

**WATERWORKS ADVISORY COMMITTEE**  
**FINANCES SUBCOMMITTEE MEETING AGENDA**

**Electronic Meeting Via WebEx Pursuant to Code of Virginia § 2.2-3708.2**

**January 7, 2025; 10:30 AM to 12:30 PM**

<b>Subject</b>	<b>Time (Estimated)</b>
<ul style="list-style-type: none"><li>• Establish quorum, welcome – Dwayne Roadcap</li></ul>	10:30 – 10:35 AM
<b>Administrative Matters</b>	
<ul style="list-style-type: none"><li>• Adoption of meeting minutes from November 2024 meeting – Grant Kronenberg</li></ul>	10:35 – 10:40 AM
<b>Discussion</b>	
<ul style="list-style-type: none"><li>• Development of talking points update – Dwayne Roadcap</li><li>• Subcommittee Discussion</li></ul>	10:40 AM – 12:20 PM
<b>Public Comment Period</b>	12:20 PM – 12:25 PM
<b>Other Business</b>	
<ul style="list-style-type: none"><li>• Discuss next meeting</li></ul>	12:25 PM – 12:30 PM

**The method by which the Finances Subcommittee of the Waterworks Advisory Committee chooses to meet shall not be changed unless the Finances Subcommittee provides a new meeting notice in accordance with Code of Virginia § 2.2-3707.**

**Information and Protocol for Joining the Meeting Electronically**

Access to the meeting can be achieved via computer, phone or mobile device with the meeting link below:

<https://vdhoep.webex.com/vdhoep/j.php?MTID=m951ad0722f04edf3fcd7bd5cbd30bbaf>

If accessing via a mobile device, you will need to download the WebEx Meet app prior to joining the meeting.

When joining the meeting, please use the meeting number and password below:

Meeting number (access code): 2864 009 6578

Meeting Password: 2WBzgDTbd86

You can use your computer audio or join via telephone by calling [1-844-992-4726](tel:1-844-992-4726) United States Toll Free.

Please log into the meeting at least 10 minutes before the meeting begins.

If you have problems logging in or if there is any interruption in transmission, please call Fiora Deborous at 804-837-9835.

Please sign into the meeting and identify yourself so we can verify that you are attending the meeting.

After you have identified yourself, please mute your phone to reduce any unwanted noise.

**DRAFT**  
**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.

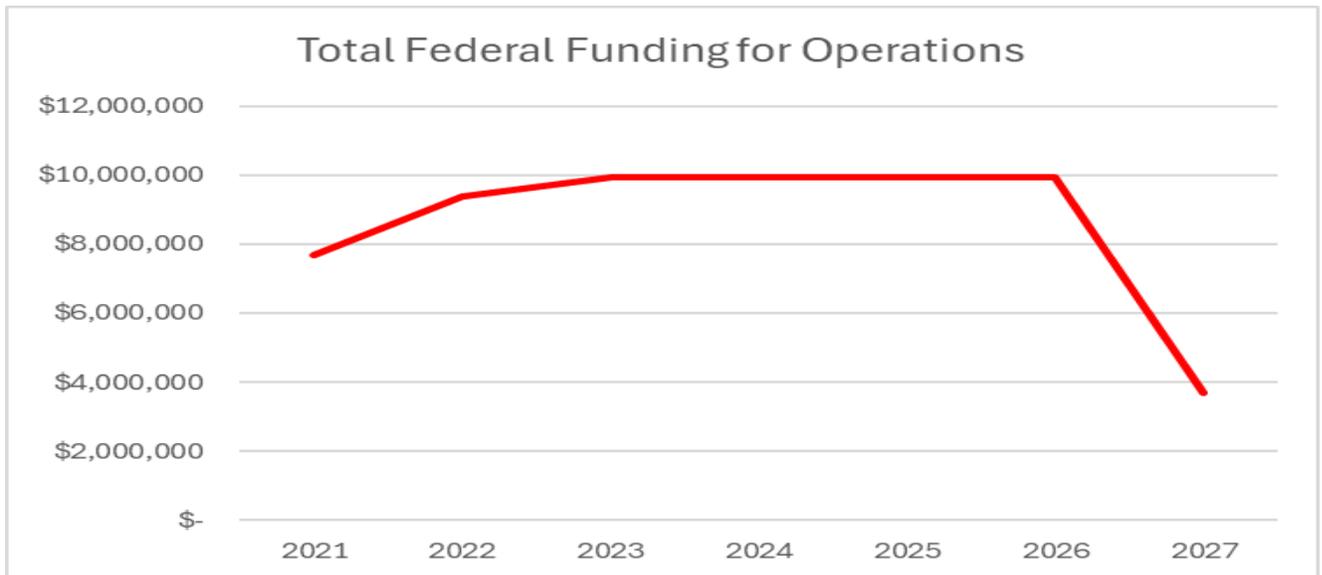
### **Adjournment**

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

For Consideration by the Waterworks Advisory Committee, Finances Subcommittee  
Fact Sheet Regarding ODW's FY27 Expected Finances

The FY27 Fiscal Cliff

- In FY27, the Virginia Department of Health (VDH), Office of Drinking Water (ODW) will no longer receive federal funding through the Bipartisan Infrastructure Law (BIL). If no action is taken, this decrease in funding will result in a “fiscal cliff” that would severely impact ODW’s operations budget.
- The fiscal cliff is the result of BIL funding going away at the same time there has been a decrease in the amount of federal Drinking Water State Revolving Fund (DWSRF) dollars for ODW’s operations, resulting in an 80% decrease in the operations funding from the DWSRF set asides.
- ODW expects the fiscal cliff would result in an estimated decrease of \$6,239,645 in federal funding for ODW operations in FY27.<sup>1</sup>



Possible Pathways for Continuation of Funding ODW Operations

- In FY26, Virginia will need to provide a match for BIL funding in the amount of \$6,491,600.
- In FY27, BIL funding ends, meaning Virginia will not be required to provide BIL matching funds.
- The loss of BIL funding in FY27 will result in a \$6,239,645 reduction in federal funding available for ODW operations that year.
- Virginia continuing the FY26 \$6,491,600 budget line-item to FY27, when there will be no BIL state match requirement, would cover the FY27 reduction in federal support for ODW’s operations, while providing an additional \$252,000 to support the drinking water program. Providing this funding in FY27 would enhance the financial stability of the drinking water

<sup>1</sup> FY26 and FY27 numbers in this document are projections. FY26 begins on July 1, 2025, and FY27 begins on July 1, 2026.

program, helping Virginia weather the impact of unreliable federal funding and continue to protect the public drinking water supply.

#### Budget Bill for FY26

- The Budget Bill includes an additional \$1,803,598 for ODW for FY26.
- This proposed increase in funding would allow ODW to address existing challenges. This funding could be used by ODW to hire additional staff to address new federal and state requirements and help offset the impact of inflationary increases in ODW's operational costs that have reduced the real dollar value of ODW's revenue over time.
- The Budget Bill's additional funding for FY26 provides needed additional resources to help address ODW's current needs in FY26.

#### Multiple Reports Recommend Significant Increases in ODW Staff

- Multiple studies over the last few years have determined ODW needs a significant increase in funding to meet the basic needs of the drinking water program under the additional federal and state requirements.<sup>2</sup>
- If the Budget Bill's proposed funding increase for FY26 were maintained in FY27, and if the \$6,491,600 for FY26 BIL state match remained in the FY27 budget despite BIL going away, ODW's operational budget would not be sufficient to hire the amount of staff that these reports say ODW needs.
- The estimates in these reports do not take into account all the new federal rules nor do they account for new state laws, such as related to PFAS and remote operator monitoring of water systems.

#### Probable Ramifications on ODW's Operations if the Fiscal Cliff is Reached Without Sufficient Additional Funding Being Provided

- Currently, 48 of ODW's 121 full-time positions (40%) are supported by funding tied to the federal DWSRF.
- A reduction in staff would likely result in ODW being unable to consistently meet the federally-required frequency for performing sanitary surveys. It would also result in fewer staff to manage funding to ensure that projects constructed with federal dollars meet EPA requirements.
- In addition to ODW using federal funding to pay many of its staff, federal funding also helps pay for ODW's staff training costs, which keeps ODW staff updated on changes within and related to the waterworks industry. A material reduction or loss of these funds would impede ODW's ability to have well-trained staff. The lack of trained staff would erode the public's confidence in VDH's ability to provide compliance oversight of the waterworks, and therefore the quality of drinking water provided to the public.

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<sup>2</sup> A VDH-Department of Planning and Budget report in 2022 found that ODW was understaffed by 20 to 25 positions over the next three years. An EPA report in 2023, prepared by the Cadmus Group, found that ODW needs approximately 65 more full-time employees and over \$26 million in yearly funding. An early 2024 report by the Association of State Drinking Water Administrators concluded that ODW needs 36 more full-time staff just to implement the Lead and Copper Rule Improvements.

- The lack of funds would cause the elimination of most, if not all, VDH-supported operator training from Virginia Tech, the American Waterworks Association, Mountain Empire Community College, and other technical assistance providers.
- ODW's Capacity Development program would likely be highly retracted, eliminating direct technical assistance from ODW staff to the waterworks. This could cause a further reduction of the federal government's DWSRF allocation to VDH if EPA finds that Virginia is "backsliding" on either the Operator Certification or Capacity Development programs.
- ODW's Capacity Development staff is required to evaluate the technical, managerial, and financial capacity for all DWSRF loan recipients. A reduction in ODW staff would cause a workload hardship for these reviews.
- The Source Water Protection program uses these federal funds to pay for staff salaries as well as contracting for local Source Water Protection Plans and Wellhead Protection grant initiatives.



# Budget Overview

Office of Drinking Water/VDH  
September 2024

# Budget Considerations

- EPA Workload Analysis – 2023
  - Additional FTEs needed
- Business Unit added – April 2024
  - Response to ODW budget shortfall (2021 - 2022)
  - Financial management transformation
  - Adding Business Manager, two accountants, and fiscal technician
- Financial Cliff looming – 2027
  - Effects of Congressionally directed spending

# Program Operations Funding

## 1. EPA Grants:

- DWSRF/BIL: \$17.9 - \$18.12 Million (48 full-time employees)
- PWSS: \$2.0 - \$2.3 Million (25 full-time employees)

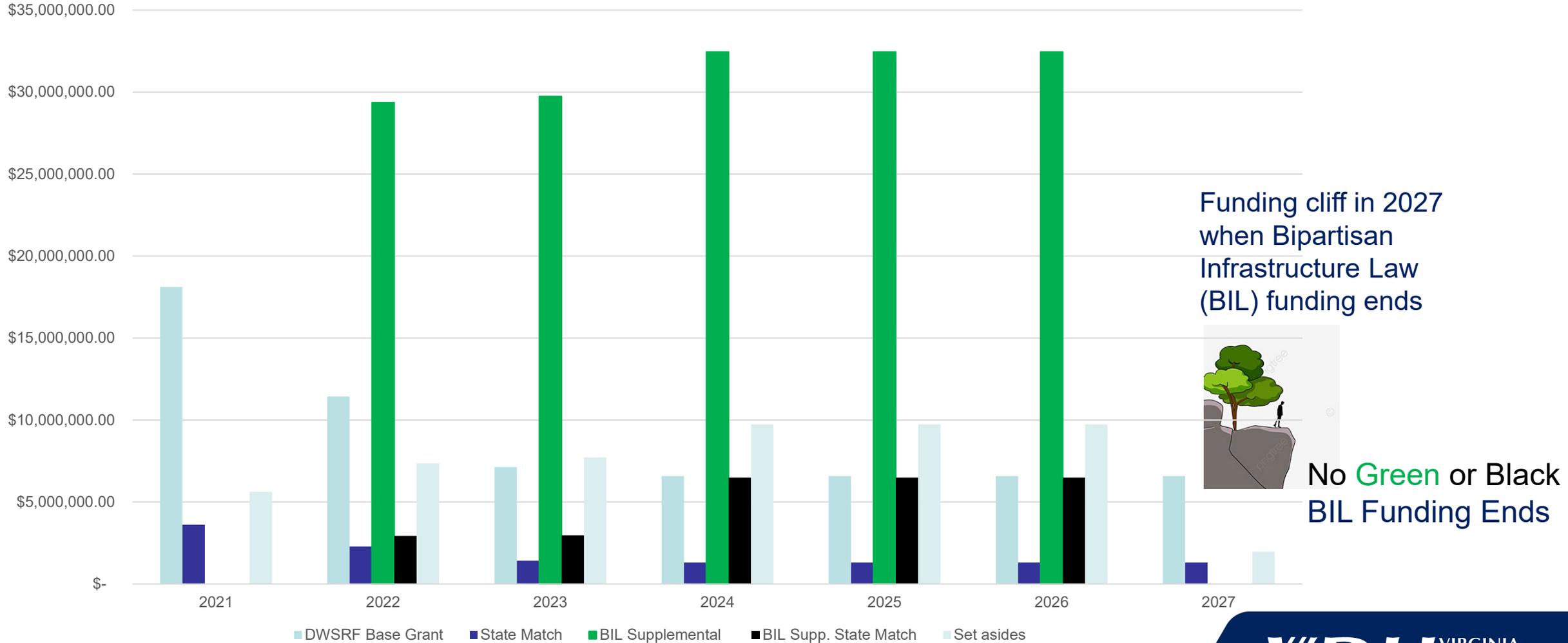
## 2. State Funds:

- \$10.1 Million DWSRF / BIL Match
- \$0.82 Million PWSS
- \$4.86 Million General Funds (18 full-time employees + operations)
- \$1.5 Million Sampling Verification (12 full-time employees)

## 3. Operation Fees from Waterworks:

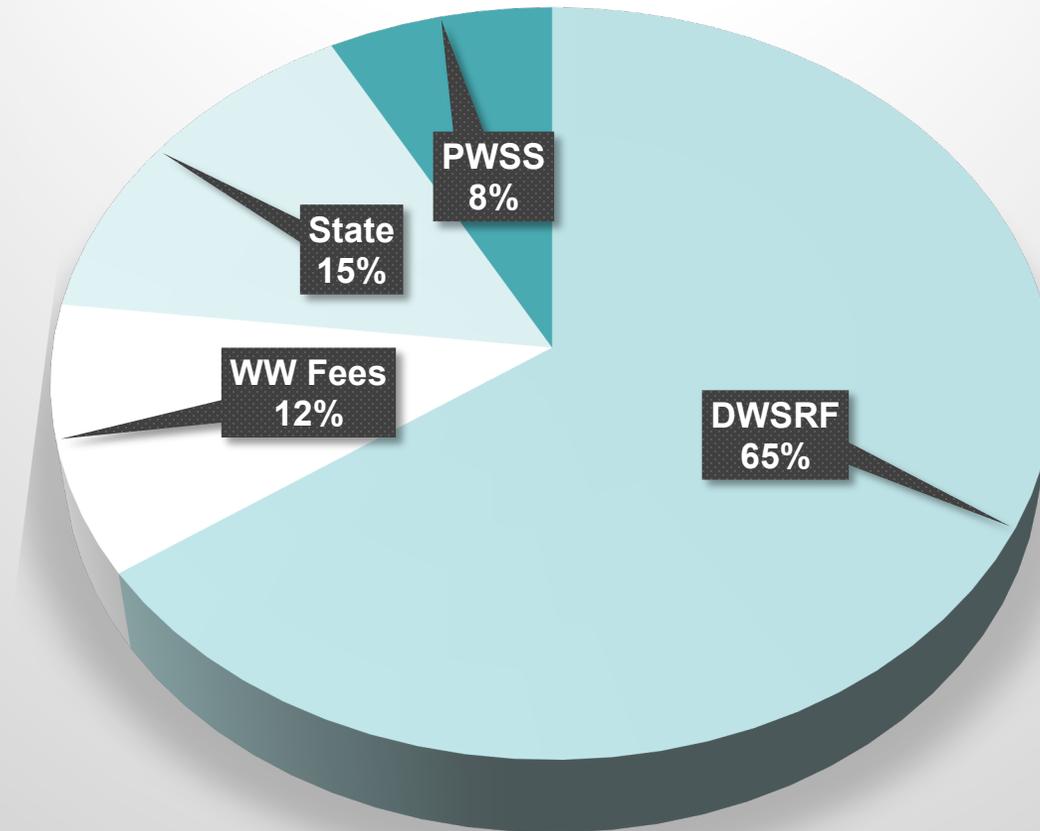
- \$4.8 Million (18 full-time employees + operations)

# DWSRF Funding

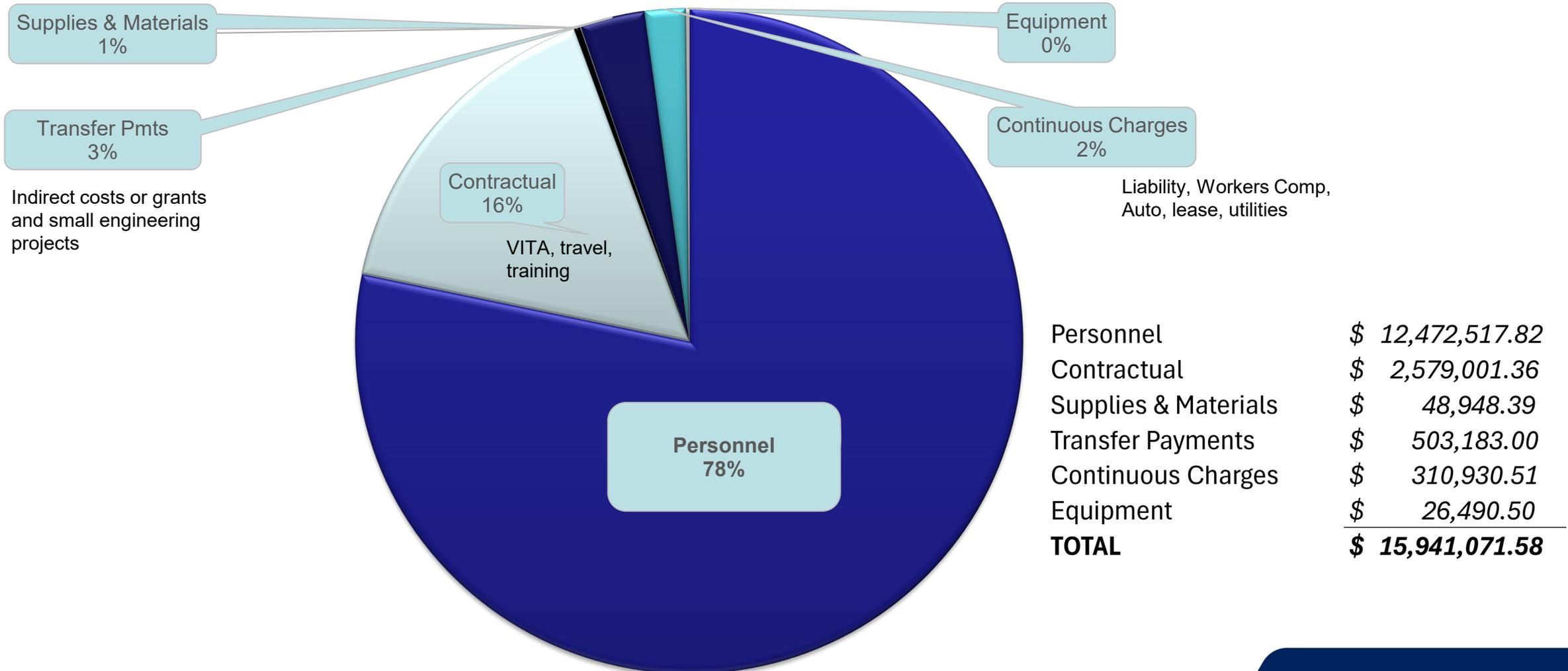


# Source of Funds

\$41.5 Million Per Year



# Operational Costs: \$ 15.9 Million/Yr



# Questions?

Office of Drinking Water/VDH  
September 2024

