Background

This staff report presents background information and recommendations for conversion of previously awarded State Revolving Funds (SRF) loans to local government units (LGUs) designated as distressed with funds from the Viable Utility Reserve (VUR).

As part of the state annual budget, in S.L. 2021-180, the VUR was appropriated more than $456 million for water and wastewater infrastructure funding in communities designated as distressed. There are currently 96 LGUs that have been designated as distressed by the Authority and the Local Government Commission. The appropriated funds in the annual budget were allocated to the state as part of the American Rescue Plan Act (ARPA). Projects eligible for ARPA funds passing through the VUR are limited by restrictions placed by both ARPA and G.S. 159G for projects funded through the VUR. In addition, ARPA funds must be expended by December 31, 2026.

To provide distressed LGUs more streamlined access to ARPA funds, relieve financial burdens from pending debt, and better assure the success of existing projects, the Division recommended that distressed LGUs have the option to replace existing SRF funding with ARPA funds in the VUR for projects eligible for this funding, as indicated in the Division’s draft ARPA funding administration plan. The administration plan also established a funding ceiling of $15 million per LGU. Any ARPA VUR funds used to replace SRF loans may count toward a funding threshold established in the Division’s final ARPA administration plan.

Table 1 lists eligible projects, the current funding level and the potential ARPA funds that could be provided. The list also includes projects potentially funded as part of the Fall 2021 funding round. Prior to replacement of any SRF loan, a LGU must agree to the replacement and acknowledge requirements of the updated funding source.
Table 1. Distressed Local Government Units with SRF-funded Projects Eligible for American Rescue Plan Act Funds from the Viable Utility Reserve

<table>
<thead>
<tr>
<th>Local Government Unit</th>
<th>Distressed Score</th>
<th>Project</th>
<th>Loan Amount</th>
<th>Potential ARPA funds</th>
<th>ARPA Earmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bailey, Town of</td>
<td>9 pts</td>
<td>2020 Sanitary Sewer Collection Lines</td>
<td>$533,900</td>
<td>$533,900</td>
<td>$5,000,000 from VUR</td>
</tr>
<tr>
<td>Ellerbee, Town of</td>
<td>11 pts</td>
<td>Wastewater System Rehabilitation</td>
<td>$497,922</td>
<td>$497,922</td>
<td>$150,000 from VUR</td>
</tr>
<tr>
<td>Landis, Town of</td>
<td>11 pts</td>
<td>Replacement of 8-inch gravity sewer, 35 manholes, and 93 service laterals</td>
<td>$1,788,120</td>
<td>$1,788,120</td>
<td></td>
</tr>
<tr>
<td>Macclesfield, Town of</td>
<td>12 pts</td>
<td>2020 Wastewater Treatment Plant Facilities Relocation</td>
<td>$2,750,000</td>
<td>$2,750,000</td>
<td></td>
</tr>
<tr>
<td>Pilot Mountain, Town of</td>
<td>13 pts</td>
<td>Wastewater Treatment Plant and Sewer Lift Stations Improvements Project</td>
<td>$935,000</td>
<td>$935,000</td>
<td></td>
</tr>
<tr>
<td>Sharpsburg, Town of</td>
<td>13 pts</td>
<td>Rehabilitation of 7 Pump Stations and 19 manholes</td>
<td>$951,234</td>
<td>$951,234</td>
<td></td>
</tr>
<tr>
<td>Southport, City of</td>
<td>10 pts</td>
<td>Regionalization project - Install a new SBR Wastewater Treatment Plant and 17,550 lf of 16&quot; force main.</td>
<td>$29,783,014</td>
<td>$15,000,000</td>
<td>$1,400,000 from VUR</td>
</tr>
<tr>
<td>St. Pauls, Town of</td>
<td>9 pts</td>
<td>Wastewater Treatment Plant Relocation</td>
<td>$3,093,450</td>
<td>$3,093,450</td>
<td></td>
</tr>
<tr>
<td>Tryon, Town of</td>
<td>12 pts</td>
<td>Braewick Road Sewer Rehabilitation Project</td>
<td>$1,189,950</td>
<td>$1,189,950</td>
<td>$425,000 from VUR</td>
</tr>
<tr>
<td>Greene County</td>
<td>11 pts</td>
<td>Conversion of disinfection at seven wells from gaseous chlorine to liquid chlorine</td>
<td>$691,500</td>
<td>$691,500</td>
<td></td>
</tr>
</tbody>
</table>
Table 1. Distressed Local Government Units with SRF-funded Projects Eligible for American Rescue Plan Act Funds from the Viable Utility Reserve

<table>
<thead>
<tr>
<th>Local Government Unit</th>
<th>Distressed Score</th>
<th>Project</th>
<th>Loan Amount</th>
<th>Potential ARPA funds</th>
<th>ARPA Earmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robersonville, Town of</td>
<td>7 pts - under LGC fiscal control</td>
<td>Replacement of waterline</td>
<td>$389,650</td>
<td>$389,650</td>
<td></td>
</tr>
<tr>
<td>Grifton, Town of</td>
<td>11 pts</td>
<td>2018 Water System Rehab and Improvements</td>
<td>$101,785</td>
<td>$101,785</td>
<td></td>
</tr>
<tr>
<td>Scotland Neck, Town of</td>
<td>9 pts</td>
<td>Replace existing aged waterlines, hydrants, and water services</td>
<td>$153,000</td>
<td>$153,000</td>
<td></td>
</tr>
<tr>
<td>Fountain, Town of</td>
<td>12 pts</td>
<td>Replace 2,400 LF of aged waterline with 6-inch waterline</td>
<td>$124,000</td>
<td>$124,000</td>
<td></td>
</tr>
<tr>
<td>Belhaven, Town of</td>
<td>12 pts</td>
<td>Waterline Replacement, Water St., Edwards St., Riverview St.</td>
<td>$69,380</td>
<td>$69,380</td>
<td></td>
</tr>
<tr>
<td>Elm City, Town of</td>
<td>16 pts</td>
<td>Water Filtration Restoration and Emergency Backup Generation</td>
<td>$1,491,815</td>
<td>$1,491,815</td>
<td></td>
</tr>
<tr>
<td>Edgecombe County</td>
<td>13 pts</td>
<td>Booster Pump Station Replacement and expansion</td>
<td>$1,033,200</td>
<td>$1,033,200</td>
<td></td>
</tr>
<tr>
<td>Grifton, Town of</td>
<td>11 pts</td>
<td>Replace water lines with PVC water lines</td>
<td>$490,200</td>
<td>$490,200</td>
<td></td>
</tr>
</tbody>
</table>

Potential Projects Identified in Draft Funding Scenario, Fall 2021 Funding Round (Agenda Item E&F)

<table>
<thead>
<tr>
<th>Local Government Unit</th>
<th>Distressed Score</th>
<th>Project</th>
<th>Loan Amount</th>
<th>Potential ARPA funds</th>
<th>ARPA Earmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pilot Mountain, Town of</td>
<td>13 pts</td>
<td>Collection System Improvements</td>
<td>$1,422,500*</td>
<td>$1,422,500*</td>
<td></td>
</tr>
<tr>
<td>Pilot Mountain, Town of</td>
<td>13 pts</td>
<td>Replace waterline and 35 hydrants.</td>
<td>$366,000*</td>
<td>$366,000*</td>
<td></td>
</tr>
</tbody>
</table>
### Table 1. Distressed Local Government Units with SRF-funded Projects Eligible for American Rescue Plan Act Funds from the Viable Utility Reserve

<table>
<thead>
<tr>
<th>Local Government Unit</th>
<th>Distressed Score</th>
<th>Project Description</th>
<th>Loan Amount</th>
<th>Potential ARPA funds</th>
<th>ARPA Earmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wilkesboro, Town of</td>
<td>6 pts – Failed to submit audits</td>
<td>Wilkesboro Cub Creek Wastewater Treatment Plant Expansion</td>
<td>$29,500,000*</td>
<td>$15,000,000*</td>
<td></td>
</tr>
<tr>
<td>Scotland Neck, Town of</td>
<td>9 pts</td>
<td>Replace waterlines and all appurtenances.</td>
<td>$396,433*</td>
<td>$396,433*</td>
<td></td>
</tr>
</tbody>
</table>

*Loan amount pending Fall 2021 Awards (Item E & F, February 8, 2022 Authority Meeting).