



WATER

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Webinar Transcript

Patrick Woodie:

Good morning. I'm Patrick Woodie, President of the North Carolina Rural Center.

Brandy Bynum Dawson:

Hi. I am Brandy Bynum Dawson, director of advocacy at the North Carolina Rural Center.

Patrick Woodie:

It is with great pleasure that welcome you to this, our fifth session of our five-part series, Rural Talk, an advocacy speaker series.

Brandy Bynum Dawson:

Today's one -hour panel discussion will highlight the challenges, opportunities, policy levers and local innovations surrounding rural water and wastewater infrastructure. Now, before we hand the program over to our moderator for today, I'll take just a few moments for some housekeeping items. Please note that all participants are muted. We do, however, want to give you the opportunity to engage with our expert panelists. You can do so via the Zoom Q&A feature. If you're using the call-in option, you can email your questions to events@ncruralcenter.org.

Patrick Woodie:

Also, for your information, today's Webinar, like the others before it, will be recorded and available on our website in a few days.

Patrick Woodie:

We're so very thankful for our amazing sponsors, who continue to have great faith in the work we do and great faith in rural North Carolina. Thank you to our session sponsor, NC State Extension, and our Rural Talk series sponsors, Cloudwise and Wells Fargo.

Brandy Bynum Dawson:

We'd also like for you to continue today's conversation on Twitter, so be sure to follow and tag @NCRuralCenter and @RuralCounts and use the hashtag, #ruraltalk2020. The crux of our discussion today will be guided by the expertise and wisdom of a stellar lineup of speakers in the field including two of our esteemed state legislators, Representative Chuck McGrady and Senator Don Davis, who are devoted advocates for rural water and wastewater infrastructure across the state.

Patrick Woodie:

Before we officially get started, let's find out who we have on the line so our speakers can tailor their responses to the audience. We'll give everyone 20 seconds to respond to the poll that should now be showing on your screen if you're using the Zoom application. Which organization sector do you represent? Corporate, education, government, individual, nonprofit, philanthropy, small business or other? Take a few minutes and please answer that question if you're using the Zoom application.

Patrick Woodie:

So, of those of you on the call, we have about 40% of our attendees are from the government sector, about 15% from education, 19% from nonprofit, 8% corporate, 4% small business. So a diverse audience with us today. No surprise that that government number is that high, as today's topic is all about water and wastewater infrastructure. So, glad to know who's on the call with us today. Without further delay, let me hand over the virtual mic to our moderator and good friend, Rose Williams.

Rose Williams:

Thank you. Thank you so much, Patrick. Thank you so much, Brandy. It's a pleasure to be with you all today and is a very important honor to be a part of this important discussion, and a major issue in North Carolina. We have a great panel today, as Patrick mentioned. We have Mayor Gloristine Brown, who is the mayor of the town of Bethel, a long time commissioner for Bethel, who has served for a long time.

Rose Williams:

Another panelist we have is Kim Colson, the director of the Division of Water Infrastructure, which is in the North Carolina Department of Environmental Quality. We have Sharon Edmundson, who is the Director of Fiscal Management section for the State and Local Finance Division of the North Carolina Department of State Treasurer. And if you don't know, that means if you're a town struggling with these issues financially you'll want to know Sharon Edmundson.

Rose Williams:

As Patrick mentioned earlier, we also have Senator Don Davis, who serves Greene and Pitt Counties on the North Carolina state Senate. He's a long time public servant, including as mayor of Snow Hill in North Carolina, and knows firsthand the challenges that that a rural community faces. Another legislator we're honored to have with us is Representative Chuck McGrady, who is in his fifth term of North Carolina General Assembly, from Henderson County. Also, a long-time public servant. Both of these legislators very much aware of the challenges facing rural communities, particularly when it comes to water and infrastructure, a challenge that not everybody knows about because it's underground and hidden.

Rose Williams:

And I think that's why today is so important, to understand what this hidden challenge means and what the major difficulty is for North Carolina. Across North Carolina, there are hundreds of small drinking water and wastewater systems that are managed by municipalities and some are managed by private associations. Like roads and bridges, this is hard infrastructure. Pipes in the ground for delivery systems and treatment facilities. The challenge we face today is that our rural communities and their economies are changing and have changed and in some places significantly so. We feel like agriculture defines rural life, but in North Carolina, manufacturing plants, small and large, have been a major part of our small towns since the early 1950s and many of those plants relied on purchasing municipal water. But our rural economy is changing and since 1990 North Carolina has lost 350,000 manufacturer jobs, many of them in our small towns. Since 2000, we've lost over 2200 manufacturing establishes. These plants,

large and small, would purchase water and since 2010, slightly half of the counties we've considered rural, 80 counties, have lost population.

Rose Williams:

So declining private sector water purchases and declining population mean the people who are left are usually older and on fixed income, so you have fewer people who can pay the water bills necessary to maintain the system, and certainly few people who are able to pay as much as necessary. In some areas, you couldn't charge enough to pay for what's left to pay on the water system. This is a hard challenge, but we have panelists here today who can rise to the occasion and ask the hard questions and challenge themselves and others to provide the effected solutions that are necessary.

Rose Williams:

Kim Colson, we'll start with you this morning. Tell us, how did all these small towns end up with a public water system?

Kim Colson:

Thanks, Rose. First, let me say I hope everybody out there is doing well. A lot of our systems first started out as drinking water systems that kind of sprang up as communities became more populated, and many of them started out as privately owned corporations that provided water for that community. In fact, Chase Bank in New York originally started out as Manhattan Water Company. As populations grew based on that water infrastructure, sanitation conditions grew worse, because there were no sewer systems. So you had cities where they had tens of thousands of cesspools and open sewers. So then, as a result of that, the need for sanitary sewers grew and essentially from the very beginning those sewers were simply to get the waste out of the city and out of the town and away from everything. A lot of times, it went straight into the river, but as our understanding of the connection of public health and safe drinking water and sanitary conditions increased, we realized we needed treatment at the end of those pipes and drinking water standards and that sort of thing. We didn't have treatment of sewage standards, a national standard, until the 1970s. In the last 50 years, we've spent a lot of effort to put in those standards at our wastewater treatment facilities and of course, a lot of that was paid for by grants and subsidized loans.

Kim Colson:

To give you an idea of the scale of federal grants in the early 70s to meet these new treatment standards, North Carolina's share of federal grants in 1976 was the equivalent of over 500 million dollars. Of course, I don't think we're going to get 500 million dollars next year in federal grants to help us pay for our water infrastructure and our water infrastructure needs are in the billions of dollars. In 2017, we worked with the environmental finance center to estimate our needs over the next 20 years and they estimated the need between 17 and 26 billion dollars. That's easy to see. In our spring funding round, we received over 800 million in funding requests. So, that number feels like it's a real number.

Rose Williams:

It really does. Kim, fast forward to today. What's the general status of small municipal water systems today? How many have compliance issues and what kind of repairs are they facing?

Kim Colson:

Well, a lot of that infrastructure that I mention that was put in in the 1800s and through the 20th century is aging out right now. Of course, everything right now is changing so much, but the economics, as you mentioned, of our rural communities has been challenging for many years now, and it's been a longer term issue. Of course, we want our water systems to be operated as enterprise systems, but in our rural areas, very few of them are able to operate as enterprise systems and there's a lot of reasons for that. Most of it is related to just the customer base and the ability to afford management positions, to provide the needed operation positions or to finance a large enough project that gets you a good price on that project. So their business model in many of our rural communities is you have fewer customers because of these economic challenges. Nationally, we know water customers are using less and less water every month. Operations cost more, operators are harder to retain, so sometimes that makes it harder to stay in compliance, our compliance rates for smaller systems is worse than it is with the larger systems. And then those capital projects cost more, so it's a tough business model for our rural systems.

Kim Colson:

Structurally, there's just some things that make it more expensive for the customers in our rural systems as well. We look at the number of people per mile of pipe, whether it's distribution pipe on the drinking water side or a sewer pipe on the wastewater side. To use Mayor Brown's town as an example, for sewer pipe that has a little over 60 people per mile of pipe. In Raleigh, by way of comparison, Raleigh has over 200 people per mile of pipe. So it's a lot easier for Raleigh to afford that mile of pipe, because they have two, three times as many, customers. That is typical across North Carolina, that rural systems have much fewer customers per mile of pipe. And it's harder to attract a lot of contractors for these smaller projects in the rural areas. So the cost on that per project basis tends to be higher. So, as I said, it's a tough business model for our smaller systems moving forward. So they really face a lot of challenges with their water infrastructure systems.

Rose Williams:

Kim, thank you. Sharon Edmundson, Kim has described the physical and environmental challenges. What are the fiscal implications for small towns?

Sharon Edmundson:

Thank you, Rose. As you and Kim both have mentioned declining customer bases, both residential and commercial, are generally just a fact of life for rural systems. It makes it very difficult for these systems to be viable. Many of these systems, as Kim mentioned, were built with grant funds and built with the expectation that that funding would be available for years to come to help maintain and repair the system, and sadly that's no longer the case. Some of these systems are so small that you can't increase the rates enough to cover the cost of maintaining and repairing them.

Sharon Edmundson:

So, for example, if you have a system with 100 customers and you needed to do a debt issuance to do some major repairs, that would likely push the rate per month per customer up over 200 dollars, and that's just not feasible. The makeup of the customer base, as you mentioned, also affects them financially. Small systems have lost a lot of their commercial base and what's left of their residential base often uses just the bare minimum of water, which reduces the amount of income that you get from

those customers. On the operational side, of course there's repair costs that need to be covered and whenever budgets get tight, like they are now, often one of the first things that gets cut is maintenance costs. So deferred maintenance, if it's continually deferred, often results in unexpected and emergency repairs, which can be more costly than the original maintenance would have cost in the first place.

Sharon Edmundson:

In addition, with the loss of commercial customers, many plants were built to operate at a much higher capacity than they're functioning now and that makes their operation much less efficient, again costing the local government more money. Sometimes in small towns, we find that well-meaning elected officials have opted to give free service to certain groups, charitable groups, churches and the like. And again, we understand they mean well but this is really not a good idea, because it just puts the burden of funding the system on an even smaller group of customers, not to mention that it's not allowed under current statute.

Sharon Edmundson:

Sometimes in a small environment, we may see a reluctance to enforce collections. Certainly in our current situation that's understandable and the governor even recognized that with the executive orders. But just as a general rule, again, well-meaning town officials, elected officials, may not enforce collections as firmly as they should. That puts the burden of running and funding the system on the customers that are paying their bills. There are ways to assist customers that truly cannot pay and oftentimes we can help local governments explore those options.

Sharon Edmundson:

So, what happens if a unit of government truly cannot meet its obligations in its utility fund? One of the most common things we see there is that they go to their general fund for additional money. That may work in the short-term and for one time expenditures that may be a good solution, depending on the physical health of the general fund. It's not a long-term solution at all and we have seen units of government run their general funds essentially out of money trying to keep the water and sewer system afloat.

Rose Williams:

Thank you very much. Mayor Gloristine Brown, how does this look on the ground for the town of Bethel? Help us to understand the day-to-day challenge of managing a town with such water infrastructure challenges.

Mayor Gloristine Brown:

First I'd like to say good morning and thank you to Patrick and his staff for having me here serving along with two great people. Rose, it's a great challenge. I've listened to Kim and I also listened to Sharon, and especially in a rural community in a small town, we have faced challenges with having to, like she said, with people not being able to pay their bills, the day-to-day operation of our system, because in a sense we're not charging enough to cover, but at the same time with being such a small town, you can't keep going up on the price. You can't keep raising the rates because people are just having a hard time paying their bill. But I will say we have new management here. We have an awesome manager that has come in and looked at the books and looked at things and we had to be a little hard on our citizens here and I hate to say that. We'll use that word, "hard," but you have to do what you have to do in your community in order to survive and thrive.

Mayor Gloristine Brown:

We have put things in place that are helping us with our collections on our water and with the governor putting in place the order that he has, that has really hurt us because I think a lot of citizens are misunderstanding. It doesn't mean you do not pay your bill. Some, they just totally stop. It means continue to pay your bills, but we just will not cut you off and your late fees are waived. But we have to really push that into the community to let them know, please continue to play your bills, and we are sitting in a situation right now where we have a pumping station, one of our pump stations are in a bad position because it floods. We have a problem with flooding and like Sharon said, when things like that happen, a small town does not have the funds to take care of repairs that need to be done. The money is just not there. It's very limited.

Mayor Gloristine Brown:

We were blessed ... and I guess I can mention this now. We were blessed with a grant with the help of Kim Colson and his office. And I'm telling you, they really worked hard to help us, but I want to let municipalities know, you've got to get out there and if the help is there ... We were turned down in the past for a grant, we didn't get it. But the manager and I decided that we had to use another strategy to try to go out to go face-to-face, sit down with people, find out what we didn't do right in our grant, and try to make sure that we get the dollars that we need, and we are looking to do a merger. We're hoping that will happen. Things are moving along pretty well. But in small towns, you're going to have to possibly look to merge, because the population is not coming and you cannot afford to keep getting loans. We cannot afford to get loans. We just can't keep doing it because you get these loans, these 30 year loans, you don't have the population to help pay it back. People just don't have it, so you've got to find other avenues and other ways and I'm just hoping that legislators will see that, that small towns do need more grants than they do loans. I hope I hit on some of what you were asking.

Rose Williams:

You did. Thank you very much. Absolutely. Sharon Edmundson, back to you. Describe the assistance the North Carolina State Treasurer's local government commission offers to small towns like Bethel, and solutions that are needed that maybe the local government commission cannot provide.

Sharon Edmundson:

All right. Thank you, Rose. The first thing we do is we'll meet with the staff and elected officials if we need to, just to make sure that they understand fully their financial position. A lot of what we end up doing with small towns is educate. We spend a lot of time educating staff that may or may not have been fully trained for the positions that they hold and educating elected officials, particularly the newer elected officials that may not have the background or the experience to fully understand the finances of utility.

Sharon Edmundson:

So we do spend a lot of time trying to make sure that they understand the background and how to read their financial statements and the benchmarks that we use to evaluate their physical health. We'll also go over budgetary practices, again making sure they understand that debt service must be budgeted, that's not an option, and help them compile and adopt a reasonable budget that meets their needs and includes industry best practices in billing and collecting, particularly if there's been a culture of lax

collections, and we have seen that in various local governments across the state. If that has been the culture, we help them to turn that ship to begin to enforce collections on a regular and fair basis.

Sharon Edmundson:

Our next step, and sometimes these things are all happening all at the same time, we'll discuss with local officials the need to have a current rate study. A lot of times the officials will say, well if we're going to have a rate study, that means we're going to raise rates, and that's not necessarily the case. What we're aiming there for is for the board to have and the staff to have good information. Sometimes it's been years since the local government has had a professional rate study done and there are so many resources available in this state to small governments for this type of work that are cost-free. It really does help the board to know what their current rate structure looks like and the kind of revenue that it's producing versus what a professional would recommend and what kind of revenue that rate structure would produce.

Sharon Edmundson:

So oftentimes we do refer local governments to professionals that can do that for them, people like the folks in Kim's shop over at DEQ, even though they don't actually do rate studies there, but they can answer a lot of questions about the process. The folks over at the Environmental Finance Center are a terrific resource for local governments, big and small, with their utilities. And the folks at Rural Water and SERCAP, both of those groups will do rate studies for most small governments at no charge.

Sharon Edmundson:

We recommend this so that boards can make informed choices about what they're doing. Again, we're not telling them they have to have a rate increase, but what often happens is that a board or a staff will realize that they're not generating the revenue that they thought they were generating based on their current rate structure, and sometimes all it takes is to massage that structure a little bit, not necessarily raise rates on everybody. But again these professionals in these organizations I've mentioned can help governments set a rate structure that maybe doesn't penalize your smallest users, your widows that are on fixed incomes and small households of senior citizens that just use the bare minimum usage every month, and puts more of the burden on your larger users. So there are multiple ways you can approach that and again, all of these folks in these organizations can help. We often do bring up the possibility of regionalization. We will talk that through with the local government. Again, we don't have any ability to compel them to regionalize, but we can often raise the issue and talk about the advantages and the cost savings that can occur as a result of that.

Sharon Edmundson:

As far as what we don't have available to us, unfortunately is a pot of money. Many times we will come into a unit of government and they'll ask us, "Where can I get the funding for this? Do you have any funding that you can give us?" And we are not a funding agency. We don't have any source of revenue or funds to supply local governments for the utilities or really anything else for that matter, but we're more than happy to direct them to the folks over in Kim's office and the other sources of revenue across the state but we don't have any source of our own, even for an emergency situation like we have seen with a few local governments over the past few years.

Rose Williams:

Thank you very much. Kim Colson, what are the solutions the Department of Environmental Quality sees and advocates to assist as many towns as possible?

Kim Colson:

We've already adjusted our existing funding programs to fund consolidations of nonviable systems as much as we can. Hopefully through that process it'll help communities like Bethel get to a long-term situation, and that's the key for that funding priority. It's not a grant to get you to the next two or three years. It's the long-term solution. And that certainty in water infrastructure and having that long-term solution there allows for any kind of economic development opportunity that can come along, you to take advantage of. And that's so important for our rural systems that when those opportunities are presented for economic development, the infrastructure is in place that allows that to happen.

Kim Colson:

Like Sharon indicated, education is a big part of things as well. We've worked with the Environmental Finance Center at UNC Chapel Hill to provide guidance on interlocal agreements and the various utility structures that are available to communities across the state in an easy to read concise format, because as Sharon indicated, maybe merger is the best solution for that long-term solution for our smaller systems. This puts the information in front of the managers, in front of the boards, so they can understand it and make the local decision that they feel is best for them. Of course, more is needed. We feel like we need a new grant program that can provide that comprehensive solution to get more communities to a long-term solution.

Kim Colson:

That's why we've supported the idea of a viable utility grant program like one that is in the Water and Wastewater Public Enterprise Reform Bills, which provide grants to utilities to help consolidate with others, reset the utility, resulting in a financially viable system. The viable utility program would include consolidation studies, asset and inventory assessment because, Rose, as you mentioned in the beginning, a lot of our water infrastructure is underground. We don't necessarily know the condition of it. It'll pay for rate studies to understand what the rates are, and again, this is part of making a well-informed local decision. And then it provides more project funding than our existing programs can provide. These bills were recently reintroduced as Senate Bill 810 and House Bill 1087, and Representative McGrady, who's here with us today, co-chaired the study committee that first introduced this idea.

Rose Williams:

Thank you. Kim, I'm going to call on you one more time and put you on the spot on this one. Be sure your video is turned back on and I'm going to ask you the big question, a big question, and that is, if we don't find a solution, what happens next?

Kim Colson:

Well, a lot of our communities are kind of in that downward spiral because of these water infrastructure issues and I think Sharon articulated a lot of that really well. Unless we can find them help, that spiral will result in those really financial difficulties where the LGC potentially has to step in. Of course, we're really focused on finding solutions and I'm optimistic that we'll find a solution for most of these

communities. We're very appreciative of all the different organizations that are working on this. As Sharon mentioned, they work with so many. We obviously work with the Department of State Treasurer and all these other organizations around the state that provide the educational, the technical expertise, but we do need something more, because there is that infrastructure bill to pay for as well. So we're very appreciative of the support that the general assembly has provided to really put in the time and willingness to listen to these issues and understand these issues and of course introducing the legislation that we feel would be a solution for many of these rural communities.

Rose Williams:

Thank you very much. Mayor Brown, is this a solution for Bethel and can you talk about some of what you're working on and can you tell us what that looks like on the ground?

Mayor Gloristine Brown:

Okay. Rose, yes, what Kim said, that is a solution pretty much for ... and I can say for us the regional merging will be the best idea for us because, again, with all the infrastructure that has to take place and not being able to have the funding to make these changes, and it will help. I'm looking at economic development. I think it will bring some type of growth. We're not looking to boom, but I think we're here, we're close to where the interstate is going. We're going to have Interstate 87 and also just knowing that we can have maybe not the huge industries to come here, but it allows and it opens up for more housing to come. So we would be able to serve our citizens a lot better and it would take a lot of the pressure off of the citizens here in the community.

Mayor Gloristine Brown:

So it will work better because, like I said, we cannot afford, as a small town, to keep assuming loans. We just can't make it that way, and you're setting yourself up for a fall. It may look good for that time being to say okay yeah, we're going to get a loan, but eventually in the long run you're going to be looking at Sharon and looking in her face and she has to do her job. We have to really think about it and I really appreciate Kim and Sharon opening up the opportunity that we could get educated. Because I'm still learning, I had to learn everything. I'm still learning a lot with this process. So we do need to reach out and grab everything that we can get in order to save our towns and to protect our citizens.

Rose Williams:

You're so right. Education is a good part of that and that's part of this good forum that the Rural Center is putting on here and we're so grateful for that. In our last minutes here, we have two of the last prepared questions that are for the whole panel, and you've touched on what I wanted to, which was education and making sure everyone's aware of this problem. What can people listening and watching this webinar today do to contribute to a solution? I'll put this to all of you. It's to go ... Sharon?

Sharon Edmundson:

I think one thing is for local boards and staff to keep an open mind about regionalization. We often see just resistant to even the topic being broached. Regionalization isn't always the answer, but a lot of times some type of regionalization is very beneficial to all the parties involved. There's lots of help, as Kim mentioned, on how to craft good interlocal agreements. We all know examples of regionalization that did not work and I think we've learned from those situations and can provide better guidance now than we could say 10 or 15 years ago. But I think that would be my number one thing is just to keep an open mind.

Rose Williams:

Anything else Mayor Brown or Kim that you are foreseeing?

Mayor Gloristine Brown:

I just agree with what Sharon said. We need to have an open mind and when you're at the table make sure you know what you're signing onto and put your ideas on the table and work together to make it happen. But I think it's ... Overall in my opinion, I think it would be the best way to go for a lot of our rural towns and small towns.

Kim Colson:

Yeah, Rose, I would agree with Sharon and Mayor Brown as well. I think regionalization is an answer for many communities because it allows you to expand your customer base. It is the ability to essentially share resources and those management resources, the financial resources, are so important to making a system viable. The other thing I would throw in is for people just to get involved in their local water system and to learn more about it, how it operates and better understand the service that's provided that's so critical for your community, and the more you understand that, the more you'll understand why a rate increase may be necessary, and the more you can talk with your council members and mayors and so forth.

Rose Williams:

That's perfect. That's something you take for granted. That's a great point. The last question we have for the whole panel at this point, just to wrap up, how does the COVID-19 pandemic influence this challenge and propose solutions? I know you've mentioned one, Mayor Brown did, with the utility disconnection executive order.

Kim Colson:

Well, in my opinion, I'll kind of start out and just say that I think it really puts additional pressure on a system that in many of our communities is already fairly fragile, and it's not just some of the things Mayor Brown mentioned about bill collection in the short-term. I think there's also some longer term economic issues that are going to put further pressure on many of our rural systems.

Sharon Edmundson:

I agree with everything Kim said. The short-term issue with collections and not being able to enforce collections is certainly an issue that units are dealing with now in terms of revenue, but the longer term impact with the loss of some businesses may be more devastating than a short-term lack of revenue.

Rose Williams:

That's right.

Mayor Gloristine Brown:

I agree with what they said, Rose, pretty much.

Rose Williams:

Sometimes when people get so behind, they're not going to be able to catch up if this continues. It's a hard choice. We have a few submitted questions. I'll just touch on those. One is from Travail Harrell in Tarboro in Edgecombe County. "Need clarification why a decision has not been made to release funds for Hurricane Matthew to Edgecombe County residents since 2019." Who in particular on the panel might be able to address that? Have you seen that question, Kim?

Kim Colson:

We don't currently administer those funds, so I'm not able to answer that question.

Rose Williams:

It's through the Department of Commerce now, is that right?

Kim Colson:

Public safety maybe.

Rose Williams:

The next question that was submitted, "What are some resources presently available to municipalities to help them address these issues," from Washington, Beaufort County.

Kim Colson:

Well, from a funding program standpoint, we obviously have project funding to actually build the infrastructure, but I think some of our more important programs are we have an asset inventory and assessment grant that's available for systems to go in, look at that underground infrastructure, know what you have, know what needs to be done. Then you really plan out your capital improvement plan and use that as a basis for rate studies and so forth. We also have a merger regionalization feasibility grant as well that allows you to explore those alternate utility structures that may provide a long-term solution. I will say that most of our project funding is in the form of subsidized loans, which provide a tremendous financial benefit, but our loan programs are much bigger than our grant programs.

Rose Williams:

Thank you very much. We're going to go now, while we can, to our legislators because we're very fortunate to have them and legislature is in session today and the House is in session, so let's turn now to Representative McGrady for remarks. Thank you very much, Representative McGrady. Good morning.

Representative Chuck McGrady:

Glad to be here. I've never presented bills on the floor while doing a panel at the same time, but it's amazing what one can try to get scheduled. I guess I'd bring to your attention the fact that the legislature is about to move on the viable utilities funding question. House Bill 1087 has been reworked and is going to move through the process fairly quickly, I'm guessing. This is the bill that came out of a study committee that Senator Newton and I had relating back to the problem in Eureka, where a system was functionally bankrupt and about to close and we jumped in and dealt with that last October, but there needs to be a longer term solution. We're well aware that when you put into the mix the finances for these utilities run by local governments, frankly you've got local governments, both municipalities

and actually some counties that are probably functionally bankrupt and they're caught between a rock and a hard place. The DEQ is telling them to make capital improvements to improve and protect water quality and they don't have the ability to raise the rates, they don't have the ability to generate other funds.

Representative Chuck McGrady:

So this is an effort. I believe the allocation is about nine million dollars and that is a huge lift, if you think about it. At a point in time when we have a several billion dollar deficit, we are reusing money from other places to put here so that municipalities, local governments, will have the ability to access emergency funds, so I see that as huge.

Representative Chuck McGrady:

My other hat is, as a budget payer, I've already referenced the budget problem, which is going to be dealt with in a piecemeal fashion, but I can only report that it's as of now there are no cuts of which I'm aware of anything effecting water infrastructure and I can't say that about a lot of other things. So those two things should send a signal to you that I think leadership and the members in the General Assembly get it. They realize how important this is, that even in an awful financial year, they're not trying to pull back from providing help to local governments to deal with these utility sets of issues, particularly the sewer system issue.

Rose Williams:

Thank you very much, Representative McGrady. It's your leadership that has helped turn the Legislature and helped educate leaders in the legislative building about the needs that are out there. Very grateful Representative McGrady. Appreciate and very supportive of that bill. Thank you very much.

Rose Williams:

Now, Senator Don Davis is with us as well, also a leader in small government, knowledgeable of small government, municipalities and rural parts of the state, and the need. Senator Davis, if you are able to join us now and we'd be delighted to hear from you.

Senator Don Davis:

Absolutely. Thank you so much, Rose. I want to first start by saying, Representative McGrady, we greatly appreciate all your work on issues and leadership broadly in the General Assembly. You've been a great champion on a lot of these issues that matter most to our state.

Senator Don Davis:

I want to share with everyone and just kind of paint the picture in terms of my background and where I think some of the challenges lie here. As a former mayor, I must admit that one of the greatest priorities I believe that exist there often is your utilities, whether it's water, sewer, in some communities, electric. But these can be some of the greatest needs, but the unfortunate reality ... When we have elections and you start getting knee-deep into water and wastewater issues, you're losing constituents. However, this is one thing that every constituent will understand, and that's how their rates are. They're going to

understand, when they get that bill and they start looking at it, how much we're asking them to pay. So I believe some of this becomes a real challenge, especially when we're talking rural communities, smaller populations, aging populations.

Senator Don Davis:

As mayor in Snow Hill, at the time we got hit by the great recession and we had one business alone that really just totally ... Because it relied heavily on utility, utility funds, made us quickly to have to look at our rate structure. So there's many outstanding factors that's taken place and oddly, as a mayor, I'm just being candid. A lot of times I will point the finger at Raleigh. On top of all of these challenges, we had to deal with the aquifer just so many issues taking place. Interestingly, I must admit I've seen Sharon and great to work with her over the years, but as a mayor I did get one of those letters. I saw the number of governments represented here today. So I really do understand the challenges and it's good to have Mayor Brown and hear from her, because there's a real partnership that is taking place now with the town of Bethel, which I represent, and Kim, I do thank you and DEQ for all that you're doing to continue to foster this type of relationship and partnership.

Senator Don Davis:

I would say this. As Representative McGrady shared earlier, with redistricting at one point, now I have represented nearly 15% of the high risk municipalities in terms of those in a county that I represented. Oddly, when you look at just those counties that are on the unit assistance list, nearly 70% the last time I saw were rural counties, even in rural eastern North Carolina. So I'm raising these concerns. This is something that is near and dear to me, and I believe we must continue to seek strategic partnerships between the state and our communities, looking for sustainability models. We must continue to make meaningful investments in education and training employees. I want to be clear on this call that I support Senate Bill 810 or a House version that brings forth the viability utility reserve and a grant program.

Senator Don Davis:

I am currently monitoring now the updated executive order, 142. I strongly believe that no community should be penalized or even placed on a unit assistance list exclusively because of financial woes associated with an executive order and if there are still collection issues at hand. And I feel very strongly about that. I also would add to the list that Representative McGrady put out there that we're looking to possibly provide some sort of assistance with residents in terms of utilities because this pandemic is really hitting not only the businesses, but our residents and our economy very hard. I'm going to wind down here for time's sake, but we have to continue providing assistance to our municipalities. I know there have been funds that have gone and more of those CARE dollars we've sent to counties. I know there's concerns there, but where I'm going to head is I believe in the midst of all of this that's taking place and now even more so with COVID-19, there are broader economic conversations that must take place.

Senator Don Davis:

Some of this is tied to, and I remember this ... Being in eastern North Carolina, you talk to a lot of young people that graduate and they can't wait to leave the community. When rural communities financially struggle, this is a part of this struggle, which becomes reflective of, I think, a broader economic challenge that exists due to often limited resources and our ability to bring in more resources into these rural

areas, I believe, becomes key to even dealing with these issue and many others, even when we talk about education and beyond.

Rose Williams:

Thank you. Senator Davis, thank you very, very much. Very grateful. And thank you Patrick and Brandy very much, and all panelists.

Brandy Bynum Dawson:

All right. So we will now jump into our Q&A and I noticed that we have a number of questions that have been posted via the live Q&A so I will jump right in and we'll try to get to as many as possible and the questions that we don't get to, we'll try to work with you panelists thereafter and post those to our website.

Brandy Bynum Dawson:

So, Senator Davis, I imagine this is the question that would be posed to you and Representative McGrady, if you're still on and can hear me, for the two of you to respond to. But it says, "The 2019 state water infrastructure authority report notes that 50% of state appropriated grant funds were pre-allocations, essentially earmarks by the generally assembly. Given the significant water financial needs in the state, can you speak to why so much of this funding is done this way?"

Representative Chuck McGrady:

I guess I'd jump into that one since I'm an Appropriation Chair. I oppose those earmarks, but those earmarks get put in by well positioned legislators, both in the Senate and the House, and I've kicked them all the way to the two corner offices last year and didn't get what I wanted. I think that's not the way to allocate monies. That's an old school way of allocating it, but it doesn't always mean you put the moneys in the right place and I apologize for it and I agree with the sentiment expressed in the question.

Senator Don Davis:

And I would simply add to that, I do believe, however, we need to continue to focus on what I would almost categorize as more of these urgent and emergency situations, because they are real and there are communities out there right now that are just stuck trying to figure these questions and these issues out, and that's what I do believe that we're having more constructive conversations around.

Brandy Bynum Dawson:

Thank you. Thank you both for that. There are a number of questions centered around potential or current consolidation of merger of systems across the state. So, can someone in the panel ... if not all of you probably can speak to this, but how many systems are we talking about that have been consolidated or merged in recent history?

Kim Colson:

I don't know how many have merged over the last 20 years. I know a lot more are looking at it right now. Obviously we're working with the town of Bethel on their merger and there are several people or systems who have reached out to us saying they need to look at this. They need to find some sort of alternative. When we first proposed the idea of our Merger Regionalization Feasibility Grants, we

thought one or two per year would apply for that, but we typically get around 10 applications a year and that's not the whole universe. A lot of other folks are looking at this and recognizing they've got to put in a position where they can better share resources, because those resources are so limited.

Brandy Bynum Dawson:

Thank you. Any addition to that?

Mayor Gloristine Brown:

Well, I just want to say, just to put out there, that we did reach out to a municipality that they have already merged. They did do with Wake County and so the mayor drove down to speak with the manager and I about some of the good and the bad of them merging. Overall, it was the right thing to do, but it was just a lot of work and a lot of process that had to go through to make sure that you're putting the right things in place for your citizens. So, that was a big help to reach out to someone that has already been through the process.

Brandy Bynum Dawson:

Thank you. Thank you all for that. The next question center around, "What are some good examples of towns or counties who are addressing deteriorating water and wastewater infrastructure systems in a good way, and what lessons can be shared from those counties who are able to do it the right way?"

Kim Colson:

We need to hear from the great Mayor of Bethel on this one.

Senator Don Davis:

I'm so glad of the work that Mayor and Kim, and Kim I remember being on a committee and I think we may have had a conversation somewhere around this last year, just talking about the importance of really providing a model, but I really think we have a great panelist that can speak on this.

Mayor Gloristine Brown:

Well, I don't know about all ... But again education is key and speaking with ... and again going and talking with Kim. Like I said, I'm still learning because this is new to me as well, but anyone that you can reach out to, always be in the learning mode, because you need to make sure that you're putting the things that you're doing ... you want to make sure that you're doing it right. I did hear of some other municipalities that are in the situations that we are in, but they are very reluctant about the merging and they are worried about control. But you've got to understand the process of it and some are just not for it, but I think get it going to the table, sitting to the table, asking the right questions. I just think it's for the betterment of your community.

Kim Colson:

Real quick I'll chime in and say, I think Mayor Brown had a great example of going and asking somebody who had already gone through that. In our urban areas, almost all those utilities have gone through some sort of consolidation, because it's just a better business model for them. They've gone through that, utilized those resources. Most of them are very willing to help. And of course the Environmental Finance Center at UNC and the whole School of Government is a great resource as well.

Brandy Bynum Dawson:

Thank you for that. I have one additional question, probably two more we're going to try to get in the next minute or so. But the other question is again related to merging and the question is, "Is there a potential benefit to merge or consolidate management of systems versus or opposed to physical merger?"

Kim Colson:

Yeah, I would chime in on that and say I think that's the absolute key with mergers, is the pooling of management resources. So instead of having three or four managers and three or four billing systems, it's all consolidated, it's one system. You have better opportunity to retain operators and the operations staff, give them the ability to be promoted within and different things like that. There are private examples of that taking place. You look at the private utilities across the state. They have tens of thousands of customers, but they're not all in one or two systems, they're spread out across the state. They have centralized management.

Brandy Bynum Dawson:

Thank you. One last question I'm going to try to squeeze in before we close out and then I give some final remarks is around what can people do if they want to get involved in their local water system? Where do you start? Who do you talk to?

Sharon Edmundson:

I think the best thing they can do is talk to their elected officials.

Mayor Gloristine Brown:

That's what I was getting to say. I think as mayor and also as ... I always tell my citizens, always if there's any questions, anything that you don't understand, please come see me or talk to the manager, but we work ... I will say that the manager and I work very well together. We have each other's backs. We try to make sure that we are educated. We try to find all the resources. I don't mind reaching out to people asking questions, because the questions come to us, so you need to be prepared. But you've got to want to not hesitate to come and ask the questions. When you're upset about your water bill or whatever when you get it, you don't mind running to us then to jump on our case about that, so understand why the things are put in place and why we have to do what we have to do. That's the best way I can put it.

Brandy Bynum Dawson:

Thank you all very much. We've definitely reached our time and I'll take just a second to review a couple of reminders for our folks who are listening in. Shortly after today's session, you'll receive a thank you email asking you to complete a survey. I promise it'll only take a moment of your time. It's also an opportunity for you to win a Bluetooth speaker. So if you are all interested in having a Bluetooth speaker, this is your way of getting one today.

Brandy Bynum Dawson:

We're also excited to announce we're going to have a bonus session on the topic we just talked about, which is engaging your elected officials. We'll send details out to folks who are on this call and folks that attended our five part series, but stay tuned for the details of that.

Brandy Bynum Dawson:

In addition to that, reminding folks that 2020 is the year of the Census. We're talking about rural communities. The dollars that allocated for Census data are really vitally important to rural communities, so if you haven't completed your Census, spend the five to seven minutes right now to get it done.

Brandy Bynum Dawson:

In addition to that, we of course want to wholeheartedly thank each and every one of you as our panelists, our moderator, our state legislators for joining us today. We very much appreciate your time, your compassion and your expertise on this issue. So, thank you all very much. Thank you to all of you, our attendees. Thank you to our sponsors for today's session. Be well, stay well, everyone and we hope to see you soon. Thank you.