

State Water Infrastructure Authority
Meeting Date: April 13–14, 2022 – AMENDED
Agenda Item Q – Request to Go to Public Comment with Priority Rating System for
Community Development Block Grant-Infrastructure (CDBG-I) Projects
DRAFT – Amended April 14 to reflect SWIA approval to go to Public Review

Division of Water Infrastructure Staff Report

Background

The Community Development Block Grant - Infrastructure (CDBG-I) program is a federally funded community development program in the Department of Housing and Urban Development (HUD) designed to provide grant funds to non-entitlement communities (i.e., incorporated municipalities under 50,000 and counties under 200,000 in population) to carry out housing and community development activities.

The CDBG-I Program is designed to help communities create healthy living environments through financing public water and sewer infrastructure and to mitigate public and environmental health problems in areas where the percentage of low-to-moderate income (LMI) persons is at least 51 percent.

All of the Division’s funding programs follow a similar Priority Rating System consisting of four categories:

1. Category 1 – Project Purpose
2. Category 2 – Project Benefits
3. Category 3 – System Management
4. Category 4 – Affordability / Financial Situation

The current system provides a consistent and transparent methodology for prioritization that aligns with the Authority’s Master Plan and with statutory requirements. The prioritization system supports applicants in their continued efforts toward long-term utility viability and resiliency.

Potential Changes to the Priority Rating System

Category 1: Project Purpose

Line Item 1.B (Resolve Failed or Failing Infrastructure)

Expand to include eliminating malfunctioning onsite wastewater systems.

Expansion of this line item is recommended to include malfunctioning onsite wastewater systems as a type of failed infrastructure. The change is based on recommendations from the N. C. Department of Health and Human Services’ Onsite Wastewater Program to recognize different levels of documented failures. Recommended changes are described below.

These priority points are meant for five types of failed infrastructure:

- 1) Failed private septic systems

- 2) Failed spray fields
- 3) Private or public dry well,
- 4) Private or public contaminated wells
- 5) Malfunctioning onsite wastewater systems

For projects that eliminate malfunctioning onsite wastewater systems, applicants must provide copies of the notice of violation documenting that their system is malfunctioning per 15A NACA 18A .1961.

15A NCAC 18A .1961 MAINTENANCE OF SEWAGE SYSTEMS

(a) Any person owning or controlling the property upon which a ground absorption sewage treatment and disposal system is installed shall be responsible for the following items regarding the maintenance of the system:

(1) Ground absorption sewage treatment and disposal systems shall be operated and maintained to prevent the following conditions:

(A) a discharge of sewage or effluent to the surface of the ground, the surface waters, or directly into groundwater at any time; or

(B) a back-up of sewage or effluent into the facility, building drains, collection system, or freeboard volume of the tanks; or

(C) a free liquid surface within three inches of finished grade over the nitrification trench for two or more observations made not less than 24 hours apart. Observations shall be made greater than 24 hours after a rainfall event.

The system shall be considered to be malfunctioning when it fails to meet one or more of these requirements, either continuously or intermittently, or if it is necessary to remove the contents of the tank(s) at a frequency greater than once per month in order to satisfy the conditions of Parts (A), (B), or (C) of this Paragraph. Legal remedies may be pursued after an authorized agent has observed and documented one or more of the malfunctioning conditions and has issued a notice of violation.

Increasing priority points for line item 1.B from 5 points to 15 points for projects that will directly resolve failed or failing infrastructure (which can directly impact low-to-moderate income individuals) is recommended.

Line Item 1.C. (Rehabilitation and Replacement)

Clarify and expand on eligible projects.

It is recommended that a project that will rehabilitate or replace infrastructure by interconnection (without expansion) is eligible for these priority points.

Line Item 1.C.1 (Replacing Old Infrastructure)

Clarification to include replacement of lead service lines.

Clarification of this line item (that replacement of lead service lines is eligible for these points) is recommended.

Category 2: Project Benefits

Line Item 2.A (Specific Environmental or Public Health Benefit from Replacement, Repair, or Merger)

Expand to include additional environmental and public health benefits.

Currently, this line item provides priority points for projects that will: 1) Connect homes to a public sewer service that have a have failing septic systems; 2) connect homes to a public water service that has dry or contaminated wells; 3) repair or replace sewer lines responsible for reported SSOs, or repair or replace equipment to resolve an upset, spill or bypass at treatment works that reach bodies of water or back up into homes; or 4) replace failing public wells (failure due to contamination or significant yield reduction) with another well, or connection to another water system with excess capacity.

Expansion of this line item to include projects that will also address eliminating malfunctioning onsite wastewater systems is recommended. The change is based on recommendations from the Department of Health and Human Services' Onsite Wastewater Program to recognize different levels of documented failures. Recommended changes are described below.

Add under Line Item 2.A. the following: For projects that eliminate malfunctioning onsite wastewater systems.

Applicants must provide copies of the notice of violation documenting they system is malfunctioning per 15A NACA 18A .1961.

15A NCAC 18A .1961 MAINTENANCE OF SEWAGE SYSTEMS

(a) Any person owning or controlling the property upon which a ground absorption sewage treatment and disposal system is installed shall be responsible for the following items regarding the maintenance of the system:

(1) Ground absorption sewage treatment and disposal systems shall be operated and maintained to prevent the following conditions:

(A) a discharge of sewage or effluent to the surface of the ground, the surface waters, or directly into groundwater at any time; or

(B) a back-up of sewage or effluent into the facility, building drains, collection system, or freeboard volume of the tanks; or

(C) a free liquid surface within three inches of finished grade over the nitrification trench for two or more observations made not less than 24 hours apart. Observations shall be made greater than 24 hours after a rainfall event.

The system shall be considered to be malfunctioning when it fails to meet one or more of these requirements, either continuously or intermittently, or if it is necessary to remove the contents of the tank(s) at a frequency greater than once per month in order to satisfy the

conditions of Parts (A), (B), or (C) of this Paragraph. Legal remedies may be pursued after an authorized agent has observed and documented one or more of the malfunctioning conditions and has issued a notice of violation.

Expansion of this line item to provide priority points for projects that will eliminate lead service lines is recommended. It is recommended that projects must document that at least 50 percent of the construction cost is to replace lead service lines to be eligible for these priority points.

Line Item 2.A.1 (Benefit where 20 percent or more of Septic Systems are Failing or Private Wells are Dry or Contaminated)

Expand to include malfunctioning onsite wastewater systems.

Expansion of this line item to include projects that will eliminate 20 percent or more malfunctioning onsite wastewater systems to the list of eligible project types is recommended.

Line Item 2.F (System Merger or Regionalization)

Expand to include benefit points for projects that will have a regionalization.

It is recommended that the line item for projects that result in a system merger be broken into two separate line items (2.F.1 – 2.F.2) to provide priority to projects that result in a merger or that result in regionalization. Recommended changes are described below.

Renumber the existing Line Item 2.F to be Line Item 2.F.1 as shown below with no change in prioritization.

Line Item 2.F.1: Project includes a system merge, where merger is a physical consolidation of systems into a single system with a single PWSID number or a merger of ownership and operations without a physical consolidation of systems.

Add Line Item 2.F.2: Project results in a regionalization. Add an additional project benefit points for projects that result in regionalization between two or more systems. Recommend 5 priority points for these types of projects.

Projects can receive project benefit points for either 2.F.1 or 2.F.2, but not both.

Line Item 2.H.3

Add new Line Item 2.H.3: Project addresses an Emerging Compound.

Adding this line item to give priority points to projects addressing emerging compounds without a Maximum Contaminant Level (MCL), similar to prioritization for the Priority Rating System for drinking water projects for the Division's other funding programs, is recommended.

Line Item 2.N

Add new Line Item 2.N: Project provides resiliency for critical system functions.

The CDBG-I Priority Rating System lacks a benefit associated with resiliency, while the other Division funding programs provide points for such items. Therefore, proposed projects that will provide specific resiliency and redundancy will be able to claim benefit points for one of the following, as other Division priority rating systems allow. Recommended additions include:

- 2.N.1: Project relocates infrastructure from inside the 100-year floodplain to outside the 500-year floodplain for 8 points; or
- 2.N.2: Project relocates infrastructure from inside the 100-year floodplain to outside the 100-year floodplain for 5 points; or
- 2.N.3: Project relocates infrastructure from between the 100-year and 500-year floodplains to outside a 500-year floodplain for 3 points; or
- 2.N.4: Project fortifies or elevates infrastructure within floodplain for 4 points; or
- 2.N.5: Project improves ability to assure continued operation during flood events for 4 points; or
- 2.N.6: Project downsizes infrastructure related to buyouts for 4 points; or
- 2.N.7: Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source for 3 points. Category 4: Financial Situation

Category 4: Financial Situation

Line Item 4.B

Replace the current monthly residential single utility bill priority point structure with a current monthly residential combined utility bill structure for 5,000 gallons as shown in Table 1.

Table 1. Line Item 4.E Current Monthly Residential Single Utility Bill at 5,000 Gallons Usage (To be replaced)		
4.E.1	Greater than \$33	6
4.E.2	Greater than \$40	9
4.E.3	Greater than \$47	12
4.E.4	Greater than \$58	15
Maximum Total for 4. E		15

To be consistent across all Division Priority Rating Systems, it is recommended to change Line Item 4.E to Line Item 4.B and that the associated language mirror the changes approved by the Authority in 2021. Recommended changes are described in Table 2.

Table 2. Line Item 4.B Current Monthly Residential Combined Water & Sewer Utility Rate at 5000 Gallons Usage (Proposed replacement criteria)		
4.B.1	Greater than \$79	4
4.B.2	Greater than \$90	6
4.B.3	Greater than \$107	8
4.B.4	Greater than \$129	10
	Maximum Total for 4. B	10

Line Item 4.F

The recommended changes to 4.B. resulted in 5 points unaccounted for; therefore, the recommendation is to allocate those 5 points to 4.F. to keep category 4 total at a maximum of 50 points.

Staff Recommendation

The Authority approved for public review the complete Priority Points System for Community Development Block Grant-Infrastructure (CDBG-I) Projects are shown below:

DRAFT – 2022 PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS

Instructions: For each line item, mark “X” to claim the points for that line item. Be sure that your narrative includes justification for every line item claimed. At the end of each category, provide the total points claimed for each program in the subtotal row for that category. Then add the subtotals from each category and enter the Total of Points for All Categories in the last line. Note that some categories have a maximum allowed points that may be less than the total of individual line items.

Line Item #	Category 1 – Project Purpose (Points will be awarded for only one Project Purpose)	Claimed Yes/No	Points
1.A	Project will consolidate a nonviable drinking water or wastewater utility		15
1.B	Project will resolve failed <u>or failing</u> infrastructure issues		5 <u>15</u>
1.C	Project will rehabilitate or replace infrastructure, <u>including by a regionalization project</u>		10
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old, <u>OR lead service lines</u>		5
1.D-1.E	Reserved for other programs		
1.F	Project will extend service for the following specific reasons:		
1.F.1	Extend water and/or sewer service to new low-income housing, or to an area where existing LMI homes are being rehabilitated, OR		15
1.F.2	Connect existing LMI homes to water and/or sewer service		10
1.G- 1.I	Reserved for other programs		
Maximum points for Category 1 – Project Purpose			15
Subtotal claimed points for Category 1 – Project Purpose			
Line Item #	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A	Project provides a specific environmental or public health benefit by replacement, repair, or merger; includes replacing failing septic tanks, replacing dry wells, addressing contamination of a drinking water source by replacing or additional treatment		15
2.A.1	Project eliminates 20% or more failing septic systems, <u>malfunctioning onsite wastewater systems</u> , or private wells that are dry or contaminated.		5
2.B-2.C	Reserved for other programs		

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2.D	Project addresses promulgated but not yet effective regulations		3
2.E	Project directly addresses enforcement documents		
2.E.1	Project directly addresses an EPA Administrative Order for a local government applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DEQ Administrative Order, OR		5
2.E.2	Project directly resolves a Notice of Violation or Notice of Deficiency		3
2.F	<u>System Merger or Regionalization</u>		
<u>2.F.1</u>	Project includes system merger OR		10
<u>2.F.2</u>	<u>Project includes system regionalization</u>		<u>5</u>
2.G	Project addresses low pressure in a public water supply system		5
2.H	Project addresses contamination of a water supply source:		
2.H.1	Project addresses acute contamination of a water supply source, OR		15
2.H.2	Project addresses contamination of a water source other than acute, OR		10
<u>2.H.3</u>	<u>Project addresses an emerging compound without a MCL</u>		<u>10</u>
2.I	Reserved for other programs		
2.J	Water loss in system to be rehabilitated or replaced is 30% or greater		10
2.K	Project provides a public water system interconnection		
2.K.1	Project creates a new interconnection between systems not previously interconnected OR		5
2.K.2	Project creates an additional or larger interconnection between two systems already interconnected which allows one system's public health water needs to be met during an emergency		3
2.K.3	Reserved for other programs		
2.L	Water and sewer project is located within the same footprint		5
2.M	Project directly addresses a moratorium on a local government unit system		7
<u>2.N</u>	<u>Project provides resiliency for critical system functions</u>		

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<u>2.N.1</u>	<u>Project relocates infrastructure from inside the 100-year floodplain to outside the 500-year floodplain OR</u>		<u>8</u>
<u>2.N.2</u>	<u>Project relocates infrastructure from inside the 100-year floodplain to outside the 100-year floodplain OR</u>		<u>5</u>
<u>2.N.3</u>	<u>Project relocates infrastructure from between the 100-year and 500-year floodplains to outside a 500-year floodplain, OR</u>		<u>3</u>
<u>2.N.4</u>	<u>Project fortifies or elevates infrastructure within floodplain, OR</u>		<u>4</u>
<u>2.N.5</u>	<u>Project improves ability to assure continued operation during flood events, OR</u>		<u>4</u>
<u>2.N.6</u>	<u>Project downsizes infrastructure related to buyouts, OR</u>		<u>4</u>
<u>2.N.7</u>	<u>Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source</u>		<u>3</u>
2.O - 2.R	Reserved for other programs		
2.S	Project provides site work and new water/wastewater infrastructure, including house or apartment connections, to new low-to-moderate income housing		5
Maximum points for Category 2 – Project Benefits			20
Subtotal claimed points for Category 2 – Project Benefits			
Line Item #	Category 3 – System Management	Claimed Yes/No	Points
3.A	Capital Planning Activities		
3.A.1	Applicant has implemented an Asset Management Plan as of the date of application, OR		10
3.A.2	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10 years and proposed project is included in the plan		3
3.B	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5% of MHI		5
3.C	Applicant has an approved Source Water Protection Plan and/or a Wellhead Protection Plan		5
3.D	Applicant has implemented a water loss reduction program		5
3.E	Reserved for other programs		

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Maximum points for Category 3 – System Management			15
Subtotal claimed points for Category 3 – System Management			
Line Item #	Category 4 – Financial Situation	Claimed Yes/No	Points
4.A	Reserved for other programs		
<u>4.B</u>	<u>Current Monthly Combined Utility Rates at 5,000 Usage</u>		
<u>4.B.1</u>	<u>Greater than \$79 OR</u>		<u>4</u>
<u>4.B.2</u>	<u>Greater than \$90 OR</u>		<u>6</u>
<u>4.B.3</u>	<u>Greater than \$107 OR</u>		<u>8</u>
<u>4.B.4</u>	<u>Greater than \$129</u>		<u>10</u>
<u>4.C - 4.D</u>	<u>Reserved for other programs</u>		
4.E	Poverty Rate		Calculati on; Max 15 pts
4.F	Low-to-Moderate Income		Calculati on; Max 20 <u>25</u> pts
Maximum points for Category 4 – Financial Situation			50
Subtotal claimed points for Category 4 – Financial Situation			
Total Points Claimed for All Categories			