

**WATERWORKS ADVISORY COMMITTEE
FINANCES SUBCOMMITTEE MEETING MINUTES
All-Virtual Public Meeting via WebEx
November 19, 2024, 10:00 a.m.**

Members Present: David Van Gelder, Chris Pomeroy, Geneva Hudgins, Ignatius Mutoti, Jesse L. Royall, Jr, P.E., Michelle Caruthers, Whitney Katchmark, Mark Estes

Members Absent: Andrea Wortzel

Office of Drinking Water (ODW) Staff: Dwayne Roadcap, Anthony Hess, Barry Matthews, Fiora DeBorous, Grant Kronenberg, Jane Nunn, Mark Estes, Julie Floyd, Rebecca Bliley, Robert Edelman, Ray Weiland

Stakeholders and Members of the Public: Charlie Paullin, Virginia Mercury

Introductory Remarks

The Waterworks Advisory Committee's (WAC) Finances Subcommittee (Subcommittee) met electronically via WebEx on Wednesday, November 19, 2024. In addition to the Subcommittee members in attendance, ODW staff and the public also joined by electronic communication means.

Dwayne Roadcap, Director of the Virginia Department of Health (VDH), Office of Drinking Water called the meeting to order at 10:04 a.m. A quorum was established. Mr. Roadcap passed the floor to Grant Kronenberg, VDH-ODW, Director of the Division of Compliance, Enforcement and Policy.

Administrative Matters

Mr. Kronenberg asked the Subcommittee members whether they wanted to appoint a Chair of the Subcommittee. The members of the Subcommittee agreed to proceed without an established Chair.

Mr. Kronenberg provided an overview of the reason why the WAC formed the Subcommittee, which was to review ODW's potential revenue challenges and consider how to address those challenges.

ODW Finances Overview

Mr. Roadcap reviewed ODW Budget Overview slides, previously shared in the September 18, 2024, WAC meeting.

Mr. Roadcap discussed new regulatory rules issued by the U.S. Environmental Protection Agency (EPA) and how those changes impacted or will impact ODW's budget due to additional personnel needs to enact and oversee the regulatory changes. Mr. Roadcap reviewed the Lead and Cooper Rule Revisions (LCRR) and the Commonwealth's need to address Per- and polyfluoroalkyl substances (PFAS) in drinking water.

Mr. Roadcap discussed the 2023 EPA Workload Analysis which advised ODW of the need to staff additional full-time employees to maintain the minimum federal requirements of the drinking water program. He further discussed that due to the lack of funding, ODW currently is unable to fill the suggested positions. He discussed VDH's move to return the business office units directly to each individual office and how this move has positively impacted ODW and the agency.

Mr. Roadcap discussed the Drinking Water State Revolving Fund (DWSRF), Bipartisan Infrastructure Law (BIL) funding, state matching funds, set-aside funding and additional funding received. Mr. Roadcap advised that ODW continues to work proactively with the resources currently available and the funding issues are not unique to Virginia and impact many states.

Subcommittee Discussion

Mr. David Van Gelder opened the discussion with an overview of the WAC and provided details on why the WAC voted to create a finance subcommittee. He advised the group of the need to get ahead of ODW's potential financial hardships prior to DWSRF and BIL funding removal or decrease.

Dr. Ignatius Mutoti discussed the potential of increasing fee-based services to cover some of the funding decrease if the reallocation and decrease in funding continued. Mr. Anthony Hess advised that there is potential in increasing fee-based services if shortfalls continue.

Ms. Michelle Caruthers, Mr. Chris Pomeroy and Mr. Van Gelder questioned what state matching funds will need to look like if the potential shortfall becomes reality. Mr. Roadcap reviewed gaps in funding in comparison with 2021 funding amounts. He advised that there is potential for a \$12 million gap that would need to be covered due to decreased federal DWSRF funding.

Mr. Pomeroy and Ms. Caruthers suggested a concise document detailing funding and allocations for previous years. Mr. Pomeroy advised a diagram showing the year-by-year break down and demonstrating how the one-third funding decrease has and will affect ODW would be beneficial and aid policymakers in determining how to possibly assist with the continued funding decrease. Mr. Pomeroy questioned if the decrease in funding was directly related to Congressionally-directed funding, also known as earmarks. Mr. Hess advised that the decrease is in direct relation to funding redirects on a federal level.

Mr. Pomeroy questioned the plausibility of the 2027 financial cliff as shown in the Budget Overview. Mr. Barry Matthews advised meeting participants that the Budget Overview shows the amount of projected new funding to be received, excluding any possible carry over from previous years. Mr. Matthews advised the forecasted amounts are based upon the current and the most recent trend in Congressionally-directed funding against the DWSRF as well as the end of BIL funding in 2027.

Mr. Matthews advised that the reduction in the base or core DWSRF is completely independent of projects being done through earmarks within the Commonwealth of Virginia. Mr. Matthews also advised that the congressional appropriations for specific project funding is taken off the top of the DWSRF before it's allocated to the states. Mr. Hess concurred with Mr. Matthews and advised that there may be an over approximation of the core DWSRF as more congressional earmarks are anticipated in the coming years.

Mr. Van Gelder questioned how current and future funding align with current and future project needs. Mr. Hess advised that in the previous year the demand was upwards of \$317 million, with only \$117 million in available offers, stating roughly \$200 million rolled over to the next year. Mr. Hess also advised that the funding is being exhausted, yet the demands are not being met.

Mr. Van Gelder questioned if there is potential for demand of projects to decrease. Mr. Hess advised that PFAS and the Lead and Copper Rule Revisions regulation changes could drive demand higher. Mr. Hess stated that some of the larger localities have high amounts of lead service lines, and the projects are currently funded by BIL dollars. Mr. Hess advised that demand is currently at all-time high, however ODW is moving as swiftly as possible to assist and closeout projects although ODW currently is working with reduced staff. Mr. Van Gelder suggested that ODW create a current project needs inventory and provide details on the ramifications if the project needs are not met. Mr. Hess agreed that this would be a valuable tool.

Dr. Mutoti questioned if ODW received higher funding prior to 2021, and further questioned if the unspent funding goes away in 2027 or does the funding need to be allocated by 2027. Mr. Matthews elaborated on the two distinct types of projects that the funding supports, construction funding and operating funding. Mr. Matthews advised the construction funding has a seven-year life cycle whereas operational funding, which includes the 31% set-aside funding, has a two-year life cycle.

Mr. Pomeroy discussed the potential of state funding and questioned if the Budget Overview is based on the state fiscal year or calendar year. Mr. Hess advised that the data shown is based on the state fiscal year. Mr. Pomeroy addressed the two-year Commonwealth budget cycle and discussed if the 2027 financial cliff occurs then the Commonwealth could consider additional funding during the fall 2025 budget cycle. Ms. Hudgins agreed and advised the group of the potential benefits of generating the big picture of how this will affect citizens, waterworks, and payer rates. Ms. Hudgins expressed the need to deliver the information on several viewpoints in a simplified context.

Dr. Mutoti questioned how funding is dispersed and further questioned if need-based assistance is available. Mr. Hess advised that under EPA rules 40% of all federal funding goes to environmentally disadvantaged communities throughout the state. Mr. Matthews discussed the impact on smaller rural communities and water systems if funding is removed for technical assistance and infrastructure improvements due to some of these services being considered optional.

Mr. Roadcap revisited next steps as suggested by the subcommittee which included the creation of a timeline of action, providing a clear and concise list of ramifications if needs are not met in consideration of the potential 2027 funding decrease, the decision of the WAC on establishing a policy position, and generating a larger discussion amongst stakeholders on the potential impact of the lack of funding.

Public Comment Period

No public comments were made.

Other Business

The next WAC Finances Subcommittee Meeting will be held in-person with the date and time forthcoming.

Adjournment

Mr. Roadcap adjourned the meeting at 12:37 P.M.