure management, organizational management, and, and financial management should all be considered as cited in the NC Statewide Water and Wastewater Infrastructure Master Plan published by NCDEQ.
5. Create a rating/scoring system that objectively identifies when a system is considered to be under-performing in defined compliance and financial measures.
6. Simplify and facilitate permitting processes for consolidated efforts including those of siting and constructing new reservoirs.
7. Provide regulatory relief for entities acquiring/merging with chronically underperforming systems.
8. Provide a grace period for regulatory relief and financial performance for acquiring/consolidating systems so that regionalization/consolidation that involve under-



performing systems does not cause the new consolidated entity to score poorly on objective scales for system performance.

9. Provide state assistance to facilitate interconnections and expansions for regional efforts, including the use of a public office that would serve as an independent intermediary to assist systems in voluntary consolidation, to guide systems through regional negotiations, and to mediate those negotiations.
10. Establish a de-centralized public utility authority that is funded to assist under-performing systems with consolidated governance, managerial, and financial functions even when system interconnection is not feasible. This would be an alternative to local government owned systems selling assets to investor owned utilities.
11. As a first step to funding infrastructure rehabilitation and replacement, require systems to fund asset depreciation fully and only expend those funds on projects designed to address aging infrastructure.
12. Legislatively require elected officials governing Enterprise Funds that apply for state funding to be adequately educated and trained on Enterprise Fund operations, management, and finances.
13. Provide more robust on-site managerial, financial, and technical assistance to small and rural systems that struggle to recruit and retain qualified personnel as the continued push towards urbanization removes organizational resources from rural North Carolina.

In closing, I would like to offer you our assistance as well as offer it to the LRC and the General Assembly as experts on subject matter involving the water and wastewater industry across the state. We stand ready to assist with the development of a statewide strategy to improve our water and waste water systems. Please contact me directly at [danielwilson@ncrwa.com](mailto:danielwilson@ncrwa.com) or by phone at 919.812.0428, or contact NCRWA's lobbyist, Jon Carr ([jcarr@jordanprice.com](mailto:jcarr@jordanprice.com)) if we can be of assistance.

Sincerely,

A handwritten signature in cursive script that reads "Daniel Wilson".

Daniel Wilson, PE, UMC  
Executive Director

cc: Jon Carr, Lobbyist

*From 2015 budget, section (g) added*

**§ 130A-317. Department to provide advice; submission and approval of public water system plans.**

(a) The Department shall advise all persons and units of local government locating, constructing, altering or operating or intending to locate, construct, alter or operate a public water system of the most appropriate source of water supply and the best practical method of purifying water from that source having regard to the present and prospective needs and interests of other persons and units of local government which may be affected. The Department shall also advise concerning accepted engineering practices in the location, construction, alteration and operation of public water systems.

(b) All persons and units of local government constructing or altering a public water system shall give prior notice and submit plans, specifications and other information to the Department. The Commission shall adopt rules providing for the amount of prior notice required to be given and the nature and detail of the plans, specifications and other information required to be submitted. The Commission shall take into consideration the complexity of the construction or alteration which may be involved and the resources of the Department to review the plans, specifications and other information. The Department shall review the plans, specifications and other information, and notify the person, Utilities Commission and unit of local government of compliance or lack of compliance with applicable statutes and rules of the Commission.

(c) No person or unit of local government shall begin construction or alteration of a public water system or award a contract for construction or alteration unless all of the following conditions are met:

- (1) The plans for construction or alteration have been prepared by an engineer licensed by this State.
- (2) The Department has determined that the system, as constructed or altered, will be capable of compliance with the drinking water rules.
- (3) The Department has determined that the system is capable of interconnection at an appropriate time with an expanding municipal, county or regional system.
- (4) The Department has determined that adequate arrangements have been made for the continued operation, service and maintenance of the public water system.
- (5) The Department has approved the plans and specifications.

(d) Municipalities, counties, local boards or commissions, water and sewer authorities, or groups of municipalities and counties may establish and administer within their utility service areas their own approval program in lieu of State approval of water system plans required in subsection (c) of this section for construction or alteration of the distribution system of a proposed or existing public water system, subject to the prior certification of the Department. For purposes of this subsection, the service area of a municipality shall include only that area within the corporate limits of the municipality and that area outside a municipality in its extraterritorial jurisdiction where water service is already being provided to the permit applicant by the municipality or connection to the municipal water system is immediately available to the applicant; the service areas of counties and the other entities or groups shall include only those areas where water service is already being provided to the applicant by the permitting authority or connection to the permitting authority's system is immediately available. No later than the 180th day after the receipt of an approval program and statement submitted by any local government, commission, authority, or board, the Department shall certify any local program that meets all of the following conditions:

- (1) Provides by ordinance or local law for requirements compatible with those imposed by this Article, and the standards and rules adopted pursuant to this Article.
- (2) Provides that the Department receives notice and a copy of each application for approval and that the Department receives copies of approved plans.

- (3) Provides that plans and specifications for all construction and alterations be prepared by or under the direct supervision of an engineer licensed to practice in this State.
- (4) Provides for the adequate enforcement of the program requirements by appropriate administrative and judicial process.
- (5) Provides for the adequate administrative organization, engineering staff, financial and other resources necessary to effectively carry out its plan review program. A local government, commission, authority, or board may either employ an engineer licensed under Chapter 89C of the General Statutes to practice as a professional engineer in the State or contract with an engineer licensed under Chapter 89C of the General Statutes to practice as a professional engineer in the State in order to provide for adequate engineering staff under this subdivision.
- (6) Provides that the system is capable of interconnection at an appropriate time with an expanding municipal, county, or regional system.
- (7) Provides for the adequate arrangement for the continued operation, service, and maintenance of the public water system.
- (8) Provides that an approved system, as constructed or altered, will be capable of compliance with the drinking water rules.
- (9) Is approved by the Department as adequate to meet the requirements of this Article and any applicable rules adopted pursuant to this Article.

(e) The Department may deny, suspend, or revoke the certification of a local program upon a finding that a violation of the provisions in subsection (d) of this section has occurred. A local government administering an approval program shall be given notice that there has been a tentative decision to deny, suspend, or revoke certification and that an administrative hearing will be held in accordance with Chapter 150B of the General Statutes where the decision may be challenged. If a violation of the provisions in subsection (d) of this section presents an imminent hazard, certification may be suspended or revoked immediately. The Department shall give notice of the immediate suspension or revocation and notice that an administrative hearing will be held in accordance with Chapter 150B of the General Statutes where the decision may be challenged.

(f) Notwithstanding any other provisions of subsection (d) of this section, if the Department determines that a public water system is violating plan approval requirements of a local program and that the local government has not acted to enforce those approval requirements, the Department may, after written notice to the local government, take enforcement action in accordance with the provisions of this Article.

(g) The Department shall identify systems meeting all of the following criteria:

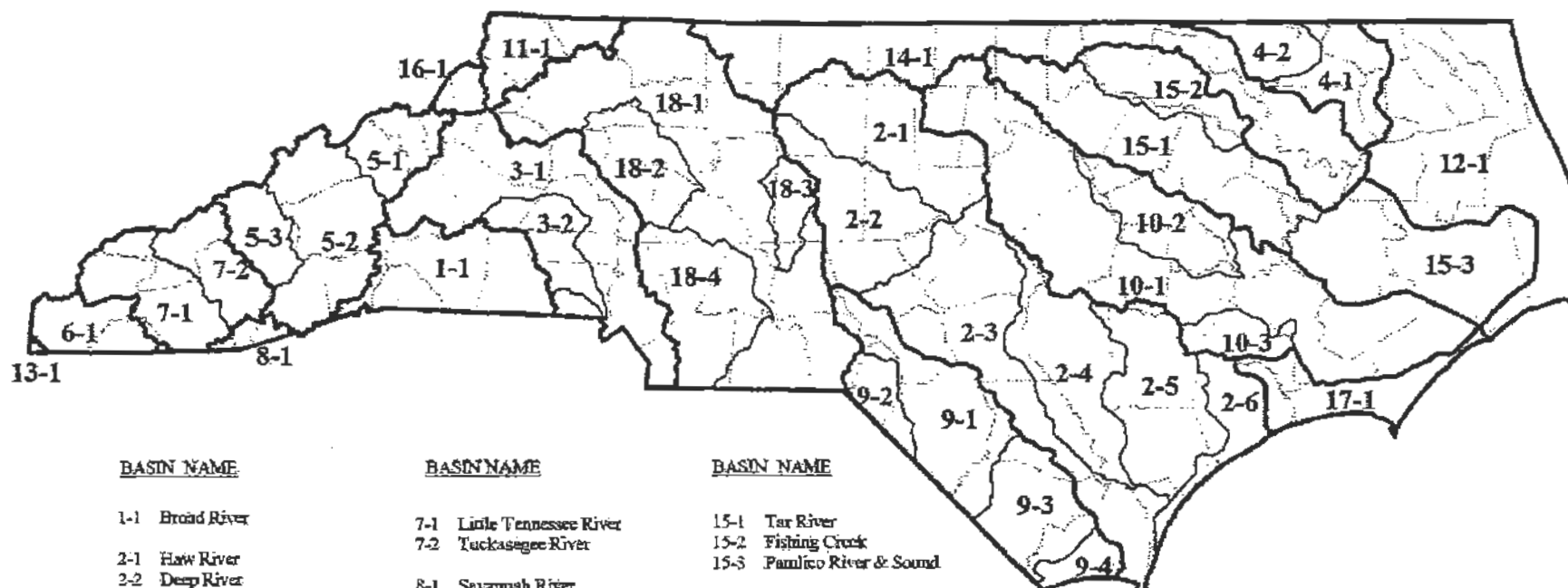
- (1) As constructed or altered, the system appears capable of interconnectivity with another system or systems located within the same river basin, as set out in G.S. 143-215.22.
- (2) The system appears to have adequate unallocated capacity to expand.
- (3) Interconnectivity would promote public health, protect the environment, or ensure compliance with established drinking water rules.

The Department shall notify the identified systems of the potential for interconnectivity in the future. The systems so notified may discuss options for potential interconnectivity, including joint operations, regionalization, or merger. The Local Government Commission shall be copied on the notice from the Department and shall assist the systems with any questions regarding liabilities of the systems and alterations to the operational structure of the systems. (1979, c. 788, s. 1; 1983, c. 891, s. 2; 1985, c. 697, s. 1; 1987, c. 827, s. 1; 2006-238, s. 1; 2015-241, s. 14.14A(a).)





## Appendix B: Major River Basins & Sub-Basins in North Carolina



### BASIN NAME

- 1-1 Broad River
- 2-1 Haw River
- 2-2 Deep River
- 2-3 Cape Fear River
- 2-4 South River
- 2-5 Northeast Cape Fear River
- 2-6 New River
- 3-1 Catawba River
- 3-2 South Fork Catawba River
- 4-1 Chowan River
- 4-2 Meherrin River
- 5-1 Nolichucky River
- 5-2 French Broad River
- 5-3 Pigeon River
- 6-1 Hiwassee River

### BASIN NAME

- 7-1 Little Tennessee River
- 7-2 Tuckasegee River
- 8-1 Savannah River
- 9-1 Lumber River
- 9-2 Big Shoe Heel Creek
- 9-3 Waccamaw River
- 9-4 Charlotte River
- 10-1 Neuse River
- 10-2 Contentment Creek
- 10-3 Trent River
- 11-1 New River
- 12-1 Albemarle Sound
- 13-1 Ocoee River
- 14-1 Roanoke River

### BASIN NAME

- 15-1 Tar River
- 15-2 Fishing Creek
- 15-3 Pamlico River & Sound
- 16-1 Watuga River
- 17-1 White Oak River
- 18-1 Yadkin River
- 18-2 South Yadkin River
- 18-3 Uwharrie River
- 18-4 Rocky River

### Legend

- Major River Basin Boundary
- Sub-Basin Boundary
- County Boundary





## LRC – Study of Utility Rates of Public Enterprises

NC LEAGUE  
OF MUNICIPALITIES

## Water Infrastructure Needs

NC LEAGUE  
OF MUNICIPALITIES

- Drinking water systems needs are \$10-\$15 billion over next 20 years\*
- Wastewater systems needs are \$7-\$11 billion over next 20 years\*
- Funding is limited at all levels of government
- What a community can support in rates varies across the state

(\*) Environmental Finance Center at the University of North Carolina's School of Government (EFC) evaluation of needs surveys



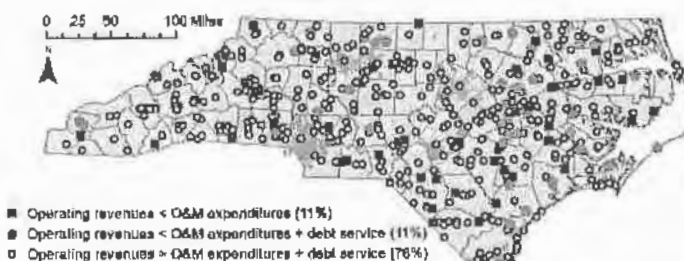
# Water Infrastructure Needs

NC LEAGUE  
OF MUNICIPALITIES

- Local government utility systems with financial need tend to be located in areas of the state that are seeing other issues

- Population and industry loss
- Health disparities

## Cost Recovery in 449 Local Government-Owned Water and Wastewater Utilities during FY2016



Analysis by the Environmental Finance Center at the UNC School of Government.  
O&M expenditures calculated as total operating expenses minus depreciation.  
Sources: FY2016 audited financial statement data compiled by the Local Government Commission. Geospatial locations are approximated by the EFC using secondary sources from NCDoneMap (NC Geographic Information Coordinating Council), NC Department of Environmental Quality, and primary sources.

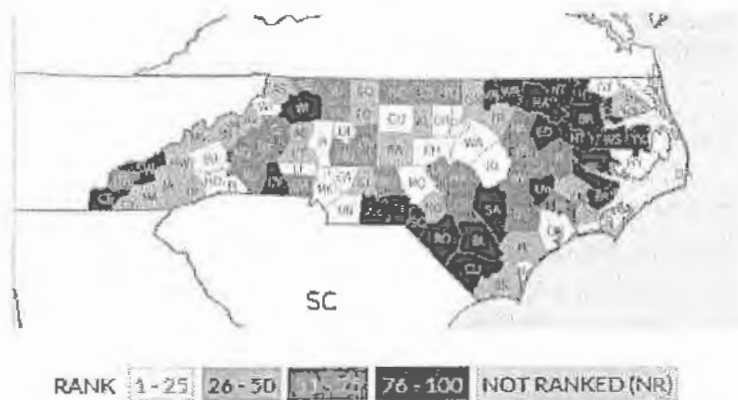
Population decline remains a challenge for many North Carolina counties. Thirty-four counties had fewer residents in 2017 than in 2016—all of these counties have fewer residents today than they did in 2010.

## 34 NC counties lost population between 2016 and 2017

Data Source: U.S. Census Bureau



## Overall Rankings in Health Outcomes ①

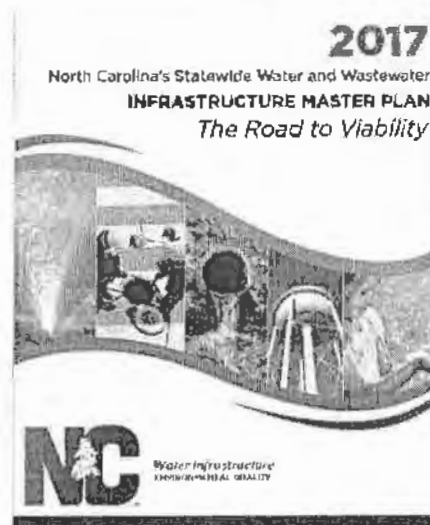


Source: Robert Wood Johnson Foundation (March 2018)

## Funding Infrastructure Needs

NC LEAGUE  
OF MUNICIPALITIES

- NCLM appreciates the funding the NCGA allocates to the programs implemented by the State Water Infrastructure Authority
- Including the decision to offer "Merger Regionalization and Feasibility" grants



## Regionalization



- Regionalization can lead to efficiencies, lower rates, better environmental compliance
- But success depends on many unique factors, such as:
  - State of repair for system infrastructure
  - Technical engineering compatibility of systems
  - Discharging river basins—Inter Basin Transfer (IBT) needed?
  - Current rates charged by each system involved
  - Ability of ratepayers to fund repairs and upgrades
  - Borrowing capacity of local government units
  - Availability of grant funding

## Municipal Operations Consultants



- NCLM now has four part-time Municipal Operations Consultant positions providing direct technical assistance to municipalities
- More than 100 years of combined experience in local government management, budget and finance between them
- Working directly with League members on financial and managerial issues, and connecting them with additional resources when appropriate

## Municipal Operations Consultants

NC LEAGUE  
OF MUNICIPALITIES

### NCLM Municipal Operations Field Territories



TERRITORY 1  
Bob Becht

TERRITORY 2  
Perry James

TERRITORY 3  
Harold Owen

TERRITORY 4  
Ann White

## Thank you

NC LEAGUE  
OF MUNICIPALITIES


**Rose Williams**

Associate Executive Director of Public and Government Affairs

[rwilliams@ncml.org](mailto:rwilliams@ncml.org)

919-715-2911





## County Water and Sewer Enterprises

**LRC to Study Rates and Transfers/Public Enterprises  
March 26, 2018**

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## NC Association of County Commissioners

Founded in 1908 to represent the interest of all NC counties and provide an avenue for county leaders to collaborate and advocate for county governance

**NCACC Vision**  
"Empowering 100 counties to work together for the betterment of one state."

**NCACC Mission Statement**  
"Our Association supports and promotes the well-being of all North Carolina counties through advocacy, education, research, and member services."

[www.ncacc.org](http://www.ncacc.org)

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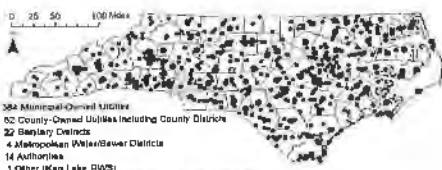
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## Water and Wastewater Utility Structure

**There are 487 Local Government-Owned Water and/or Wastewater Utilities  
Active as of January 2018**



- 384 Municipal-Owned Utilities
- 52 County-Owned Utilities including County Districts
- 32 Sanitary Districts
- 4 Metropolitan Water/Sewer Districts
- ▲ 14 Authorities
- ▼ 1 Other (Kane Lake RWS)

Anytime by the Environmental Resource Center at the UNC School of Government.  
Existing utilities not owned by local governments.  
Source: Data was consolidated by the ETC (Jan. 2018) updated with new information from the ETC Department of Environmental Quality Division of Water Resources (DWR), and North Carolina Government Commission. Geospatial locations are transmitted by the ETC using secondary sources from the USMap (US Geographic Information Commission). NC Department of Environmental Quality, and priority sources.

[www.ncacc.org](http://www.ncacc.org)

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## Water and Wastewater Utility Structure

62 County-Owned Utilities across all types\*

28 counties providing both water and wastewater utilities\*

29 counties providing water only\*

5 counties providing wastewater only\*

\*Source: EFC database and presentation to LRC on 7/12/18

\*Source: EFC Analysis of County Water and Sewer Utilities as of 2018

[www.ncacc.org](http://www.ncacc.org)

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## Harnett County Department of Public Utilities 2018: A Regional Snapshot

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*Partnering for the Future*


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## Harnett County Public Utilities Development

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- HCDPU was the first in NC to form a Metropolitan Water District to provide water to three Towns in the County.
- Has since developed nine County Water and Sewer Districts which included acquisition of privately owned well systems.
- Districts issued GO Bonds to finance the installation of systems. Infrastructure is leased from the districts by the County for operation by HCDPU.
- The County sells water to five contiguous Counties and/or Towns within those Counties.
- HCDPU has a 40 year contract to solely provide sewer treatment to Fort Bragg and to jointly provide water treatment with Fayetteville/PWC to the base.
- Cape Fear River is a tremendous resource providing a 7Q10 of 530 CFS or 345 MGD.
- HCDPU purchased the water and sewer utilities from the Town of Erwin in 2006 and currently is assessing similar mergers in the region.

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### Role of Regional Water Provider

- Provide water through contractual obligations (water purchase contracts) to the Towns of Angier, Coats and Lillington in Harnett County. The Town of Erwin's former system is owned by HCDPU.
- Provide water to the Towns of Fuquay-Varina and Holly Springs in Wake County. HCDPU also has retail customers in unincorporated areas of southern Wake.
- Provide water to the Towns of Spring Lake and Linden in Cumberland County. HCDPU also has approximately 1,000 retail customers in unincorporated areas of northern Cumberland county.
- Provide bulk water to the Counties of Johnston and Moore.
- Provide 1/2 of daily water supply (up to 8 MGD) to Fort Bragg.
- Provide water supply planning to help sustain region during droughts or other water emergencies.



Example of Triangle Water Supply Partnership Regional Water Planning.

Interconnections include: Raleigh, Durham, Cary, OWASA, Apex, Holly Springs, Johnston County and Fuquay-Varina.





### Role of Regional Wastewater Treatment Provider

- Provide wastewater treatment to the Town of Fuquay-Varina in Wake County.
- Provide bulk wastewater treatment to the Towns of Lillington and Angier in Harnett County. HCDPU owns the wastewater systems in the Towns of Erwin and Coats.
- Provide bulk wastewater treatment for Fort Bragg in Cumberland and Harnett Counties.

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### HCDPU Operational Statistics

- Approximately 43,000 water connections & 12,000 sewer
- 95% of County residents have access to public water
- 25% of County residents have access to public sewer
- 42 MGD water treatment capacity
- 22.5 MGD wastewater treatment capacity- 2 plants
- 1,442 miles of water mains
- 26 water tanks w/ 27 million gallons of storage
- 23 water booster stations w/ 81 MGD pumping capacity
- 387 miles of sanitary sewer
- 85 sewer lift stations

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### HCDPU Financial Statistics

- S&P Rating agency comments include:
- A lowly leveraged system/debt-to-equity ratio less than 23%
- Historically strong debt service coverage
- Strong cash/liquidity positions
- Willingness to adjust rates to maintain adequate margins while meeting cost of service requirements.
- A wide and continuously expanding service area.
- HCDPU has been well managed with a financial profile we consider strong and we expect it to remain strong.

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## HCDPU Size Comparisons

There are 62 County owned utilities in North Carolina. HCDPU is ranked as follows:

<u># of water/sewer customers</u>	<u>operating revenues</u>
1. Union County (43,000)	1. Union County (\$43m)
2. Harnett County (39,266)	2. Brunswick County (\$38m)
3. Brunswick County (33,770)	3. Harnett County (\$36m)
<u>Capital Assets net of debt</u>	
	1. Harnett County (\$323m)
	2. Brunswick County (\$303m)
	3. Union County (\$297m)

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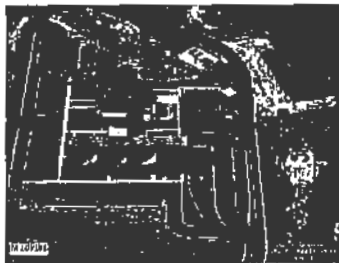
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Harnett County Public Utilities Business Center  
700 McKinney Pkwy  
Lillington, NC




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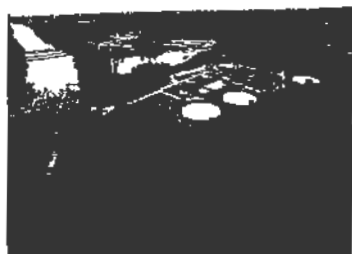
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Harnett County Regional Water  
Treatment Plant




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North Harnett Regional Wastewater  
Treatment Plant



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NHWWTP from SLS 20



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South Harnett Regional WWTP



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### Example of Fort Bragg Partnership

- Upgraded WTP to provide max day water capacity of 8 MGD to Ft Bragg. PWC will also provide an additional max day capacity of 8 MGD to Bragg.
- Transmission construction consisted of 21 miles of 30 & 24" water line and .5 miles of 36" line to connect with another 24" transmission from PWC. Also a 12 mgd booster pump station and a 5 MG ground storage tank.
- Total Harnett County cost of approximately \$41 million for water paid by DOD.
- Wastewater construction consisted of 10 mgd of capacity for Bragg in the South Harnett WWTP located on the Little River in Harnett County.
- A continuation of approximately 9.5 miles of 36" forcemain from Bragg to a 15 mgd influent pump station at the plant. Another 10 mgd pump station will be constructed just outside of the base property.
- Total Harnett County cost of approximately \$38 million for wastewater paid by DOD.
- Total Federal Investment in HCDPU of over \$80 million dollars. This is infrastructure that is owned by HCDPU and can be used to benefit the water and wastewater needs of our citizens.

*Partnering for the Future*

### Current Capital Projects

- Upgrade existing bio solids facilities at North Harnett Wastewater Treatment Plant in Lillington from a cost of approximately \$6 million.
- Construct 20 inch water transmission line to Lee County line from Lillington along Hwy 421 at a cost of approximately \$7 million.
- Construct 20 inch water transmission line along Hwy 87 to serve Western Harnett Industrial Park and new elementary school at a cost of \$1.5 million.

### Planned Capital Projects

- Automated Meter Upgrades Phases I & II at a cost of approximately \$6 million.
- Southwest PS & FM Upgrade along Hwy 87 at a cost of approximately \$7 million.
- Upgrade existing bio solids facilities at South Harnett Wastewater Treatment Plant near Spring Lake at a cost of approximately \$2 million.
- Wake County Water Transmission Upgrade at a cost of approximately \$8.5 million.



### Summary

- Voluntary regionalization can be an efficient and economic means to provide affordable drinking water and wastewater treatment to a growing region.
- Federal and State regulatory agencies are starting to recognize and promote regionalization among utilities.
- Regionalization requires extensive planning and cooperation with regulatory agencies and neighboring political jurisdictions.
- HCDPU is definitely a leading regional utility in central North Carolina and is planning on changing its name to Harnett Regional Water to more adequately reflect this position.

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**Thank You!**

Hugh Johnson  
Government Relations Coordinator  
hugh.johnson@ncacc.org  
(704) 756-0616

Steve Ward  
Harnett County Public Utilities Dept. Director  
sward@harnett.org

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## Committee to Study Rates and Transfers/Public Enterprises

March 26, 2018

### Regulated Water Industry Perspective:

Shannon Becker and Matthew Klein

National Association of Water Companies (NAWC):  
Southeast Chapter



*MOVING WATER FORWARD*



**Shannon Becker**

President,  
Aqua North Carolina, Inc.



**Carolina Water Service**  
of North Carolina™

**Matthew Klein**

President,  
Carolina Water Service Inc.,  
of North Carolina



National Association of Water Companies

## Regulated Water and Wastewater

Aqua and Carolina Water Service own and operate  
~900 drinking and wastewater systems in North Carolina



National Association of Water Companies

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## Overview

- Customer expectations for all water service providers
- Regulated water and wastewater services in North Carolina
  - o Economic Regulation vs. Environmental and Public Health Regulation
  - o Rate Setting
  - o Operational and Capital Requirements
- Water and wastewater aging infrastructure crisis
- Suggested policy changes to address the problem



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## High Customer Expectations for Water Services

- Only utility service physically ingested
- Must be “safe” regardless of cost
- Increasingly stringent water quality standards
- Increasing threats to water supply
- Service largely taken for granted
- High level of service at low cost



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## Challenges to Meeting Customer Expectations

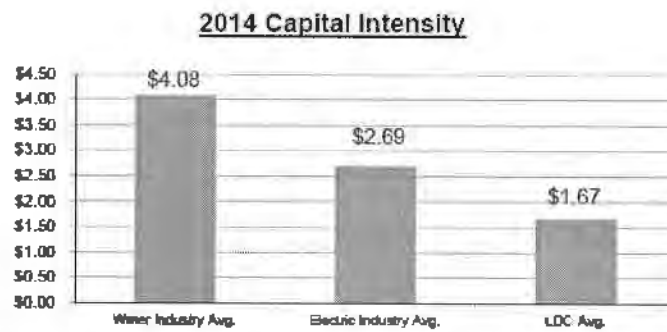
- Water and wastewater is the most capital-intensive utility
- There is a significant fixed cost that needs to be invested to provide reliable service
- Growth in North Carolina has demonstrated the need for more reliable sources of supply
- Water infrastructure often viewed as “out of sight and out of mind”
- Water rates may not reflect the true cost of service



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## Most Capital Intensive Utility

Capital Invested per \$1 of Revenue



Source: *ScottMadden* Management Consultants

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## Regulation of Water and Wastewater in North Carolina

- Environmental and Public Health
- Economic



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## Economic Regulation of Regulated Water Utilities

- Regulated by the North Carolina Utilities Commission
  - Regulates rates and service
- North Carolina Utilities Commission -- Public Staff
  - Represents the using and consuming public in North Carolina Utilities Commission proceedings



National Association of Water Companies

## Rate Setting for Regulated Water Utilities

- Rates set in a "Rate Case"
  - Judicial-type proceeding at the North Carolina Utilities Commission
  - Up to 300 day transparent process (filing to order)
- Utility base rates established pursuant to N.C. Gen. Stat. § 62-133
  - Must be **just and reasonable**
  - Based on the **cost of service**
- Future rates reflect historic investment (unlike governmental rate setting)



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## Oversight of Operational and Capital Expenditures

- Operating expenses are recovered in rates
  - Expenses are required to be reasonable and prudent
- Investments made are capitalized and included in rate base
  - Must be “used and useful”
- Utilities are allowed a rate of return on capital investments
  - Intended to pay back investors for their use of capital and associated risk



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## Impact of Regulatory Oversight

- Regulatory structure is designed to ensure the utility is operating effectively  
(e.g. prudent investments and expenses with rates reflecting cost of service)
- Approximately 40% of government water systems do not generate sufficient revenues from rates to meet operating and capital needs\*



\* Preliminary results of analysis of 149 utilities by the Environmental Finance Center at the UNC School of Government. Source: Ongoing 2017 NC Water and Wastewater Utility Management Survey

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## Summary of Regulated Water Providers

- **Business Enterprises**
  - Access to private markets for capital resources
  - Incentivized to operate and invest in water and wastewater systems prudently and efficiently
- **Operate ~900 of North Carolina's water systems**
  - It's the only thing we do
  - More than 100 years of experience
- **Highly regulated**
  - Transparent rate setting process
  - Required to operate and invest for the long-term benefit of customers



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## State of existing infrastructure



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## Infrastructure Challenges in North Carolina

- Infrastructure needs over next 20 years\*
  - Drinking Water systems = \$10-15 billion
  - Wastewater systems = \$7-11 billion
- Users pay the cost
  - Only ~7% of drinking water needs covered by grants\*\*
  - Only ~8% of wastewater needs covered by grants\*\*



\*Environmental Finance Center (EFC) at the University of North Carolina's School of Government evaluation of needs survey  
 \*\* State Water Infrastructure Authority, Department of Environmental Quality FY2017 and FY2018 funding sources for NC water and wastewater system

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## Suggested Policy Changes to Help Address Needs

- **H. 351**  
passed House 89-30
- **H. 752**  
passed House 118-0
- **H. 352**  
passed House 99-16



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## Legislation to Enable Acquisition of Systems

- “Fair Market Value” Legislation --- Capital and Expertise from Regulated Water Providers  
*“opening the door”*
- **H. 351 (Watford, Collins)** SB 339 (Meredith)
- Establishes an alternative process for determining the rate base value of a municipal water or wastewater system that is acquired by a regulated water utility.
  - Enables private capital to be used to help address water infrastructure needs
  - Monetizes a municipal asset that is difficult to operate and maintain
  - Adds to the local tax base
  - Treats regulated utilities similar to municipalities when acquiring water systems
- Passed House last session 89-30



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## How “Fair Value” Legislation Works

- **Voluntary** for municipalities
- Independent appraisals determine value paid to the municipality
- Safeguards for ratepayers



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## How Communities Can Improve Their Water Systems FAIR MARKET VALUE

**THE PROBLEMS**  
Municipalities Face:

As a result, many small and midsize utilities are choosing to sell their water systems to private water companies. But how do municipalities ensure they get a good deal for their assets?

**THE ANSWER IS FAIR MARKET VALUE LEGISLATION**

Fair Market Value (FMV) legislation establishes a transparent process for a state's Public Utility Commission to use to calculate a reasonable and fair value for a municipality's water system assets independent, third-party appraiser. Applying systems to be sold for FMV could result in solutions in the wake of a municipality's financial emergency. Selling water systems for FMV could result in solutions in the wake of a municipality's financial emergency. Selling water systems for FMV could result in solutions in the wake of a municipality's financial emergency.

**WHO BENEFITS?**

**MUNICIPALITIES**

Get a better deal for their water and sewer assets to drive a better financial outcome.

**REGULATED UTILITIES**

Receive clear and consistent rules to ensure a fair and equitable value.

**STAKEHOLDERS**

Ensure a fair and equitable value for the water and sewer assets.

**PROTECTED WATER & WASTE WATER SYSTEMS**

Ensure a fair and equitable value for the water and sewer assets.

**SUCCESS STORIES**

FMV has proven successful in:

**NAWC** With Fair Market Value, municipalities receive the funding they need to thrive and water systems receive the investment they need to survive.

## Legislation to Address Operational Efficiency

- Consumption Adjustments
- **H. 752 (Arp)**
- Establishes a process for the Commission to adjust rates up or down based on consumption fluctuations.
  - Consumption levels are difficult to set in a rate case
  - Commission could adjust rates up or down to reflect true consumption between rate cases
  - Tracks the same mechanism the Commission uses for natural gas
  - Passed House 118-0





## Legislation to Incentivize Investment

- “Future Test Period” Legislation --- Reduce Regulatory Lag and Save Ratepayers Money
- **H. 352 (Watford, Collins) SB 340 (Meredith)**
- Establishes an alternative test period for ratemaking in a rate case.
  - Reduces frequency of rate cases which saves ratepayers money
  - More accurately aligns rates with actual capital and operating needs
  - Reduces regulatory lag and encourages private investment
  - Similar to how municipalities set water rates
  - Passed House 99-16



National Association of Water Companies

## Thank you



**Shannon Becker**  
President,  
Aqua North Carolina, Inc.



**Carolina Water Service**  
of North Carolina™

**Matthew Klein**  
President,  
Carolina Water Service Inc.,  
of North Carolina



National Association of Water Companies





NAME OF MEETING:

Committee to Study Rates AND  
TRANSFERS/PUBLIC Enterprises

DATE:

3/26/18

PLEASE SIGN IN BELOW

NAME	FIRM OR AGENCY
MATTHEW KLEIN	CAROLINA WATER SERVICE, INC. OF NC
Shannon V. Becker	Aqua North Carolina, Inc.
Nathan Honaker	Public Sector Group
Doug Miskew	PSG
Danice Baum	TRANSFORM SERVICES
Hayden Bauguess	Electricities of NC
Peggy F. James	League of Municipalities
Harold Durand	League of Municipalities
Chris Nida	NCLM
Ann White	NCLM
Sarah Collins	NC LM
Rose Williams	NCLM
Erin Wynia	NCLM
BARRY EDWARDS	CATAWBA COUNTY
Chris Bauman	NCACC





**NAME OF MEETING:** Committee to Study Rates &  
TRANSFERS/PUBLIC ENTERPRISE

**DATE:** 3/26/18

PLEASE SIGN IN BELOW

NAME	FIRM OR AGENCY
Hugh Johnson	N/A
Steve Ward	Hernest County
Chandra Farmer	Johnston County
Jon Carr	NC Rural Water Assoc
Daniel Willis	" "
Angela Humphries	residence of Wake Co
Carr McLamb	Envicolink Inc.
Mary Beth Huber	Town of Cary
Jeff Hughes	VM EFC
Jennifer Haynie	NEDEQ - Dir Water Ins
Susanna Hailey	NC REALTORS
Cam Hanly	MVA
John Thompson	NONE



**Kimberly Neptune (Rep. Chuck McGrady)**

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**From:** Kimberly Neptune (Rep. Chuck McGrady)  
**Sent:** Thursday, April 26, 2018 11:03 AM  
**To:** Kimberly Neptune (Rep. Chuck McGrady)  
**Subject:** <NCGA> Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)  
Meeting Notice for Monday, April 30, 2018 at 1:30 PM - CANCELLED  
**Attachments:** Add Meeting to Calendar\_LINC\_.ics

**Cancelled Notice****NORTH CAROLINA GENERAL ASSEMBLY**

Raleigh, North Carolina 27601

**April 26, 2018**

**MEMORANDUM**

**TO:** Members, Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)  
**FROM:** Sen. Paul Newton, Co-Chair  
Rep. Chuck McGrady, Co-Chair  
**SUBJECT:** Meeting Notice

The **Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)** will **NOT** meet at the following time:

<b>DAY</b>	<b>DATE</b>	<b>TIME</b>	<b>LOCATION</b>
Monday	April 30, 2018	1:30 PM	643 LOB

Due to scheduling conflicts, this meeting will be postponed until after Session.

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting <http://www.ncleg.net/graphics/downtownmap.pdf>.

If you are unable to attend or have any questions concerning this meeting, please contact Kimberly Neptune at [mcgradyla@ncleg.net](mailto:mcgradyla@ncleg.net).

cc: Committee Record \_X\_  
Interested Parties \_X\_





## **Kimberly Neptune (Rep. Chuck McGrady)**

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**From:** Kimberly Neptune (Rep. Chuck McGrady)  
**Sent:** Tuesday, August 14, 2018 10:07 AM  
**To:** Kimberly Neptune (Rep. Chuck McGrady)  
**Subject:** <NCGA> Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)  
Meeting Notice for Wednesday, August 22, 2018 at 1:30 PM  
**Attachments:** Add Meeting to Calendar\_LINC\_ics

### **NORTH CAROLINA GENERAL ASSEMBLY**

Raleigh, North Carolina 27601

**August 14, 2018**

#### **MEMORANDUM**

**TO:** Members, Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)  
**FROM:** Sen. Paul Newton, Co-Chair  
Rep. Chuck McGrady, Co-Chair  
**SUBJECT:** Meeting Notice

The **Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)** will meet at the following time:

<b>DAY</b>	<b>DATE</b>	<b>TIME</b>	<b>LOCATION</b>
Wednesday	August 22, 2018	1:30 PM	643 LOB

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting <http://www.ncleg.net/graphics/downtownmap.pdf>.

If you are unable to attend or have any questions concerning this meeting, please contact Kimberly Neptune at [mcgradyla@ncleg.net](mailto:mcgradyla@ncleg.net).

cc: Committee Record X  
Interested Parties X



# Meeting of the Legislative Research Commission Committee to Study Rates and Transfers/Public Enterprises

## Agenda

Wednesday, August 22, 2018, 1:30 P.M.

Room 643 LOB

**Rep. Chuck McGrady, Presiding**

### **1. Regionalization and Cooperation Options**

- Overview
- Legal Framework, Tools, and Practices
  - i. Interlocal Agreements
  - ii. Creation of New Regional Entities
    - o Governance of Regional Utilities
- National Trends and Practices
- Barriers to Regionalization

Jeffrey Hughes and Norma Houston

*University of North Carolina School of Government*

### **2. Committee Discussion**

### **3. Adjourn**

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#### **House Members**

Rep. McGrady (Co-Chair)

Reps. Brawley, Ford, and Goodman

#### **Senate Members**

Sen. Newton (Co-Chair)

Sens. J. Davis, Smith, Tarte and Tucker





## **COMMITTEE TO STUDY RATES AND TRANSFERS/PUBLIC ENTERPRISES (LRC)**

**August 22, 2018**

**Room 643 of the Legislative Office Building**

The Committee to Study Rates and Transfers/Public Enterprises (LRC) met on Wednesday, August 22, 2018 at 1:30 PM. The meeting was held in Room 643 of the Legislative Office Building. Members present were: Chairman Paul Newton, Chairman Chuck McGrady, Representatives Carl Ford and Senator Jim Davis.

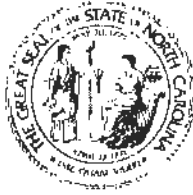
Representative McGrady presided. The meeting was called to order at 1:40 PM.

Representative McGrady recognized the Sergeants at Arms: Charles Marsalis, Becky Myrick, and Hal Roach from the Senate and from the House Warren Hawkins, Malachi McCullough, and Reggie Sills. Rep. McGrady thanked the members for their attendance and commitment. He explained the committee would not be taking specific action at this time but had been set up to look beyond the current situation for water and wastewater system regionalization and cooperative options and consider national trends and practices. A working group, consisting of the Treasurer's Department, Department of Environmental Quality, League of Municipalities, counties, and the private sector water and sewer providers, had been formed to put forth ideas and begin a dialogue to allow the committee to ensure financial responsibility and the provision of clean water to the citizens of North Carolina.

Representative McGrady then recognized Jeff Hughes of the Environmental Finance Center at the UNC School of Government and Norma Houston of the UNC School of Government to review regionalization and cooperation options for water, sewer and wastewater treatment providers (see Attachment 1). Mr. Hughes began by giving an overview of the driving forces behind previous regionalization or consolidation of water and wastewater service providers, followed by an overview of the various types of local government systems active across the state and the reasons behind the various types of systems. Mr. Hughes recognized Norma Houston to present information related to inter-local agreements as possible models of consolidation and the benefits and limitations of these models. Mr. Hughes concluded the presentation with observations of national trends in regionalization and some barriers observed in their research.

Representative McGrady thanked the presenters, complimenting them on the framework for understanding the diversity of ways North Carolina is currently dealing with water and sewer. He said the committee began with the premise that there may need to be a shift from every individual municipality or town providing water and sewer to determining what the state should





do to facilitate change to ensure water and sewer utilities are both financially and environmentally stable.

Representative McGrady asked if there were gaps they noticed in the law and were there incentives, positive or negative, the state should spend time looking into. Mr. Hughes responded that he believes there are definite incentives that could be added to the many programs North Carolina already has. He said whether the state plays a financial assistance role or advisory role, it would be prudent to examine the current statutes, looking at various models utilized in North Carolina and other states. He recommended looking at the sanitary model, in particular.

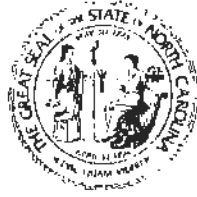
Senator Newton asked how the state could ensure that utilities do not go several years without properly maintaining infrastructure, as has been seen in the past. Mr. Hughes answered that North Carolina has sound financial oversight on infrastructure and although some local government practices have raised concern, there is tracking and review of financial information. They have found that audits do not always show the quality of assets and there is room for improvement for a team approach between environmental and financial entities to make customizable recommendations. Mr. Hughes said there may need to be changes that when grants are received for new infrastructure, there is a built in mechanism to ensure capital maintenance, as there have been some issues with grants received for new facilities without funding for ongoing maintenance.

Senator Newton followed up that he is thinking that in context, the goal should be to provide excellent water and sewer service to customers at the least cost, ensuring compliance with all environmental rules and regulations while remaining financially sound. Is there anything missing in this goal? Mr. Hughes responded that is a good summary but there are some local control issues in North Carolina that sometimes lead to missing some of the goals. He would recommend adopting this goal but also considering local autonomy and participation issues. Senator Newton asked whether the state should be looking at utilizing private sector partnerships to create better systems. Mr. Hughes responded that the private sector can be useful as a tool in some situations but will not help in some communities, due to its for-profit nature.

Senator Davis asked what the rationale for prohibiting inter-local agreements between local municipalities, state agencies, and private. Ms. Houston responded that it was written in 1971 and we are still operating in accordance with how it is written, although it could be amended to include other entities. Senator Davis followed with a question whether amending the statute to include these would be prudent. Ms. Houston answered that she believes anytime expanded opportunities for collaboration exists, it opens the door for sharing of services and resources. Mr. Hughes said the committee might want to consider private/public partnership options but, in his experience there are none specific to water/wastewater models in North Carolina, but may exist in other states. Ms. Houston suggested looking at the P3 (public private partnership) statute. There may be constitutional issues in conferring legal authority with various entities versus working in a service contract model.







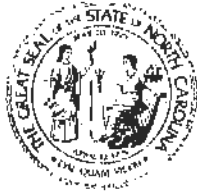
Representative Ford asked what should be done in a situation where a utility borrows funds from the enterprise system to start another type of utility then continues to increase water and sewer rates, but after several years still cannot provide services for annexed customers nor are they able to repay the loan. What can be done for the citizens? Mr. Hughes answered there are set protections for fiscal health not specific to water and wastewater utilities governance. A local government commission may be responsible for oversight of loan payments unless it is an internal loan.

Representative McGrady asked if someone from Local Government Commission could more fully answer Representative Ford's question. Greg Gaskins, Deputy Treasurer of the North Carolina Department of State Treasurer, acknowledged that he was familiar with the situation Representative Ford inquired about and the loan must be accounted for and repaid. In this particular case, the entity is repaying the loan and meeting the financial obligation so it is in compliance with the law but this may not address if they are properly charging in order to repay.

Representative Ford commented that in this instance, the citizens are not aware of the loan repayment and there is a situation where according to the statute, the annexed citizens should have been hooked up to water and sewer within five years but it has been more than twelve and they are still waiting. Community wells are failing and they are unwilling to invest in these as they are supposed to be receiving services per annexation agreement. In the meantime, the rates are continuing to increase. Mr. Gaskins responded that this particular set of issues is not related to the accounting repayment issue that is examined. Per the external records, the books and records shows they are repaying the loan according to plan; however, this does not mean that the entity is meeting the service requirements of the statutes and this is something not monitored. Mr. Hughes commented that this is indicative of the type of issues that show the complexities of one local government unit servicing another and could be candidate for inter-local agreement. One way to move forward is to look at best practices and realize that the assets owned by one unit servicing another can have limitations and inter-local agreements need to be clearly negotiated.

Representative McGrady said the committee was formed in part due to issues with municipal water systems expanding beyond their jurisdictions and setting differential rates and those outside the jurisdictional boundary having no recourse. For example in Henderson County there was a situation where 70% of the customers of a utility were outside the municipal boundary and had no recourse with the public utility commission or any vote in how the water system was being run. Another city nearby had 40% of its customers outside the jurisdictional boundary. Legislation was passed related to this local area to ensure no differential rates were imposed and to guide how funds allocated to the water system were used in relations to other utilities. Are models in place where the governance of those served outside the boundary have some say in how the water system decisions are being made? Mr. Hughes said the trend has been for true regional utilities taking over assets in other jurisdictions to move toward smaller differentials or equalization of rates. However there are other situations where systems have expanded and the differential is proportional to the actual cost of services beyond the jurisdiction or where an entity may be justified in differential due to owning the cost of loans and assets. Nationally the





cost of water has increased so significantly, the differentials are causing stress at the household levels. In North Carolina, other than Asheville, statutorily a municipality can legally charge higher rates to those outside the jurisdictional boundaries.

Representative McGrady followed up with an observation that local governments working cooperatively may have different goals. Is there a state role in dealing with the conflicts? Mr. Hughes commented that it can be difficult in finding a balance between water utility acting as public enterprise versus as a tool to guide economic growth. He encouraged that the state continue to look at individual circumstances and recognize that differential rates may be uncomfortable but necessary to keep operational costs in line.

Rep. McGrady asked whether local governments contracting with the private sector to build out water or sewer systems is common or an anomaly. Mr. Hughes responded that the private sector does play different roles in different regions of the state. The public sector partnerships are most often seen as the private sector utilized as an operating company. They are able to group a number of utilities geographically for limited management, while utilities maintain assets. Other examples of using the private sector as capital investors is not as likely in North Carolina due to the robust state and federal programs. He said he believes it is most likely that a partnership with private sector would most likely be a model to solve operational issues.

Representative McGrady thanked the presenters and reminded everyone that the working group heard in earlier committee hearings would continue to look at issues and bring specific ideas for the committee to review in next meeting.

There being no further business, the meeting adjourned at 3:15 PM.

A handwritten signature in black ink, appearing to read "Chuck McGrady", written over a horizontal line.

Representative Chuck McGrady  
Presiding

A handwritten signature in black ink, appearing to read "Kimberly Neptune", written over a horizontal line.

Kimberly Neptune  
Committee Clerk





## Topics

- Overview
- Legal framework, tools, and practices
  - Interlocal agreements
  - New entities (e.g. Authorities)
- Lessons from North Carolina (and beyond)

## Regionalization -- Many Drivers

- Efficiency
- Environmental factors
- Public health concerns
- Financial distress
- Customer rates
- Equality
- ....
- .....



UNC  
SCHOOL OF GOVERNMENT

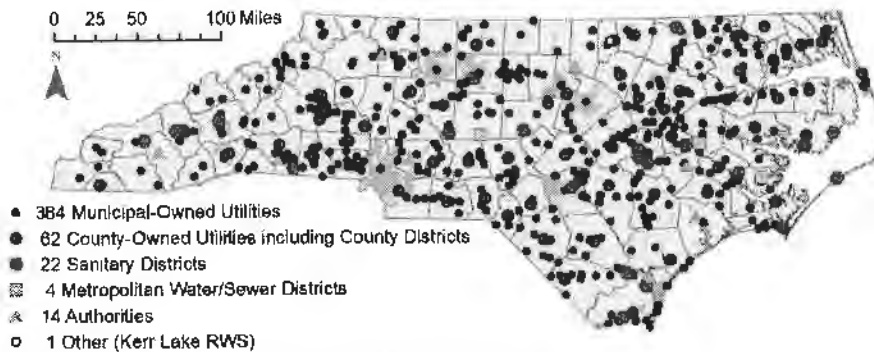
## Regionalization Water and Wastewater Service Provision Concepts

- Terms and models (cooperation, consolidation, regionalization, partnership....)
- Water and wastewater service
  - Relative cost of service
  - Number of providers
  - Feasibility of regionalization
- Treatment and Distribution/Collection services
- Wholesale and retail providers
- Asset ownership, utility management, and branding



UNC  
SCHOOL OF GOVERNMENT

## There are 487 Local Government-Owned Water and/or Wastewater Utilities Active as of January 2018



Analysis by the Environmental Finance Center at the UNC School of Government.

Excludes utilities not owned by local governments

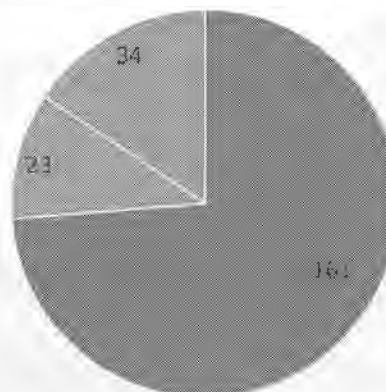
Source: Database maintained by the EFC (Jan. 2018) updated with new information from the NC Department of Environmental Quality Division of Water Resources (SDWIS), and the Local Government Commission. Geospatial locations are approximated by the EFC using secondary sources from NCOneMap (NC Geographic Information Coordinating Council), NC Department of Environmental Quality, and primary sources.



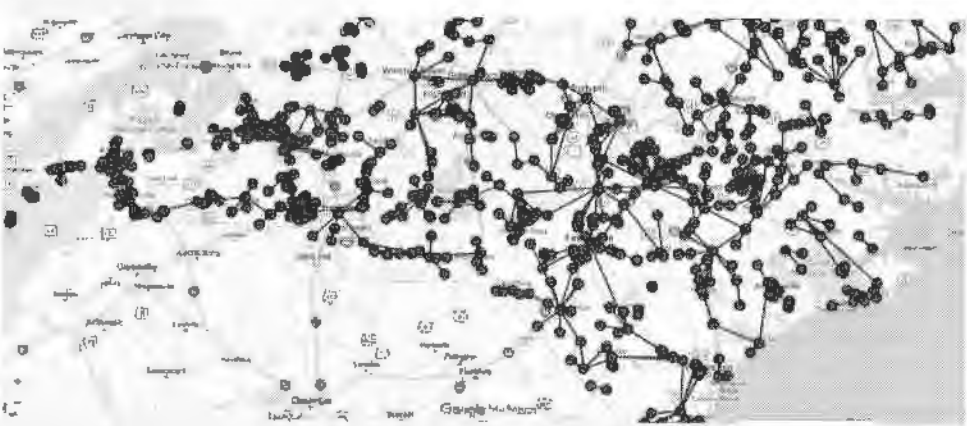
## Wastewater Service is Generally More Expensive than Water Service

2018

- Wastewater Bill More Than 5% Greater than Water Bill (>5%)
- Wastewater Bill More Than 5% Less than Water Bill (<-5%)



## Water Interconnections are Common



## Regionalization Water and Wastewater Service Provision Concepts

- Terms and models (cooperation, consolidation, regionalization, partnership...)
- Water and wastewater service
  - Relative cost of service
  - Number of providers
  - Feasibility of regionalization
- Treatment and Distribution/Collection services
- Wholesale and retail providers
- Asset ownership, utility management, and branding





## Principle Tools for Establishing More Regionalized Systems in NC

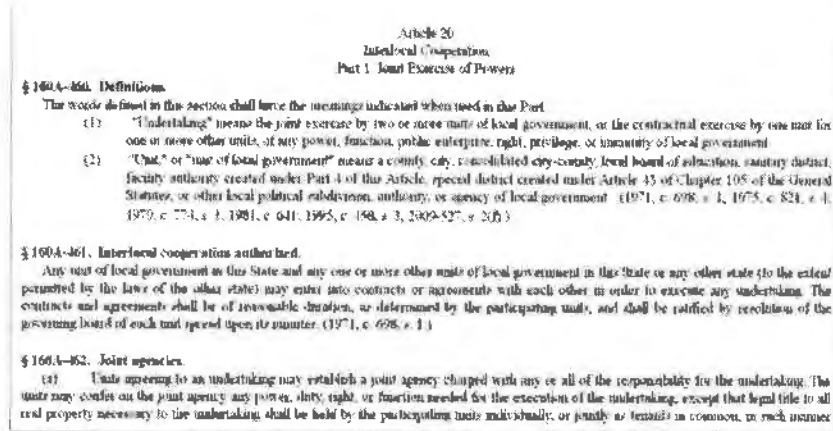
- Wholesale water/wastewater sales/purchase contracts (can be done through interlocal agreement)
  - Widespread across the state
- Interlocal agreements
  - Regional utilities (Charlotte Water, Two Rivers Water, Salisbury Rowan Utilities..)
- New local government entities
  - Water and Sewer Authority
  - Metropolitan Districts
  - Sanitary Districts



### INTERLOCAL AGREEMENTS



# Interlocal Agreements



## What is an Interlocal Agreement?

- Agreement between 2 or more political subdivisions
- In this state and other states
- To perform jointly or on behalf of each other
- Any "undertaking" the unit has the legal authority to perform
- Must be of "reasonable duration" (expenses and revenues agreements limited to 99 years)
- Board approval is required (by all boards that are parties to the agreement)

*G.S. Chapter 160A, Article 20*

## Examples

Tax Collection



Building Inspection



Water & Sewer



Grounds Maintenance



## Interlocal Agreement Limitations

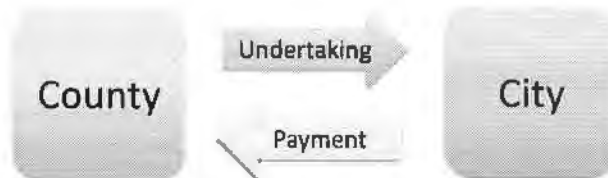
- Can only partner with other units of local government, not state agencies or private entities
- Can only exercise powers and authorities established elsewhere in existing law
- Does not supersede limitations imposed elsewhere in existing law



### 3 Forms of Cooperation

#### On Behalf of Another

Retain independent legal authorities and one unit performs the undertaking for another



### 3 Forms of Cooperation

#### Jointly

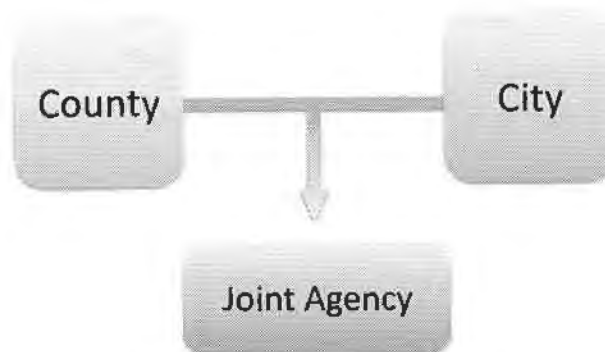
Retain independent legal authorities and agree to perform undertaking collaboratively



### 3 Forms of Cooperation

#### **Joint Agency**

Confer independent legal authorities on joint agency to perform undertaking



### Required Agreement Provisions

1. Purpose
2. Duration
3. If joint agency formed-  
composition,  
organization & powers
4. Personnel
5. Financing methods,  
including costs and  
revenues allocation
6. Real property  
ownership & disposal
7. Amendments
8. Termination
9. Other

G.S. 160A-464

## Joint Agencies

- \* Can confer to joint agency powers held by partner local governments
- \* Real property remains titled to individual local governments (or joint tenants in common)
- \* Officers and employees can be appointed by:
  - Joint agency
  - Jointly by all partner local governments
  - By one partner local government (employees work under contract with other partners)

*G.S. 160A-462, -463*



## Some Practical Considerations

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>* <b>Finances</b><ul style="list-style-type: none"><li>How are costs calculated?</li><li>When are payments due?</li><li>How will charges be modified?</li><li>How will rates be set and by whom?</li><li>How will debt be handled?</li></ul></li><li>* <b>Personnel/Governance</b><ul style="list-style-type: none"><li>What is the governance structure?</li><li>Who appoints/hires?</li><li>How will personnel costs be allocated?</li></ul></li></ul> | <ul style="list-style-type: none"><li>* <b>Contracts</b><ul style="list-style-type: none"><li>Who will write specs and award the contract?</li><li>Who enforces performance and handles contract disputes and termination?</li></ul></li><li>* <b>Accountability &amp; Risk</b><ul style="list-style-type: none"><li>Who monitors compliance?</li><li>Who assumes risk?</li></ul></li><li>* <b>Water/Sewer Governance, Rates, and Operations Issues</b></li></ul> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



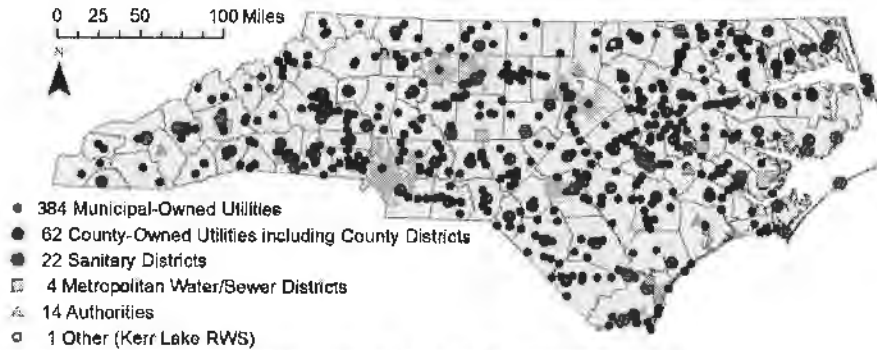
## CREATING A NEW REGIONAL ENTITIES



### Tools for Creating New Local Government Regional Utilities

- Water and Sewer Authorities (G.S. 162A, Art. 1)
- Sanitary Districts (G.S. 130 Art. 2. Part 2)
- Metropolitan Water Districts (G.S. 162A, Art.4)
- Metropolitan Sewerage Districts (G.S. 162A Art. 5)
- Not for profit cooperatives (not units of government)

## There are 487 Local Government-Owned Water and/or Wastewater Utilities Active as of January 2018



Analysis by the Environmental Finance Center at the UNC School of Government.

Excludes utilities not owned by local governments.

Source: Database maintained by the EFC (Jan. 2018) updated with new information from the NC Department of Environmental Quality Division of Water Resources (SDWIS), and the Local Government Commission. Geospatial locations are approximated by the EFC using secondary sources from NCDoneMap (NC Geographic Information Coordinating Council), NC Department of Environmental Quality, and primary sources.



## Water and Sewer Authorities

### Chapter 162A.

#### Water and Sewer Systems.

##### Article 1

#### Water and Sewer Authorities.

##### § 162A-1. Title.

This Article shall be known and may be cited as the "North Carolina Water and Sewer Authorities Act." (1955, c. 1195, s. 1; 1971, c. 892, s. 1.)

##### § 162A-2. Definitions.

As used in this Article the following words and terms shall have the following meanings, unless the context shall indicate another or different meaning or intent:

- (1) The word "authority" shall mean an authority created under the provisions of this Article or, if such authority shall be abolished, the board, body or commission succeeding to the principal functions thereof or to whom the powers given by this Article to the authority shall be given by law.
- (2) The word "Commission" shall mean the Environmental Management Commission.
- (3) The word "cost" as applied to a water system or a sewer system shall include the purchase price of any such system, the cost of construction, the cost of all labor and materials, machinery and equipment, the cost of improvements, the cost of all lands, property, rights, easements and franchises acquired,





## Examples of Retail Authorities in NC

Authority	Services	Board Size	Number of Utilities
Broad River Water Authority	Water	8	4
Cape Fear Public Utility Authority	Water and Wastewater	11	2
Onslow Water and Sewer Authority	Water and wastewater	8	6
Orange Water and Sewer Authority	Water and wastewater	9	3
South Granville Water and Sewer Authority	Water and Wastewater	7	4

## Examples of Wholesale Authorities in NC

Authority	Services	Board Size	Number of Utilities/ entites
Cabarrus County Water and Sewer Authority	Primarily wastewater	9	5
Lower Cape Fear Water and Sewer Authority	Untreated water	14	6
Martin County Regional Water and Sewer Authority	Treated Water	6	2
Neuse Regional Water and Sewer Authority	Treated Water	15	8

## Governance of Regional Utilities

- **Governing body structure**
  - Elected
  - Appointed governance body
  - Appointed advisory body
- **Rate setting**
  - Annual adjustments
  - Service area and customer class rates
- **Capital investment decisions**
- **Service extension policies and decisions**
- **General utility and customer policies**



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## Governance of Regional Utilities

- **Authority Board**
  - Appointed by member utilities
  - Established in by-laws
  - Wide range of practices
  - Elected officials vs. staff vs. general public
  - Number of seats
- **Sanitary District Boards**
  - Generally elected
  - Number of members
- **Interlocal Agreement Governance Provision**
  - Advisory Boards



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## National Trends and Practices

- ▣ Funding incentives for regionalization
  - Planning assistance
  - Preferential project funding terms
- ▣ New and/or expanded organizational options
- ▣ Increased justification requirements for new small independent systems and projects that hinder regionalization (e.g. new treatment plant)
- ▣ “Mandatory” measures and interventions
  - Triggered by concern over public health or fiscal condition
  - Receiverships
  - Consolidation
  - Combined with funding/incentives



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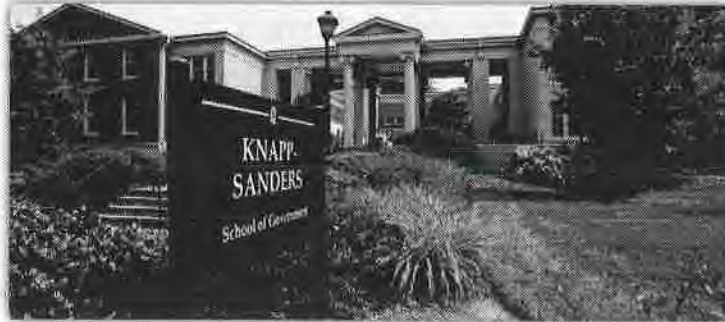
## Barriers to Regionalization

- ▣ Insufficient benefits
- ▣ Local control and identity
- ▣ Status quo
  - Existing assets
  - Existing rate structures
- ▣ Planning and implementation costs
- ▣ Institutional models and options
- ▣ INCENTIVES!?
- ▣ .....
- ▣ .....



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## Questions?



**Norma Houston**  
UNC School of Government  
(919) 843-8930  
[nhouston@sog.unc.edu](mailto:nhouston@sog.unc.edu)

**Jeff Hughes**  
Environmental Finance Center  
UNC School of Government  
(919) 843-4956  
[jhughes@sog.unc.edu](mailto:jhughes@sog.unc.edu)



**JOINT COMMITTEE  
TO  
STUDY RATES AND TRANSFERS/PUBLIC  
ENTERPRISES (LRC) 2017  
August 22, 2018  
1:30 PM**

**House Sergeant-at-Arms**

**Warren Hawkins  
Malachi McCullough  
Reggie Sills**

**Senate Sergeant-at-Arms**

**Charles Marsalis  
Becky Myrick  
Hal Roach**



## SPEAKER REGISTRATION SHEET

Name of Committee To Study Rates & Transfers Public Enterprises Date 8/22/2018

[illegible]





# VISITOR REGISTRATION SHEET

## Joint LRC Committee to Study Rates and Transfers

DATE: 8-27-2018

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO  
COMMITTEE ASSISTANT

<u>NAME</u>	<u>FIRM OR AGENCY AND ADDRESS</u>
William Isenhour	Johnston Allison Hardy P.A. 1005 E Merchants St, Charlotte, NC 28202
Michael Wilson	Water & Sewer Authority of Graham Co. 252 Davidson Hwy Concord, NC 28227
Sharon Edmundson	NC Dept of State Treasurer
Cindy Aiken	NC Dept of State Treasurer
Greg Gastings	NC state Treasurer's Office
Chris Schill	Dept of State Treasurer
Kim Colson	NC DEQ
SHADI ESKAF	SCHOOL OF GOVERNMENT (EFC)
Austin Thompson	SCHOOL OF GOV (EFC)
Tim Bulowins	McKim & Creed - Raleigh
Jennifer Haynie	NC DEQ
Doug Bean	Rafelery
Ty Ford	MWC
Sarah Patterson	Williams Miller
Doug Moskum	PSG
Mick Dr	
John Caruso	ALCORS



## VISITOR REGISTRATION SHEET

### **Joint LRC Committee to Study Rates and Transfers**

DATE: 8-22-2018

**VISITORS: PLEASE SIGN IN BELOW AND RETURN TO  
COMMITTEE ASSISTANT**

<u>NAME</u>	<u>FIRM OR AGENCY AND ADDRESS</u>
Derrick Hunter	Sen. Dan Blue Office
Asia A. Skyles	" "
Jennifer Alford	City of Raleigh
Stephen Balmer	City of Raleigh
Amarin Dorson	LTS
Steve Wall	UNC
Ken Metton	K M. A
Jessica Leggett	NCDEQ - DWI
Francine Durso	NCDEQ - DWI
Andy Miller	PG&E
Jack Cozart	NSS
Judith Bone	Bone Assoc.
Daniel Baum	Thompson Subsea



## VISITOR REGISTRATION SHEET

### **Joint LRC Committee to Study Rates and Transfers**

DATE: 8-22-2018

**VISITORS: PLEASE SIGN IN BELOW AND RETURN TO  
COMMITTEE ASSISTANT**

<u>NAME</u>	<u>FIRM OR AGENCY AND ADDRESS</u>
Will Morgan	MFS
High Johnson	NACC
J Goodman	CCC
Erin Wynia	NCLM
Sarah Collins	NCLM
Carl McLamb	Enviro link
Cayton Hendy	MVA
Ben Burke	ALC



**Kimberly Neptune (Rep. Chuck McGrady)**

---

**From:** Justus Cochran (Sen. Paul Newton)  
**Sent:** Tuesday, August 28, 2018 02:05 PM  
**To:** Justus Cochran (Sen. Paul Newton)  
**Subject:** <NCGA> Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)  
Meeting Notice for Wednesday, September 26, 2018 at 1:30 PM  
**Attachments:** Add Meeting to Calendar\_LINC\_ics

**NORTH CAROLINA GENERAL ASSEMBLY**

Raleigh, North Carolina 27601

**August 28, 2018**

**MEMORANDUM**

**TO:** Members, Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)  
**FROM:** Sen. Paul Newton, Co-Chair  
Rep. Chuck McGrady, Co-Chair  
**SUBJECT:** Meeting Notice

The **Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)** will meet at the following time:

<b>DAY</b>	<b>DATE</b>	<b>TIME</b>	<b>LOCATION</b>
Wednesday	September 26, 2018	1:30 PM	643 LOB

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting <http://www.ncleg.net/graphics/downtownmap.pdf>.

If you are unable to attend or have any questions concerning this meeting, please contact Justus Cochran at [newtonpla@ncleg.net](mailto:newtonpla@ncleg.net).

cc: Committee Record ☒  
Interested Parties ☒





# **Meeting of the Legislative Research Commission Committee to Study Rates and Transfers/Public Enterprises**

## **Agenda**

Wednesday, September 26, 2018, 1:30 P.M.  
Room 643 LOB

**Sen. Paul Newton, Presiding**

### **1. Proposed Solutions to Financial and Infrastructure Issues**

*North Carolina Department of State Treasurer  
North Carolina Department of Environmental Quality*

### **2. Committee Discussion**

### **3. Public Comments**

### **4. Adjourn**

---

#### **House Members**

Rep. McGrady (Co-Chair)  
Reps. Brawley, Ford, and Goodman

#### **Senate Members**

Sen. Newton (Co-Chair)  
Sens. J. Davis, Smith, Tarte and Tucker

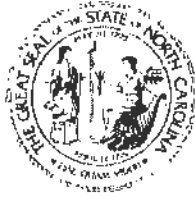


## ATTENDANCE

**Committee:** Committee to Study Rates and Transfers/Public Enterprises (LRC)

[illegible]





## **COMMITTEE TO STUDY RATES AND TRANSFERS/PUBLIC ENTERPRISES (LRC)(2017)**

**September 26, 2018**

**Room 643 of the Legislative Office Building**

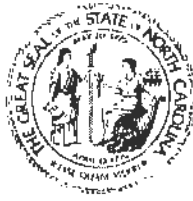
The Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017) met on Wednesday, September 26, 2018 at 1:30 PM. The meeting was held in Room 643 of the Legislative Office Building. Members present were: Chairman Paul Newton, Chairman Chuck McGrady, Senator Jim Davis, Senator Erica Smith, Representative Carl Ford, and Representative Ken Goodman.

Senator Paul Newton presided. The meeting was called to order at 1:35 PM

Senator Newton recognized the Sergeants at Arms: Billy Fritscher and Hal Roach from the Senate and Terry McCraw, Bill Bass, and Jim Moran from the House. Senator Newton outlined the committee agenda consisting of presentations from the Department of State Treasurer and the Department of Environmental Quality (DEQ). He explained how the committee is continuing to look into the issue of water and sewer infrastructure across the state. Specifically, to understand the weaknesses in water and sewer infrastructure to avoid any unforeseen surprises. Senator Newton recognized the working group, consisting of the Treasurer's Department, DEQ, League of Municipalities, counties, and the private sector water and sewer providers which has been working together to develop solutions to issues of water and sewer infrastructure.

Senator Newton then recognized Kim Colson, Division Director of the Division of Water Infrastructure in DEQ, to present on North Carolina's Statewide Water and Wastewater Infrastructure Master Plan. The plan is focused on establishing viable utilities, which is one that functions as a long-term, self-sufficient business enterprise. He mentioned that DEQ has been working with the Local Government Commission and the Environmental Finance Center at the School of Government and pooling their data together. To outline challenges faced by smaller and more rural systems, Mr. Colson referenced "Density" charts for water system and sewer system customers in North Carolina. Mr. Colson then outlined water and sewer utility operating margins. The chart showed that systems with higher populations were less likely to have a negative operating margin. He then reviewed data from the town of Fair Bluff to show the effect of Hurricane Matthew on a smaller system. Mr. Colson then moved to data from the five connected towns of Fairmont, Fair Bluff, Cerro Gordo, Boardman, and Proctorville. Mr. Colson outlined how regionalization paired with grant money could reset that utility. He then moved on to possible solutions for discussion purposes. These included grant funds, the utilization of state





reserves, estimates of needed funding, targeting utilities with viability issues, and establishing grant conditions.

Representative Goodman was interested in Fair Bluff, he asked if there was a point where resetting the utility was simply not worth it. Mr. Colson admitted that decentralization, such as septic tanks and wells, is sometimes needed. He did say that there were opportunities for Fair Bluff to become viable. Senator Smith asked about the structure of regionalization plans. Mr. Colson answered that it was a case-by-case basis and that there was no one-size-fits-all solution. Senator Smith then asked why his presentation included grant conditions for new utilities when regionalization seemed like the best option for countering falling populations. Mr. Colson answered that if five towns came together they would be creating a new utility that was subject to oversight conditions.

Representative McGrady observed that most problems were in the East and asked if mountain systems experienced the same issues. Mr. Colson said they view this more as a rural issue than a regional issue. Representative McGrady then asked for an estimate on costs to fix systems statewide. Mr. Colson stated that every situation was unique. He commented that the five connected towns example was on the upper end of expected costs but explained that was for 10 years of capital needs. He estimated that \$30-50 million a year would be sufficient for 4-5 systems a year. Senator Davis asked again for an estimate on the total cost statewide. Mr. Colson said the \$30-50 million was for the whole state. Senator Davis went on to mention a water system in his district that he believed was mismanaged and asked if past practices would play into the rating of viability by the Local Government Commission. Mr. Colson said he did not believe they would punish systems for past practices.

Senator Newton thanked Kim Colson and recognized Edgar Starnes from the Department of State Treasurer for his presentation. Mr. Starnes began by speaking on a conversation he had with Representative McGrady concerning differential charges for customers living outside of city limits. Mr. Starnes commented that this was a statewide issue. He stated the Local Government Commission allows differential charges as long as the difference is based on the extra cost of serving those individuals. He then went on to address systems that were damaged by the recent Hurricane Florence and addressed a handout. Mr. Starnes then commented on how the rural utilities were struggling far more when compared to urban utilities. This was due to the falling population and loss of commercial customers. This leads to a larger cost being levied on fewer customers. Furthermore, NC has lost native industries such as tobacco, textiles, furniture and small manufacturing.

Mr. Starnes referenced a map of the 487 local government owned water and/or wastewater utilities. The next map showed the systems on a color coded rating scale showing that struggling systems were spread across the state. He then showed a map based on the LGC's unit assistance list. This map showed how many systems required assistance by county. The next two maps zoomed in on areas where regionalization was a possible solution to failing systems in the area.







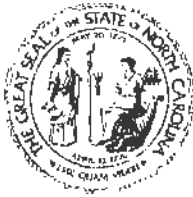
He mentioned how damaging Hurricane Matthew was and stated, with the damage from Hurricane Florence, that we cannot kick the can down the road. Mr. Starnes commented on how Goldsboro was willing to help in regionalization efforts but that state money would be required so that Goldsboro would not be taking on an undue burden. Mr. Starnes went on to outline potential legislative/administrative items.

Senator Newton thanked Mr. Starnes and opened the floor up to questions. Representative McGrady asked if the Treasury was supportive of DEQ funding proposals. Mr. Starnes said yes and mentioned Representative McGrady's question on statewide cost saying the cost would be at least \$100 million. Representative McGrady then moved on to asking about the historic charter proposal which would allow towns to retain their identity while not being responsible for collecting taxes. He asked if it has been used before to which Mr. Starnes said it has not in North Carolina and that they could not find another state that does something exactly like this. Representative McGrady stated that he liked the concept and urged Mr. Starnes to speak to the League of Municipalities. Mr. Starnes went on to say the historic charter is not something they want to force on a town but want willing participants. Senator Smith asked if Mr. Starnes was including incentives in order to attract larger cities to agree to regionalization. Mr. Starnes stated that the incentives were necessary in order to bring larger cities to the table; he used Lumberton and Goldsboro asking for incentives as examples. Senator Smith followed-up by asking how they came up with the troubled counties list. Mr. Starnes said them being labeled as troubled involved many other factors other than water and sewer systems.

Senator Newton addressed the timeline of the committee, asking Mr. Starnes when he believes they will have solutions. Mr. Starnes stated he hopes to have a set of proposed solutions sometime in December of 2018. Senator Newton thanked Mr. Starnes for his presentation and then opened up the floor to public comments.

Tim Minton, Director of Government Affairs with the NC Homebuilders Association, spoke on the cost of infrastructure and talk of mandatory connections. He stated that costs in rural communities may be prohibitive. He mentioned Ahoski, NC who just waived their \$5,000 per lot capacity fee to spur economic development. Hugh Johnson, Government Relations Coordinator with the NC Association of County Commissioners, said his organization was thankful for being included in this work. He mentioned that these issues have been compounded by recent disasters. He brought up the March meeting in which regionalization options were discussed. He commented on the extensive planning required for regionalization and encouraged the committee to continue their work on incentives for regionalization. Al Chesson, Mayor Pro-Tem of the Town of Williamson, spoke on the debt payments their town have to make due to a mandate and commented on how their town is unable to take on other projects due to these payments. David Bone, County Manager of Martin County and Chairman of the Martin County Water and Sewer Regional Authority, commented that he appreciates the work the committee has been doing. He recognized their systems are on the unit assistance list. He spoke on issues Martin County water systems have faced.





Senator Newton recognized that was the last of the public comments. Senator Smith asked that documents from the Martin County commenters be added to the committee record. Senator Newton thanked everyone for their interest and attendance.

There being no further business, the meeting adjourned at 2:55 PM.

A handwritten signature in black ink, appearing to read "Paul Newton", is written over a horizontal line.

Senator Paul Newton  
Presiding

A handwritten signature in black ink, appearing to read "Justus Cochran", is written over a horizontal line.

Justus Cochran, Committee Clerk



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

OFFICE OF THE STATE TREASURER  
DALE R. FOWELL, CPA

## STATE AND LOCAL GOVERNMENT FINANCE DIVISION

### *Potential Legislative/Administrative Items*

### 2019



State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOWELL, CPA  
*Dale R. Fowell, CPA*

## *Hypothesis and Why Chart?*

Based on our review of data and experience we have developed this hypothesis.  
“The fundamental reason municipal utilities have financial problems is they no longer generate enough revenue to properly manage their resources and operations.”

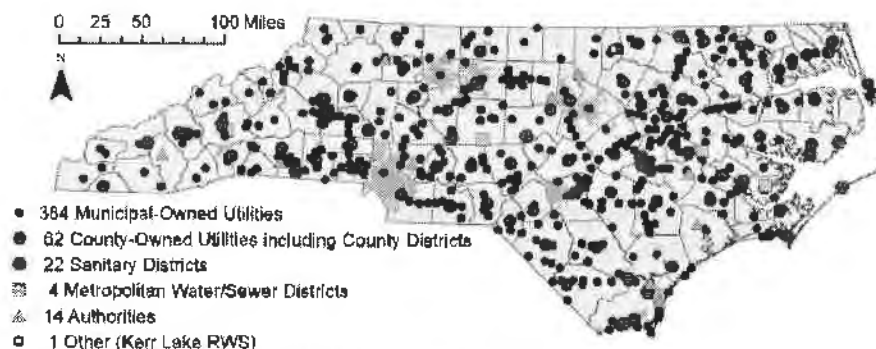
*Why?* The economic circumstances of these utilities’ customer base has changed such that rates can not be set high enough to generate sufficient revenue.

*Why?* The target utilities are small and serve areas that are economically stagnant and have lost commercial and residential customers that used to better support operations, maintenance and reserves.

## *Hypothesis and Why Chart? (continued)*

**Why?** The State's economy has changed and we have lost native industries like tobacco, textiles, furniture and small manufacturing so there are less of businesses and fewer people to serve. Plus, we have jobs available in metropolitan areas where people are going so older people on fixed income are a higher percentage of the rural service base.

### **There are 487 Local Government-Owned Water and/or Wastewater Utilities Active as of January 2018**



Analysis by the Environmental Finance Center at the UNC School of Government.

Excludes utilities not owned by local governments.

Source: Database maintained by the EFC (Jan. 2018) updated with new information from the NC Department of Environmental Quality Division of Water Resources (SDWRS), and the Local Government Commission. Geospatial locations are approximated by the EFC using secondary sources from NCOneMap (NC Geographic Information Coordinating Council), NC Department of Environmental Quality, and primary sources.

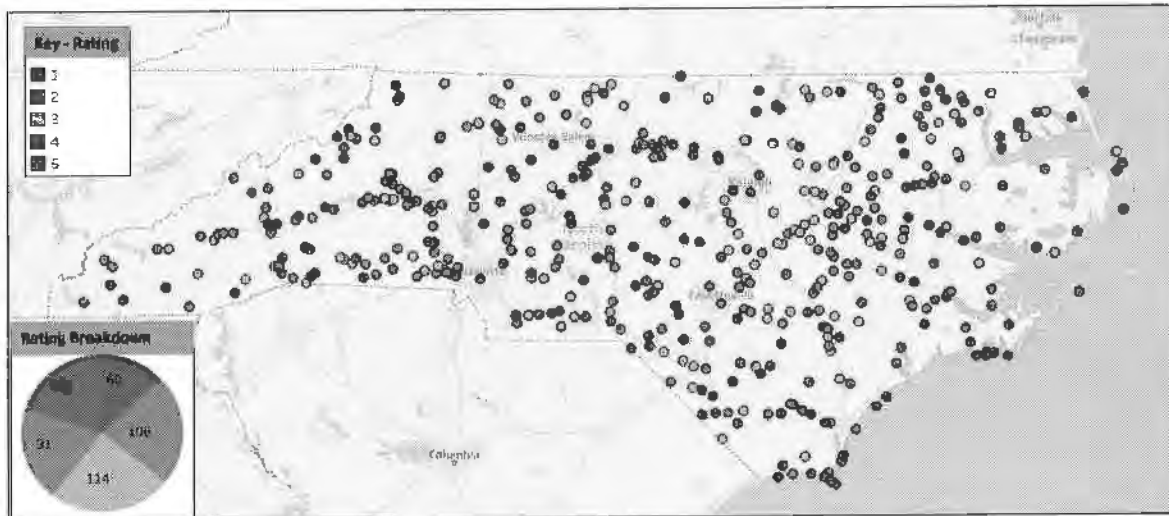


NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

## NC Water and Sewer Relative Financial Strength Ratings Map



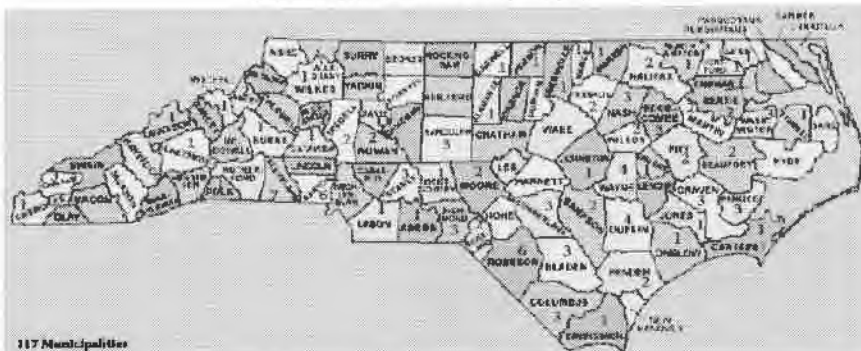
NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

### North Carolina Local Government Units Currently on Unit Assistance List

Based on Audited Financial Statements as of June 30, 2016



117 Municipalities

Troubled Counties (13):  
Anson  
Edgecombe  
Greene  
Hoke  
Hyde

Martin  
Northampton  
Robeson  
Scotland  
Tyrrell

Watauga  
Warren  
Washington

117 Municipalities

- 42 have severely financially troubled water and/or sewer systems

8/01/17

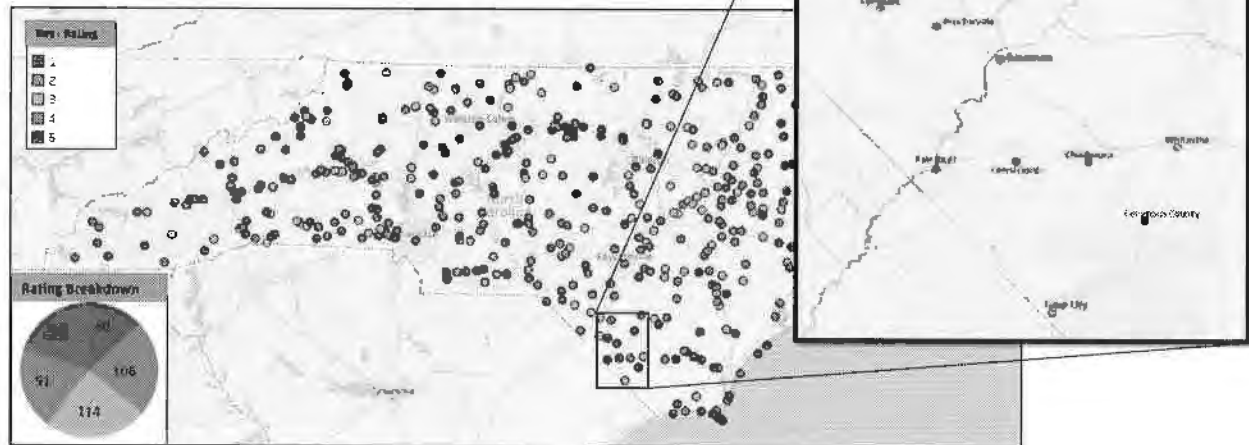


NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

## NC Water and Sewer Relative Financial Strength Ratings Map

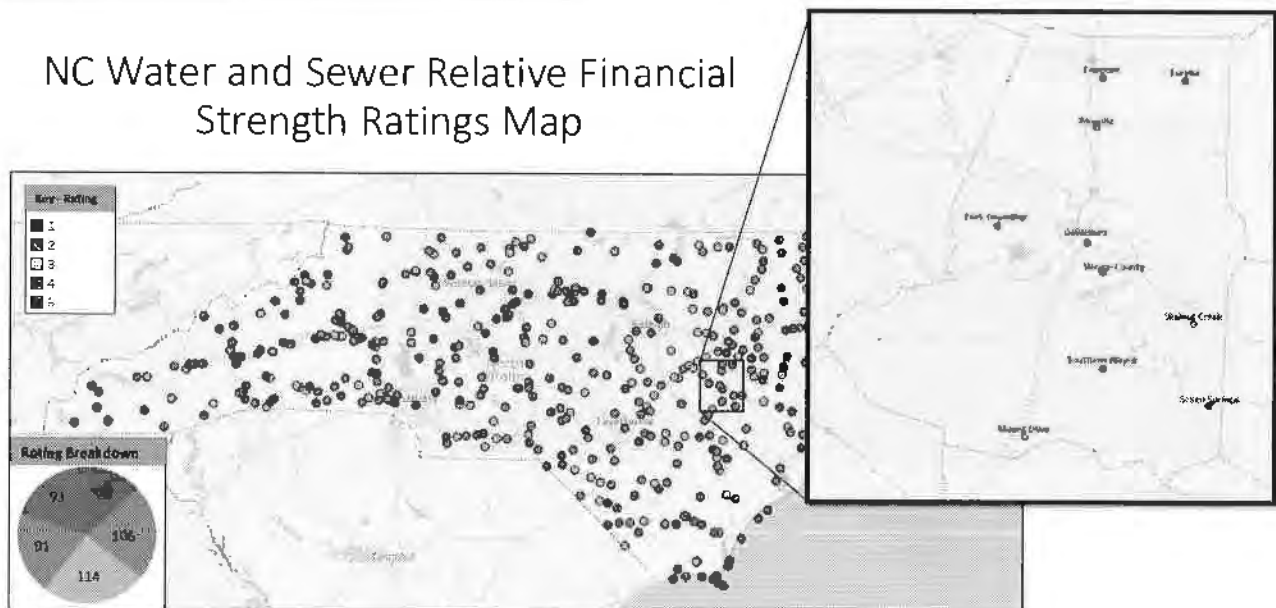


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DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

## NC Water and Sewer Relative Financial Strength Ratings Map







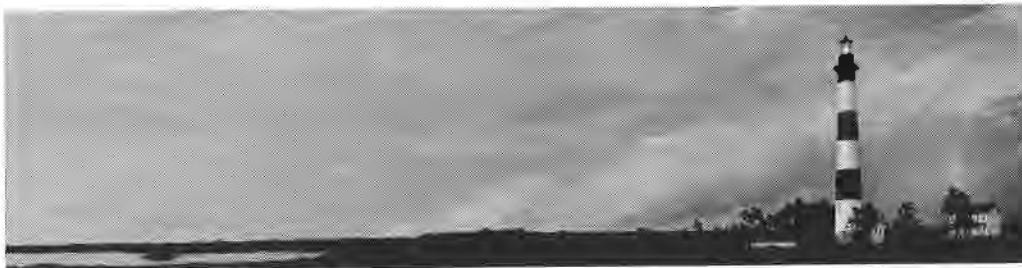
State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

## *Potential Legislative/Administrative Items*

1. Require any municipality on the Unit Assistance List that cannot satisfactorily respond to a Unit Assistance List Letter to have a merger/management assessment.
2. If DEQ identifies grant and loan money for merger/management consolidation, create a process by which subject municipalities can be identified and create a trigger mechanism for UAL units to participate. (This would involve action by both the SWIA Board and the LGC.)
3. If DEQ gets grant **conditions** to require recipients to maintain minimum operations, maintenance and reserves, LGC would adopt rules to support this activity.
4. Create a "Historic Charter" process where the LGC can recommend to the General Assembly that a city, town or village that is struggling financially be converted to historic charter where they would be a town but their finances would be managed by a County or larger city.





September 26, 2018

*Committee to Study Rates and Transfers/Public Enterprises*

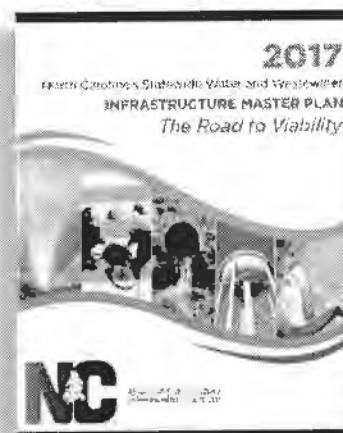
*Department of Environmental Quality  
Division of Water Infrastructure*



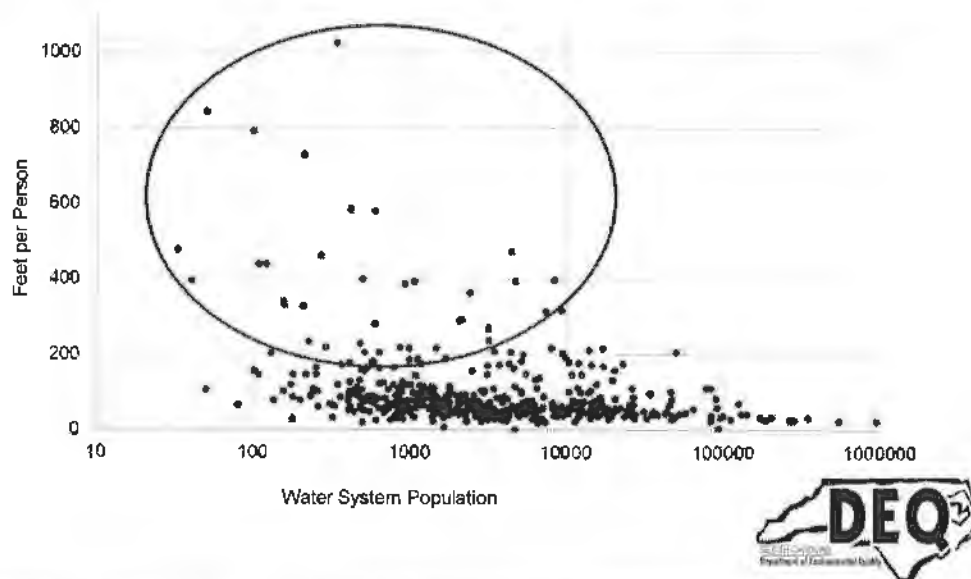
*SWIA Master Plan Vision*

The state will best be able to meet its water infrastructure needs by ensuring individual utilities are, or are on a path to be, viable systems

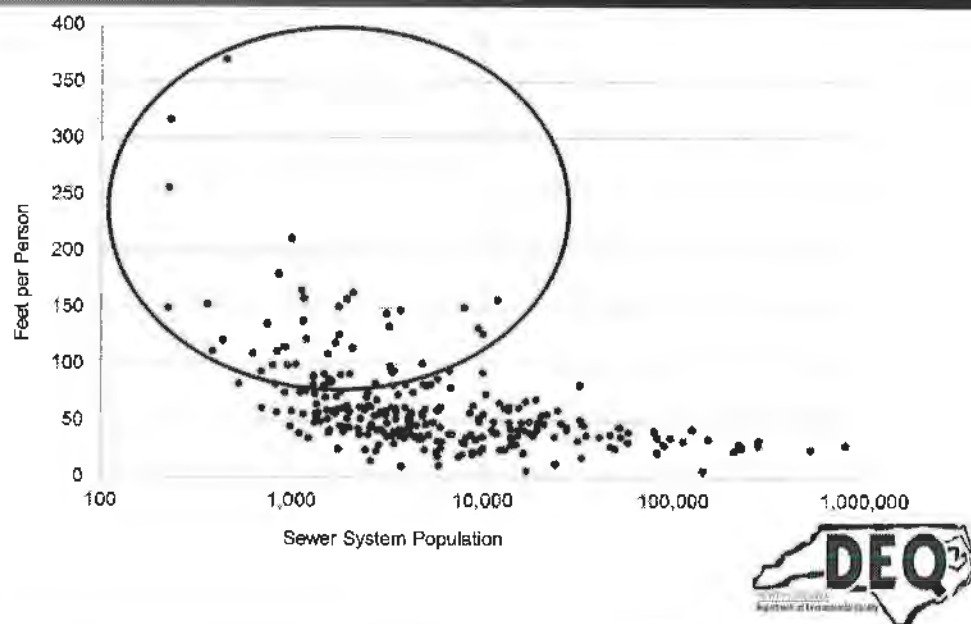
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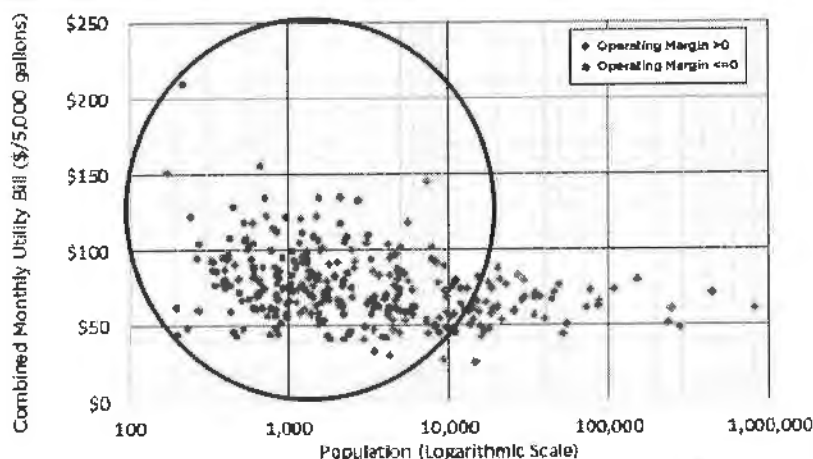
### *Water System Customer "Density" in NC*



### *Sewer System Customer "Density" in NC*

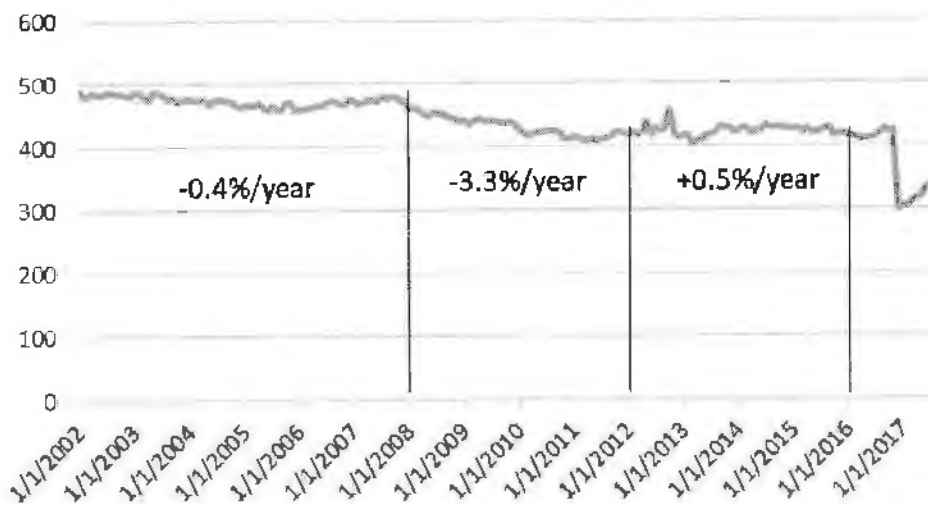


## NC Water & Sewer Utility Operating Margins



## Utility Evaluation – Fair Bluff

### Active Sewer Customers in Fair Bluff



### *Five Connected Towns -- Current Sewer Revenue*

Town	Customers	Current Residential Sewer Bill for 3,500 gal/ month	Sewer Billed FY 2016-17
Fairmont	1,102	\$28.87	\$453,000
Fair Bluff	374	\$45.53	\$307,000
Cerro Gordo	11	\$32.02	\$27,000
Boardman	40	\$33.25	\$22,000
Proctorville	59	\$30.00	\$18,000
<b>Total Sewer Billed FY 2016-17</b>			<b>\$857,000</b>



### *Five Connected Towns -- Needed Sewer Revenue*

Town	Preliminary Estimated Range of Capital Costs		Preliminary Estimated Range of <u>Annual</u> O & M Costs	
	Next 1-5 Years	Next 6-20 Years	Next 1-5 Years	Next 6-20 Years
Fairmont	\$10 - \$18 M	\$23 - \$25 M	\$1.2 - \$1.3 M	\$1.4 - \$2.2 M
Fair Bluff	\$3 - \$4 M	\$5 - \$7 M	\$560 - \$600 K	\$620 - \$990 K
Cerro Gordo	\$0.7 - \$1.6 M	\$1 - \$2.4 M	\$120 - \$130 K	\$140 - \$220 K
Boardman	\$0.3 - \$0.7 M	\$0.3 - \$0.4 M	\$72 - \$82 K	\$84 - \$130 K
Proctorville	\$0.4 - \$1 M	\$0.4 - \$0.8 M	\$80 - \$81 K	\$84 - \$146 K





## Five Connected Towns – Long-term Solutions

### Monthly Sewer Bills Comparison at 3,500 gal/month – In Year 1

Town	Towns Continue Current Practices with Upgraded Systems (Paid for by Towns)	New Integrated Sewer Utility (Possible 100% assistance with capital costs Years 1-10)	Wastewater System Merger with Lumberton (Possible 100% assistance with capital costs Years 1-10)	
Fairmont	\$57 - \$64	\$64	WW treated at Fairmont WWTP	WW treated at Lumberton WWTP
Fair Bluff	\$110 - \$120			
Cerro Gordo	\$420 - \$498		\$74	\$53
Boardman	\$141 - \$171	Assistance = \$24 - \$37 million	Assistance = \$26 - \$39 million	Assistance = \$40 - \$50 million
Proctorville	\$134 - \$152			



## Five Connected Towns – Long-term Solutions

### Monthly Sewer Bills Comparison at 3,500 gal/month – In Year 10

Town	Towns Continue Current Practices with Upgraded Systems (Paid for by Towns)	New Integrated Sewer Utility (Possible 100% assistance with capital costs Years 1-10)	Wastewater System Merger with Lumberton (Possible 100% assistance with capital costs Years 1-10)	
Fairmont	\$151 - \$230	\$97 - \$114	WW treated at Fairmont WWTP	WW treated at Lumberton WWTP
Fair Bluff	\$153 - \$216			
Cerro Gordo	\$750 - \$1,285		\$92 - \$106	\$65 - \$75
Boardman	\$219 - \$335	Assistance = \$24 - \$37 million	Assistance = \$26 - \$39 million	Assistance = \$40 - \$50 million
Proctorville	\$209 - \$316			



## *Solutions for Water Utilities*

### *For Discussion Purposes Only*

- Grant funds to establish viable utilities
  - Consolidate utilities (single management structure)
  - Fix deferred capital projects (reset the utility)
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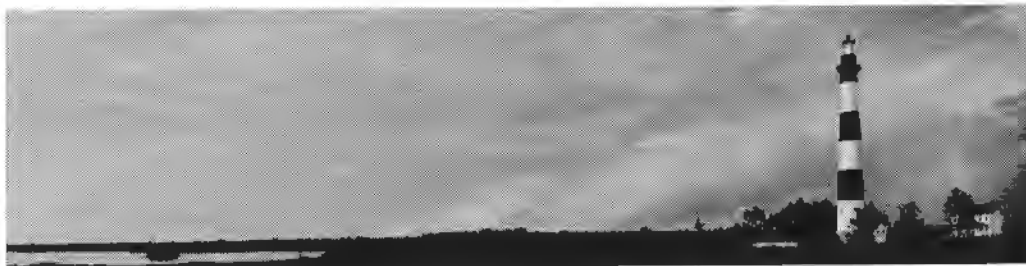
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September 26, 2018

*Committee to Study Rates and Transfers/Public Enterprises*

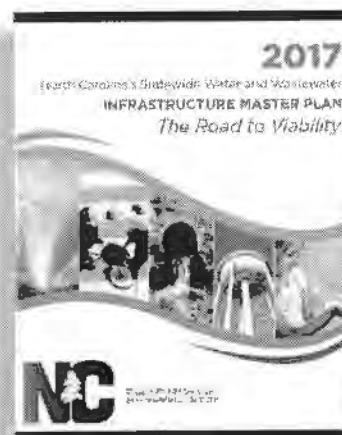
*Department of Environmental Quality  
Division of Water Infrastructure*



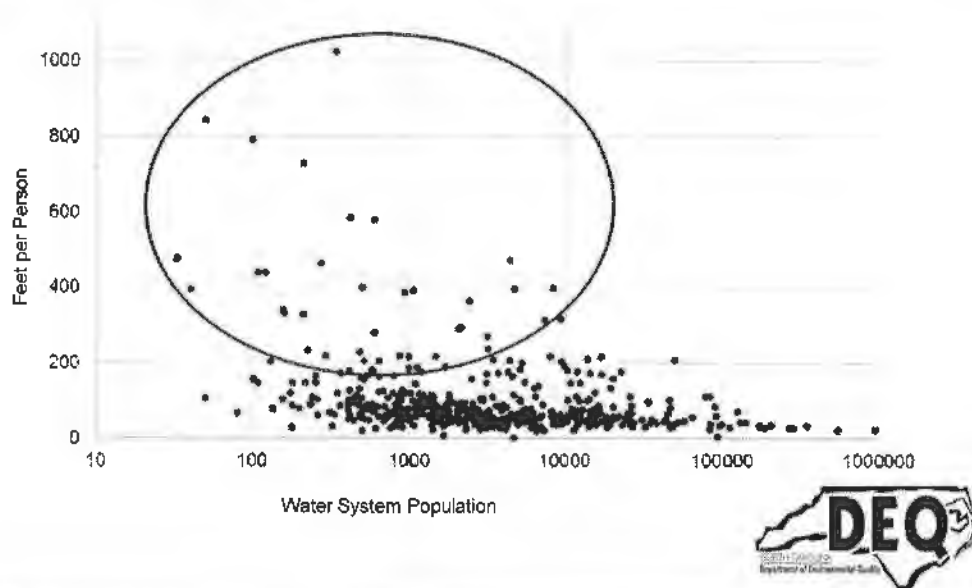
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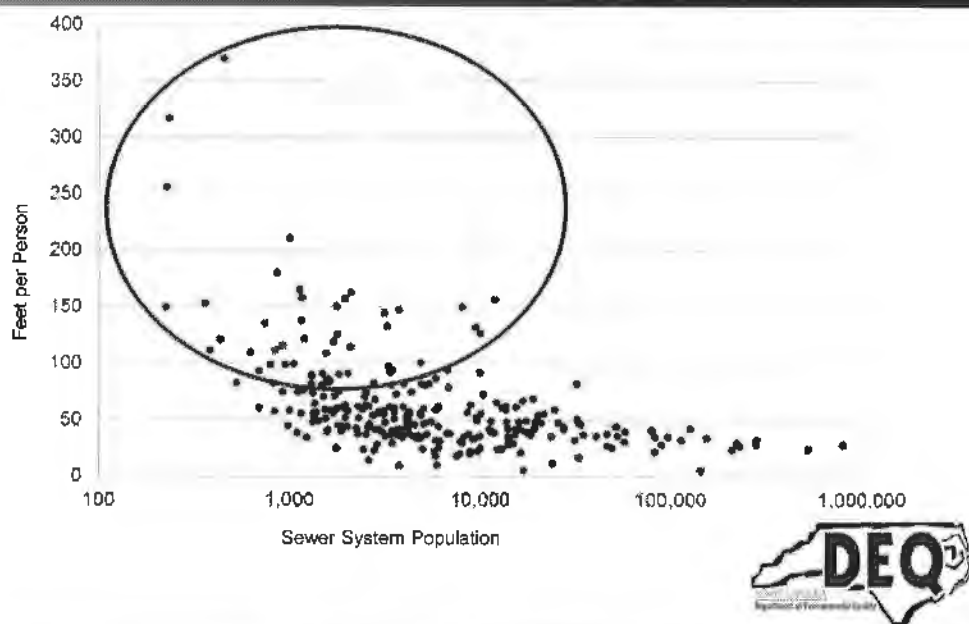
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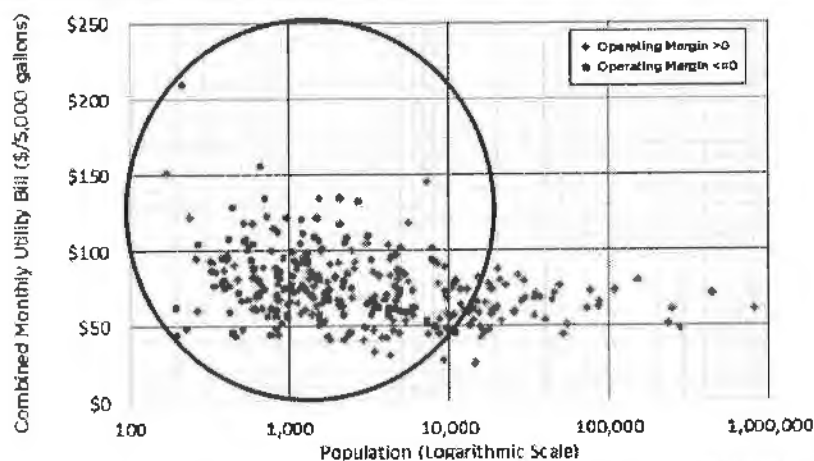
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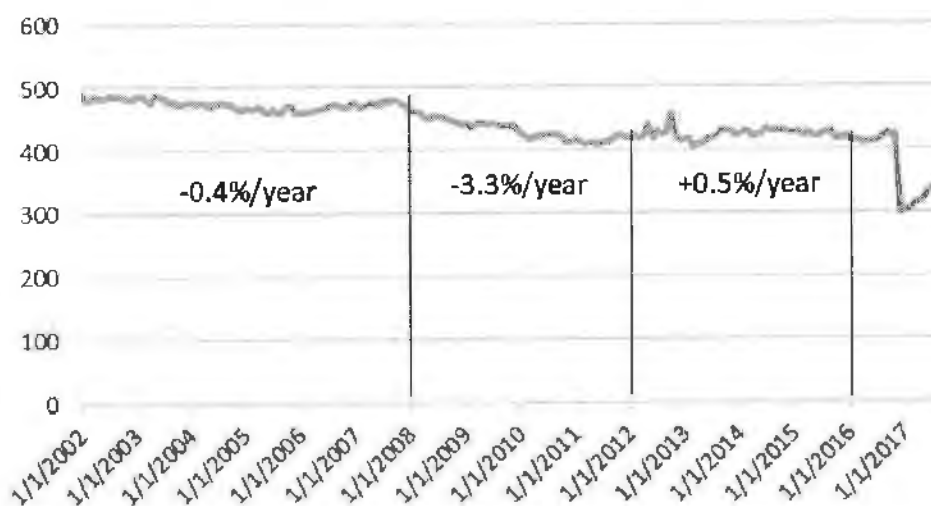


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**FINANCIAL DATA COUNTIES, MUNICIPALITIES, AND UTILITY DISTRICTS IN DECLARED DISASTER AREAS (2017 AUDITS)**

COUNTY	UNIT OF GOVERNMENT	POPULATION	MAJOR UTILITIES PROVIDED	GENERAL FUND					WATER AND/OR SEWER				ELECTRIC			
				FBA \$	FBA%	FBA W/O POWELL BILL IN \$	FBA W/O POWELL BILL %	FBA APPROP 2018 BUDGET	QR	WC \$	CASH FLOW AFTER DEBT SERVICE	# CONNECTIONS	QR	WC \$	CASH FLOW	# CUSTOMERS
BEAUFORT COUNTY	BEAUFORT COUNTY	47,829	W/S	17,866,475	29.70%	N/A	N/A	380,867	6.21	7,723,147	1,297,315	12,552				
BEAUFORT COUNTY	AURORA	506	W/S	335,204	71.12%	311,449	86.08%	0	3.41	79,673	15,416	400				
BEAUFORT COUNTY	BATH	242	W/S	89,881	42.14%	89,881	42.14%	0	0.38	(132,476)	4,216	200				
BEAUFORT COUNTY	BELHAVEN	1,625	W/S/ELEC	1,078,550	74.08%	776,501	53.34%	0	0.47	(176,780)	(24,442)	960				
BEAUFORT COUNTY	CHOCOWINITY	798	W/S	245,598	39.07%	177,346	28.22%	0	3.76	838,594	152,543	1,300				
BEAUFORT COUNTY	PANTEGO	176	NA	482,711	376.23%	441,516	344.13%	0	NA	NA	NA	NA				
BEAUFORT COUNTY	WASHINGTON	9,639	W/S/ELEC	6,873,791	57.29%	6,873,791	57.29%	0	7.59	6,481,234	1,659,817	5,373				
BEAUFORT COUNTY	WASHINGTON PARK	444	NA	388,493	152.18%	275,233	107.81%	13,365	NA	NA	NA	NA				
BLADEN COUNTY	BLADEN COUNTY	35,011	W/S	20,524,368	49.03%	19,579,855	46.77%	2,278,726	3.53	1,601,246	574,502	6,127				
BLADEN COUNTY	BLADENBORO	1,765	W/S	342,455	24.05%	324,443	22.79%	16,482	11.12	203,701	(27,923)	1,270				
BLADEN COUNTY	CLARKTON	856	W/S	1,096,303	214.55%	995,124	194.22%	104,568	6.31	269,981	(12,722)	600				
BLADEN COUNTY	DUBLIN	351	W/S	801,432	280.90%	757,695	265.57%	0	4.51	284,989	(2,752)	240				
BLADEN COUNTY	EAST ARCADIA	478	W/S	133,058	132.51%	116,532	116.06%	47,658	1.91	43,075	6,898	240				
BLADEN COUNTY	ELIZABETHTOWN	3,576	W/S	1,430,223	29.59%	908,566	18.75%	0	25.69	3,151,595	145,758	2,226				
BLADEN COUNTY	TAR HEEL	122	NA	100,784	194.28%	68,918	132.85%	0	NA	NA	NA	NA				
BLADEN COUNTY	WHITE LAKE	853	W/S	1,350,542	83.07%	1,269,350	78.08%	12,500	20.94	1,625,490	144,968	967				

NA- NOT AVAILABLE  
ND - NOT DETERMINED

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				FBA \$	FBA%	FBA W/O POWELL BILL IN \$	FBA W/O POWELL BILL %	FBA APPROP 2018 BUDGET	QR	WC \$	CASH FLOW AFTER DEBT SERVICE	# CONNECTIONS	QR	WC \$	CASH FLOW	# CUSTOMERS
BRUNSWICK COUNTY	BRUNSWICK COUNTY	123,535	WATER	65,281,051	34.77%	NA	NA	1,704,369	3.7	47,988,445	26,351,163	41,267				
BRUNSWICK COUNTY	BALD HEAD ISLAND	175	W/S	6,854,327	66.41%	6,854,327	66.41%	0	2.01	1,177,944	(262,421)	1,240				
BRUNSWICK COUNTY	BELVILLE	2,203	NA	769,734	56.78%	494,347	37.75%	0	NA	NA	NA	NA				
BRUNSWICK COUNTY	BOILING SPRING LAKES	6,297	NA	2,120,356	52.15%	2,043,075	50.25%	103,383	NA	NA	NA	NA				
BRUNSWICK COUNTY	BOLIVIA	159	NA	741,552	1948.27%	727,171	1910.49%	0	NA	NA	NA	NA				
BRUNSWICK COUNTY	BRUNSWICK REG W/S H2GO	NA	WATER	NA	NA	NA	NA	NA	14.1	18,364,351	3,953,551	10,072				
BRUNSWICK COUNTY	CALABASH	1,944	NA	1,374,659	118.10%	1,374,659	118.10%	143,727	NA	NA	NA	NA				
BRUNSWICK COUNTY	CAROLINA SHORES	3,577	NA	3,720,181	95.19%	3,720,181	95.19%	401,257	NA	NA	NA	NA				
BRUNSWICK COUNTY	CASWELL BEACH	450	NA	731,368	48.43%	731,368	48.43%	158,000	NA	NA	NA	NA				
BRUNSWICK COUNTY	HOLDEN BEACH	622	W/S	1,696,496	50.93%	1,696,496	50.93%	0	6.66	4,416,606	(39,050)	2,511				
BRUNSWICK COUNTY	LELAND	17,154	W/S	8,842,893	85.75%	7,726,480	74.92%	0	13.27	10,767,697	1,710,255	1,498				
BRUNSWICK COUNTY	LOWER CAPE FEAR W/S AUTH	NA	W/S	NA	NA	NA	NA	NA	1.18	847,393	(368,268)	NA				
BRUNSWICK COUNTY	NAVASSE	1,815	WATER	767,435	102.30%	720,995	96.11%	0	0.8	(47,395)	(13,271)	337				
BRUNSWICK COUNTY	NORTHWEST	807	W/S	554,242	134.95%	485,132	113.26%	0	2.84	223,798	(101,411)	NA				
BRUNSWICK COUNTY	OAK ISLAND	7,366	W/S	11,652,658	100.04%	11,344,658	97.40%	380,835	5.67	20,336,313	2,934,281	8,405				
BRUNSWICK COUNTY	OCEAN ISLE BEACH	639	WATER	11,734,757	243.08%	11,536,238	238.97%	0	33.8	5,054,311	575,736	2,686				
BRUNSWICK COUNTY	S/E BRUNSWICK SAN DISTRICT		WATER	NA	NA	NA	NA	NA	8.6	2,374,641	587,970	1,200				
BRUNSWICK COUNTY	SAINT JAMES	4,316	NA	3,064,703	139.67%	3,064,703	139.67%	359,219	NA	NA	NA	NA				
BRUNSWICK COUNTY	SANDY CREEK	281	NA	424,570	430.49%	406,627	412.30%	0	NA	NA	NA	NA				
BRUNSWICK COUNTY	SHALLOTTE	4,462	WATER	6,770,540	164.94%	6,731,540	163.99%	391,686	13.5	4,703,977	1,437,295	2,116				
BRUNSWICK COUNTY	SOUTHPORT	3,304	W/S/ELEC	1,425,300	25.25%	1,372,030	24.31%	0	0.96	(14,297)	(43,508)	2,553	10	4,521,671	1,191,025	ND
BRUNSWICK COUNTY	SUNSET BEACH	4,010	NA	6,600,654	88.84%	6,380,482	85.87%	0	NA	NA	NA	NA				
BRUNSWICK COUNTY	VARNA MTOWN	633	NA	1,400,857	1016.34%	1,400,857	1016.37%	90,946	NA	NA	NA	NA				
CARTERET COUNTY	CARTERET COUNTY	69,881	W/S	51,831,961	63.18%	NA	NA	-	3.09	711,909	(334,329)	2,871				
CARTERET COUNTY	ATLANTIC BEACH	1,501	W/S	NA	NA	2,584,031	31.42%	-	16.03	1,263,038	672,060	6,380				
CARTERET COUNTY	BEAUFORT	4,230	W/S	2,861,114	54.18%	2,676,761	50.69%	-	1.47	633,451	(54,656)	4,874				
CARTERET COUNTY	BOGUE	726	NA	389,710	298.66%	369,187	282.93%	16,550	NA	NA	NA	NA				
CARTERET COUNTY	CAPE CARTERET	2,180	NA	1,050,209	68.45%	1,022,406	66.63%	290,648	NA	NA	NA	NA				
CARTERET COUNTY	CEDAR POINT	1,432	NA	1,305,175	210.18%	1,173,531	188.98%	-	NA	NA	NA	NA				
CARTERET COUNTY	EMERALD ISLE	3,781	NA	1,422,596	14.86%	1,422,596	14.86%	-	NA	NA	NA	NA				
CARTERET COUNTY	HARKERS ISLAND SAN DISTRICT	2,451	W/S	N/A	NA	N/A	N/A	-	15.43	736,871	186,495	2,451				
CARTERET COUNTY	INDIAN BEACH	126	NA	616,420	33.77%	616,420	33.77%	102,014	NA	NA	NA	NA				
CARTERET COUNTY	MOREHEAD CITY	9,381	W/S	8,120,895	86.60%	7,557,752	61.98%	1,603,588	5.78	10,978,989	1,658,734	9,420				
CARTERET COUNTY	NEWPORT	4,829	W/S	1,498,676	62.48%	1,267,401	52.84%	-	2.90	1,143,648	(158,570)	4,827				
CARTERET COUNTY	PELETIER	685	NA	291,857	199.80%	249,012	170.30%	40,000	NA	NA	NA	NA				
CARTERET COUNTY	PINE KNOLL SHORES	1,361	W/S	2,107,344	51.84%	2,012,648	49.51%	-	6.76	659,726	118,249	3,861				

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COLUMBUS COUNTY	COLUMBUS COUNTY	57,206	WATER	28,130,122	48.03%	NA	NA	0	5.95	4,001,198	787,066	5,013				
COLUMBUS COUNTY	BOARDMAN	153	W/S	30,798	29.56%	15,972	15.33%	0	NO DEBT	79,433	(6,264)	85				
COLUMBUS COUNTY	BOLTON	690	W/S	180,071	47.60%	102,903	27.20%	0	1.72	12,903	4,737	300				
COLUMBUS COUNTY	BRUNSWICK	1,122	W/S	808,444	221.69%	808,444	221.69%	0	31.96	201,213	10,401	219				
COLUMBUS COUNTY	CERRO GORDO	197	W/S	171,718	196.39%	61,364	99.06%	0	16.83	74,007	(1,602)	90				
COLUMBUS COUNTY	CHADBOURN	1,802	W/S	1,768,298	145.34%	1,639,458	134.75%	0	5.01	1,366,811	450,234	933				
COLUMBUS COUNTY	FAIR BLUFF	932	W/S	295,627	32.89%	295,627	32.89%	0	0.94	(25,861)	27,785	350				
COLUMBUS COUNTY	LAKE WACCAMAW	1,484	W/S	921,825	87.67%	794,741	75.58%	182,472	7.61	1,184,897	159,535	964				
COLUMBUS COUNTY	RIEGELWOOD SAN DIST	NA	WATER	504,813	722.78%	NA	NA	0	39.95	304,310	45,047	ND				
COLUMBUS COUNTY	SANDYFIELD	455	WATER	404,283	275.71%	320,430	218.52%	0	3.65	37,460	2,915	161				
COLUMBUS COUNTY	TABOR CITY	4,256	W/S	1,734,859	71.16%	1,734,659	71.16%	0	12.61	1,873,913	64,146	1,284				
COLUMBUS COUNTY	WHITEVILLE	5,352	W/S	3,848,098	73.66%	3,326,355	63.67%	250,000	7.72	2,702,716	128,858	2,755				
CRAVEN COUNTY	CRAVEN COUNTY	103,691	WATER	27,992,825	27.32%	27,992,825	27.32%	0	6.36	11,075,257	2,000,389	14,000				
CRAVEN COUNTY	BRIDGETON	460	SEWER	429,255	84.00%	396,824	77.66%	0	3.13	171,888	21,764	185				
CRAVEN COUNTY	COVE CITY	390	W/S	222,828	231.69%	167,278	173.93%	5,000	6.72	132,693	(68)	243				
CRAVEN COUNTY	DOVER	387	W/S	159,607	54.02%	133,611	45.22%	0	1.05	37,837	(15,236)	222				
CRAVEN COUNTY	HAVELOCK	20,328	W/S	9,437,004	97.40%	8,920,102	92.07%	509,700	11.65	9,124,471	703,426	5,744				
CRAVEN COUNTY	NEW BERN	29,823	W/S	14,885,387	45.47%	14,885,387	45.47%	0	4.05	17,355,451	2,606,372	15,146	4.47	20,721,767	3,988,978	ND
CRAVEN COUNTY	RIVER BEND	3,063	W/S	2,333,805	161.63%	2,333,805	161.63%	9,012	6.59	1,480,660	225,991	1,430				
CRAVEN COUNTY	TRENT WOODS	4,029	NA	3,871,355	177.69%	3,462,992	159.86%	724,017								
CRAVEN COUNTY	VANCEBORO	1,003	W/S	614,742	93.45%	614,742	93.45%	22,090	1.97	265,961	(70,304)	821				

FINANCIAL DATA COUNTIES, MUNICIPALITIES, AND UTILITY DISTRICTS IN DECLARED DISASTER AREAS (2017 AUDITS)																
COUNTY	UNIT OF GOVERNMENT	POPULATION	MAJOR UTILITIES PROVIDED	GENERAL FUND					WATER AND/OR SEWER				ELECTRIC			
				FBA \$	FBA%	FBA W/O POWELL BILL IN \$	FBA W/O POWELL BILL %	FBA APPROP 2018 BUDGET	QR	WC \$	CASH FLOW AFTER DEBT SERVICE	# CONNECTIONS	QR	WC \$	CASH FLOW	# CUSTOMERS
CUMBERLAND COUNTY	CUMBERLAND COUNTY	328,860	W/S	94,132,079	29.15%	NA	NA	8,889,652	0.54	(1,047,606)	(157,847)	ND				
CUMBERLAND COUNTY	EASTOVER	3,662	NA	3,667,376	356.39%	3,190,783	308.40%		NA	NA	NA	NA				
CUMBERLAND COUNTY	FALCON	313	WATER	211,545	113.12%	190,207	101.71%	0	5.43	96,580	(4,937)	266				
CUMBERLAND COUNTY	FAYETTEVILLE	208,158	W/S/ELEC	39,493,857	24.91%	39,493,857	24.91%	3,454,259	1.55	18,869,832	7,782,616	81,179	4.55	101,354,195	45,819,961	ND
CUMBERLAND COUNTY	GODWIN	138	WATER	30,592	36.61%	18,502	22.14%	0	1.03	2,349	11,453	110				
CUMBERLAND COUNTY	HOPE MILLS	16,444	NA	7,971,681	63.24%	7,413,559	58.81%	0	NA	NA	NA	NA				
CUMBERLAND COUNTY	LINDEN	120	WATER	(79,064)	-44.70%	(103,640)	-58.63%	0	27.12	835,379	73,111	789				
CUMBERLAND COUNTY	SPRING LAKE	11,777	W/S	2,377,417	30.63%	2,377,417	30.63%	0	3.78	857,575	81,948	3,674				
CUMBERLAND COUNTY	STEDMAN	1,071	WATER	643,226	93.15%	487,810	83.64%	51,334	10.44	619,823	(15,185)	609				
CUMBERLAND COUNTY	WADE	553	W/S	252,038	82.40%	82,867	27.09%	0	30.49	308,643	(33,275)	334				
DUPLIN COUNTY	DUPLIN COUNTY	59,868	W/S	13,364,977	22.83%	NA	NA	2,912,341	5.40	6,055,904	368,629	6,823				
DUPLIN COUNTY	BEULAVILLE	1,326	W/S	311,989	30.63%	311,684	30.62%	57,275	9.31	665,460	(43,711)	650				
DUPLIN COUNTY	CALYPSO	556	W/S	589,939	177.42%	529,639	159.29%	54,523	74.47	645,500	83,192	260				
DUPLIN COUNTY	FAISON	892	W/S	832,121	128.40%	802,427	121.69%	0	27.41	855,204	59,475	555				
DUPLIN COUNTY	GREENEVILLE	654	W/S	406,372	169.91%	273,476	114.95%	0	27.82	255,642	(60,325)	556				
DUPLIN COUNTY	KENANSVILLE	821	W/S	579,006	71.07%	355,346	43.61%	10,230	84.13	1,597,274	227,365	450				
DUPLIN COUNTY	MAGNOLIA	964	W/S	371,104	50.92%	309,823	42.51%	0	21.16	71,547	14,047	385				
DUPLIN COUNTY	ROSE HILL	1,682	W/S	711,145	61.07%	706,967	60.71%	0	26.63	1,838,776	237,140	733				
DUPLIN COUNTY	TEACHEY	385	W/S	511,229	238.03%	369,288	185.90%	0	5.24	135,069	53,714	250				
DUPLIN COUNTY	WALLACE	3,984	W/S	1,849,786	43.84%	1,456,374	38.70%	0	3.61	2,415,292	400,135	2,330				
DUPLIN COUNTY	WARSAW	3,085	W/S	963,393	35.81%	890,234	32.42%	0	9.67	1,726,211	102,110	1,506				
GREENE COUNTY	GREENE COUNTY	21,158	SEWER	8,865,590	38.46%	NA	NA		1.66	1,194,706	(373,388)	3,822				
GREENE COUNTY	HOOKEKTON	403	W/S	95,944	18.11%	72,491	13.68%		3.18	488,408	3,481	272	10.83	665,980	61,833	ND
GREENE COUNTY	SNOW HILL	1,569	W/S	1,023,523	88.89%	979,925	85.11%		8.02	1,089,820	(2,380)	1,046				
GREENE COUNTY	WALSTONBURG	216	W/S	188,447	172.79%	122,540	112.36%		12.84	92,204	(41,022)	115	19.64	266,554	46,009	ND

FINANCIAL DATA COUNTIES, MUNICIPALITIES, AND UTILITY DISTRICTS IN DECLARED DISASTER AREAS (2017 AUDITS)																
COUNTY	UNIT OF GOVERNMENT	POPULATION	MAJOR UTILITIES PROVIDED	GENERAL FUND					WATER AND/OR SEWER				ELECTRIC			
				FBA \$	FBA%	FBA W/O POWELL BILL IN \$	FBA W/O POWELL BILL %	FBA APPROP 2018 BUDGET	QR	WC \$	CASH FLOW AFTER DEBT SERVICE	# CONNECTIONS	QR	WC \$	CASH FLOW	# CUSTOMERS
HARNETT COUNTY	HARNETT COUNTY	127,127	W/S	32,547,008	27.16%	NA	NA	0	11.98	48,281,871	9,295,753	36,481				
HARNETT COUNTY	ANGIER	4,935	W/S	3,478,117	101.06%	3,180,615	92.47%	246,082	9.37	3,493,683	31,222	2,872				
HARNETT COUNTY	COATS	2,275	W/S	1,114,501	78.91%	1,015,418	71.89%	0	7.19	666,851	71,199	1,059				
HARNETT COUNTY	DUNN	9,599	W/S	2,686,785	27.64%	2,415,823	24.85%	98,000	3.95	2,483,053	408,984	4,444				
HARNETT COUNTY	ERWIN	4,566	NA	1,580,223	59.81%	1,220,842	46.06%	1,567	NA	NA	NA	NA				
HARNETT COUNTY	LILLINGTON	3,332	W/S	4,125,804	167.99%	3,898,791	158.75%	0	11.62	1,386,951	468,487	1,324				
JONES COUNTY	JONES COUNTY	10,423	WATER	5,013,180	35.88%	NA	NA	442,380	15.08	3,070,342	512,153	3,704				
JONES COUNTY	MAYSVILLE	1,060	W/S	5,652	0.84%	5,652	0.84%	0	0.58	(46,908)	(44,314)	450				
JONES COUNTY	POLLOCKSVILLE	336	W/S	181,831	132.86%	154,376	112.88%	0	1.13	49,396	26,931	338				
JONES COUNTY	TRENTON	317	W/S	519,875	613.27%	488,852	552.84%	12,872	58.48	378,791	(32,626)	ND				
LENOIR COUNTY	LENOIR COUNTY	58,338	NA	22,390,371	33.86%	NA	NA	11,263,196	NA	NA	NA	NA				
LENOIR COUNTY	KINSTON	21,025	W/S	6,505,451	30.77%	6,505,451	30.77%	275,815	5.82	8,346,361	3,671,942	10,800	5.41	17,888,025	7,824,460	ND
LENOIR COUNTY	LA GRANGE	2,816	W/S	1,096,346	61.10%	930,995	51.89%	0	16.64	851,024	140,310	ND	2.04	735,935	(95,597)	ND
LENOIR COUNTY	PINK HILL	531	W/S	639,682	107.14%	638,518	92.47%	51,492	13.28	518,553	8,380					
MULTIPLE COUNTIES	LOWER CAPE FEAR W/S AUTH	NA	NA	NA	NA	NA	NA	NA	1.18	847,393	(366,268)	67,516				
NEW HANOVER COUNTY	NEW HANOVER COUNTY	220,231	NA	76,605,688	26.79%	NA	NA	7,458,373	NA	NA	NA	NA				
NEW HANOVER COUNTY	CAPE FEAR PUB UTILITY AUTH	NA	W/S	NA	NA	NA	NA	NA	3.78	75,920,779	18,462,852	67,516				
NEW HANOVER COUNTY	CAROLINA BEACH	6,015	WATER	5,995,237	44.66%	5,193,144	38.61%	1,650,930	4.0	11,300,864	3,538,398	4,186				
NEW HANOVER COUNTY	KURE BEACH	2,162	W/S	3,857,950	74.87%	3,567,894	69.25%	0	8.71	2,738,627	290,763	1,960				
NEW HANOVER COUNTY	WILMINGTON	115,498	NA	44,775,764	42.46%	44,775,764	42.46%	7,960,200	NA	NA	NA	NA				
NEW HANOVER COUNTY	WRIGHTSVILLE BEACH	2,509	WATER	9,583,083	93.43%	9,514,553	92.76%	0	117.4	7,382,860	524,701	2,052				

NA- NOT AVAILABLE  
ND - NOT DETERMINED

FINANCIAL DATA COUNTIES, MUNICIPALITIES, AND UTILITY DISTRICTS IN DECLARED DISASTER AREAS (2017 AUDITS)																
COUNTY	UNIT OF GOVERNMENT	POPULATION	MAJOR UTILITIES PROVIDED	GENERAL FUND					WATER AND/OR SEWER				ELECTRIC			
				FBA \$	FBA%	FBA W/O POWELL BILL IN \$	FBA W/O POWELL BILL %	FBA APPROP 2018 BUDGET	QR	WC \$	CASH FLOW AFTER DEBT SERVICE	# CONNECTIONS	QR	WC \$	CASH FLOW	# CUSTOMERS
ONSLOW COUNTY	ONSLOW COUNTY	194,636	NA	60,382,512	30.55%	60,382,512	30.55%	20,139,611	NA	NA	NA	NA				
ONSLOW COUNTY	HOLLY R DGE	1,541	NA	1,523,703	61.34%	1,389,557	55.94%	69,552	NA	NA	NA	NA				
ONSLOW COUNTY	JACKSONVILLE	77,461	W/S	22,966,096	55.70%	22,018,813	53.40%	1,612,426	4.38	22,828,000	3,447,976	17,400				
ONSLOW COUNTY	NORTH TOPSAIL BEACH	768	NA	1,200,908	33.09%	1,200,906	33.09%	0	NA	NA	NA	NA				
ONSLOW COUNTY	ONSLOW W&S AUTH	NA	W/S	NA	NA	NA	NA	NA	4.64	34,080,162	1,230,453	49,906				
ONSLOW COUNTY	RICHLANDS	1,780	NA	859,402	84.23%	847,954	63.37%	0	NA	NA	NA	NA				
ONSLOW COUNTY	SWANSBORO	2,940	NA	1,923,680	67.07%	1,910,342	66.61%	0	NA	NA	NA	NA				
PAMLICO COUNTY	PAMLICO COUNTY	13,336	W/S	9,272,051	50.06%	NA	NA	901,379	6.70	4,036,668	326,310	15,546				
PAMLICO COUNTY	ALLIANCE	788	NA	481,222	486.50%	428,403	433.10%	31,740	NA	NA	NA	NA				
PAMLICO COUNTY	ARAPAHOE	579	NA	84,518	407.96%	84,516	407.96%	20,000	NA	NA	NA	NA				
PAMLICO COUNTY	BAY RIVER MSD	2,285	W/S	NA	NA	NA	NA	NA	6.07	1,393,340	138,629	2,285				
PAMLICO COUNTY	BAYBORO	1,250	NA	167,407	82.96%	114,928	56.96%	-	NA	NA	NA	NA				
PAMLICO COUNTY	GRANTSBORO	692	NA	198,799	153.02%	198,799	153.02%	-	NA	NA	NA	NA				
PAMLICO COUNTY	MESIC	216	NA	91,997	126.06%	71,995	98.66%	-	NA	NA	NA	NA				
PAMLICO COUNTY	MINNESOTT BEACH	481	NA	859,802	597.18%	859,802	597.18%	-	NA	NA	NA	NA				
PAMLICO COUNTY	ORIENTAL	918				Have not received 2017 report			NA	NA	NA	NA				
PAMLICO COUNTY	STONEWALL	283	NA	336,167	737.58%	223,971	491.40%	-	NA	NA	NA	NA				
PAMLICO COUNTY	VANDEMERE	253	NA	281,526	185.10%	179,835	118.24%	43,477	NA	NA	NA	NA				
PAMLICO COUNTY	WESTERN BAY RIVER SEWER	N/A	W/S	NA	NA	NA	NA	NA	0.00	0	(1,131)	ND				
PENDER COUNTY	PENDER COUNTY	57,941	W/S	27,077,293	42.43%	NA	NA	400,000	0.76	(3,228,002)	(375,703)	7,432				
PENDER COUNTY	ATKINSON	329	W/S	724,994	177.94%	682,770	167.57%	0	9.42	118,827	42,949	NA				
PENDER COUNTY	BURGAW	4,050	W/S	3,661,212	101.86%	3,619,062	100.69%	73,468	9.48	2,349,918	(10,194)	1,452				
PENDER COUNTY	ST. HELENA	420	N/A	539,121	414.34%	424,649	326.36%	0	NA	NA	NA	NA				
PENDER COUNTY	SURF CITY	2,049	W/S	3,999,499	45.81%	3,822,511	43.78%	0	1.17	369,482	673,540	2,602				
PENDER COUNTY	TOPSAIL	401	W/S	2,585,956	102.94%	2,585,895	102.15%	0	5.44	1,603,944	155,108	1,258				
PENDER COUNTY	WATHA	214	N/A	187,383	325.40%	143,986	250.04%	0	NA	NA	NA	NA				



**FINANCIAL DATA COUNTIES, MUNICIPALITIES, AND UTILITY DISTRICTS IN DECLARED DISASTER AREAS (2017 AUDITS)**

COUNTY	UNIT OF GOVERNMENT	POPULATION	MAJOR UTILITIES PROVIDED	GENERAL FUND					WATER AND/OR SEWER				ELECTRIC			
				FBA \$	FBA%	FBA W/O POWELL BILL IN \$	FBA W/O POWELL BILL %	FBA APPROP 2018 BUDGET	QR	WC \$	CASH FLOW AFTER DEBT SERVICE	# CONNECTIONS	QR	WC \$	CASH FLOW	# CUSTOMERS
ROBESON COUNTY	ROBESON COUNTY	133,375	W/S	23,408,106	19.16%				1.44	2,518,858	2,087,453					
ROBESON COUNTY	FAIRMONT	2,635	W/S	559,258	23.56%	529,299	22.30%	0	1.58	182,118	(309,027)	1,194				
ROBESON COUNTY	LUMBER BRIDGE	117	N/A	348,217	551.53%	339,826	538.24%	28,600	NA	NA	NA	NA				
ROBESON COUNTY	LUMBERTON	21,550	W/S	4,305,797	18.26%	1,261,210	18.07%	1,709,200	1.95	2,272,150	1,311,088	10,075	5.17	10,073,865	2,812,979	
ROBESON COUNTY	MAXTON	2,374	W/S	1,367,549	74.11%	1,294,112	70.13%	152,000	7.07	914,627	70,422	1,249				
ROBESON COUNTY	MCDONALD	117	N/A	155,868	399.95%	138,404	355.56%	0	NA	NA	NA	NA				
ROBESON COUNTY	PARKTON	436	W/S	554,832	188.03%	497,000	168.44%	0	1.28	31,234	(520)	283				
ROBESON COUNTY	PEMBROKE	3,030	W/S	1,084,983	35.04%	1,088,764	34.85%	135,000	9.97	1,706,338	334,783	1,196				
ROBESON COUNTY	PROCTORVILLE	115	W/S	357,722	924.62%	346,093	870.24%	0	1.80	1,331	(4,406)	61				
ROBESON COUNTY	RAYNHAM	95	N/A	43,383	166.28%	38,152	146.29%	0	NA	NA	NA	NA				
ROBESON COUNTY	RED SPRINGS	3,396	W/S	463,562	11.52%	374,709	9.31%	0	2.31	278,410	(37,563)	1,758	2.82	979,964	355,686	ND
ROBESON COUNTY	ROWLAND	1,017	W/S	279,346	32.31%	279,346	32.31%	0	1.74	68,574	55,568	651				
ROBESON COUNTY	ST. PAULS	2,228	W/S	881,859	42.33%	623,976	29.95%	0	0.81	(31,200)	(28,965)	1,046				
SAMPSON COUNTY	SAMPSON COUNTY	63,993	W/S	18,308,838	25.35%	NA	NA	1,784,658	5.34	3,098,851	403,055	6,035				
SAMPSON COUNTY	AUTRYVILLE	199	W/S	290,643	268.48%	252,190	232.66%	15,884	2.47	43,758	10,858	189				
SAMPSON COUNTY	CLINTON	8,647	W/S	4,942,756	53.26%	4,942,756	53.26%	0	4.16	4,319,856	1,351,689	4,064				
SAMPSON COUNTY	GARLAND	639	W/S	539,947	132.22%	506,646	124.07%	31,041	21.12	454,181	64,460	379				
SAMPSON COUNTY	HARRELLS	204	NA	158,520	129.32%	127,570	105.40%	8,707	NA	NA	NA	NA				
SAMPSON COUNTY	NEWTON GROVE	561	W/S	770,716	154.08%	588,477	117.63%	127,375	15.18	370,867	28,704	960				
SAMPSON COUNTY	ROSEBORO	1,182	W/S	1,395,517	106.95%	1,392,261	106.70%	43,000	2.87	206,390	(2,969)	773				
SAMPSON COUNTY	SALEMBURG	436	W/S	504,271	109.88%	415,729	134.36%	70,700	48.37	910,129	39,376	413				
SAMPSON COUNTY	TURKEY	307	W/S	109,743	95.82%	96,664	84.40%	19,702	12.99	29,939	(17,829)	150				
WAYNE COUNTY	WAYNE COUNTY	124,984	SEWER	47,856,568	44.57%	41,581,079	38.71%	766,743	4.37	92,521	(46,887)	13,235				
WAYNE COUNTY	EUREKA	193	SEWER	112,618	128.45%	40,404	46.08%		0.04	(870,528)	(47,201)	87				
WAYNE COUNTY	FREMONT	1,241	W/S/ELEC	327,955	30.48%	186,280	22.02%	0	1.67	166,349	81,366	735	47.04	703,762	103,713	ND
WAYNE COUNTY	GOLDSBORO	34,945	W/S	9,585,518	27.70%	9,585,518	27.70%	0	2.49	8,653,011	1,005,238	15,669				
WAYNE COUNTY	MOUNT OLIVE	4,807	W/S, Airport	677,535	16.49%	370,072	9.01%	0	0.84	(102,070)	14,904	3,450				
WAYNE COUNTY	PIKEVILLE	672	W/S/ELEC	354,186	49.33%	279,438	38.82%	0	3.02	68,878	(3,625)	455				
WAYNE COUNTY	SEVEN SPRINGS	114	W/S	219,099	353.28%	190,504	307.18%	0	8.93	325,230	80,647					
WAYNE COUNTY	WALNUT CREEK	846	W/S	822,012	69.62%	779,548	66.03%	0	9.72	78,922	80,684	373				

NA- NOT AVAILABLE  
ND - NOT DETERMINED





5 minutes map

NAME OF MEETING : Rates & Transfers (LRC) <sup>public cont.</sup>

**DATE:** 09/26/2018

**PLEASE SIGN IN BELOW**

[illegible]



## VISITOR REGISTRATION SHEET

Committee to Study Rates and Transfers/Public Enterprises (LRC) September 26, 2018

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE  
CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jon Carr	Nc Rural Water Assn
DAVID BONE	MARTIN CO. / MCRWASA
AL CHESSEON	TOWN OF WILLIAMSTON / MCRWASA
Carmen Houlby	MVA
Carr McLamb	Encl. 10/1/18
Jaehon Cozart	NSS
Rose Williams	NCLM
Erin Wynia	NCLM
Jessica Leggett	NCDEQ
Francine Durso	NCDEQ - DWI
Jennifer Haynie	NCDEQ - DWI



## VISITOR REGISTRATION SHEET

Committee to Study Rates and Transfers/Public Enterprises (LRC) September 26, 2018

Name of Committee

Date

**VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK**

NAME	FIRM OR AGENCY AND ADDRESS
Amanda Donovan	KTS
Phil Gley	BMW
Tyler Ford	MWC
Doug Lassiter	NCSA
Tim M. ...	NC Home Builders
Demetrios Delouch	TS
Mary Beth Humber	Town of Cary
Swahn Petersen	WM
Shrikar Nanna	DEQ
John Lacey	DEQ
Jennifer Alford	CORPUD





## VISITOR REGISTRATION SHEET

Committee to Study Rates and Transfers/Public Enterprises (LRC) September 26, 2018

Name of Committee

Date \_\_\_\_\_

**VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE**  
**CLERK**

NAME \_\_\_\_\_

**FIRM OR AGENCY AND ADDRESS**

Jeff Hughes

School of Gov. / Environ  
Finance Center



## VISITOR REGISTRATION SHEET

Committee to Study Rates and Transfers/Public Enterprises (LRC) September 26, 2018

Name of Committee

Date \_\_\_\_\_

**VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK**

NAME

**FIRM OR AGENCY AND ADDRESS**

DANIEL B. B. B.

Tractatus Sædicos

Hayden Burgess

## Electricities of UK





## **NORTH CAROLINA GENERAL ASSEMBLY**

Raleigh, North Carolina 27601

**November 30, 2018**

### **MEMORANDUM**

**TO:** Members, Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)  
**FROM:** Sen. Paul Newton, Co-Chair  
Rep. Chuck McGrady, Co-Chair  
**SUBJECT:** Meeting Notice

The **Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)** will meet at the following time:

<b>DAY</b>	<b>DATE</b>	<b>TIME</b>	<b>LOCATION</b>
Wednesday	December 12, 2018	2:00 PM	544 LOB

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting <http://www.ncleg.net/graphics/downtownmap.pdf>.

If you are unable to attend or have any questions concerning this meeting, please contact Kimberly Neptune at McGradyLa@ncleg.net.

cc: Committee Record ☒  
Interested Parties ☒





## **Cancelled Notice**

### **NORTH CAROLINA GENERAL ASSEMBLY** Raleigh, North Carolina 27601

**December 10, 2018**

#### **MEMORANDUM**

**TO:** Members, Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)  
**FROM:** Sen. Paul Newton, Co-Chair  
Rep. Chuck McGrady, Co-Chair  
**SUBJECT:** Meeting Notice

The **Committee to Study Rates and Transfers/Public Enterprises (LRC)(2017)** will **NOT** meet at the following time:

<b>DAY</b>	<b>DATE</b>	<b>TIME</b>	<b>LOCATION</b>
Wednesday	December 12, 2018	2:00 PM	544 LOB

Due to inclement weather and the shifts in many items on Calendar, this meeting has been cancelled.

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting <http://www.ncleg.net/graphics/downtownmap.pdf>.

If you are unable to attend or have any questions concerning this meeting, please contact Kimberly Neptune at McGradyla@ncleg.net.

cc: Committee Record   X    
Interested Parties   X

