

**State Water Infrastructure Authority**  
**Meeting Date: March 9, 2022**  
**Agenda Item G – Informational Item – Potential Priority Rating System System Updates for**  
**CDBG-Infrastructure Projects**

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**Division of Water Infrastructure Staff Report**

**Background**

The Community Development Block Grant (CDBG) program is a federally-funded community development program from 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-Infrastructure 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 Points 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.

Prior to recommending public review of the Priority Rating System, the Division is seeking feedback on potential Priority Rating System changes, and input from Authority members on other priorities or changes. The potential Priority Rating System changes begin on page 4.

**Potential Changes to the Priority Rating System**

**Expand consideration for environmental and public health benefits.**

The Division is interested in providing additional prioritization to projects that provide additional environmental and public health benefits specific to the elimination of failed or failing onsite wastewater and non-discharge systems and to projects that identify and replace lead service lines. Potential additional priority points for consideration are as follows:

Elimination of failed or failing or malfunctioning onsite wastewater systems, non-discharge systems, dry or contaminated wells:

- **Line 1.B (Resolve Failed Infrastructure)** – Consider expanding priority from resolved failed infrastructure issues to also include resolving failing infrastructure issues. Includes malfunctioning onsite wastewater systems. Definition for failing infrastructure for water systems (i.e. contaminated wells and dry wells) will not change.
- **Line 2.A (Specific Environmental or Public Health Benefit from Infrastructure Replacement, Repair, or Merger – including failing septic systems)** – Consider expanding priority from eliminating only failed onsite wastewater systems to also include prioritization to eliminate malfunctioning onsite wastewater systems.

Recommendations were provided by Department of Health and Human Services Onsite Wastewater Program to recognize different levels of documented failures. The Division is not aware of an equivalent level of documentation for non-discharge systems.

- **Line 2.A.1 (Benefit where 20% or more of Septic System are Failing or Private Wells are Dry or Contaminated)** – Consider expanding priority to include malfunctioning onsite wastewater systems.

Identification and replacement of lead service lines for drinking water projects.

- **Adding Line 1.C.2 (Replacing Old Lead Infrastructure)** – Consider expanding priority to include prioritization to identify and replace lead service lines as a project purpose. Consider projects that document that at least 75 percent of the project cost is for identification and replacement of lead service lines to be eligible for these priority points. Applicants can only receive points either for 1.C.1 or 1.C.2 but not both.
- **Line 2.B (Specific Environmental or Public Health Benefit from Infrastructure Replacement, Repair, or Merger – including failing septic systems)** – Consider expanding priority to include identification and replacement of lead service lines as a project benefit. Consider projects that document that at least 50 percent of the project cost is for identification and replacement of lead service lines to be eligible for these priority points.

Consider adding priority points for projects addressing emerging contaminants to stay in line with other Division programs and emerging public health issues/concerns.

- **Adding Line Item 2.H.3 (Project addresses an Emerging Compound)** – Expand consideration for projects addressing contaminants in a public water system to include emerging contaminants. Consider increasing priority points for projects addressing an emerging contaminant and remove the requirement that a Health Advisory Level must be exceeded. The Division is interested in using the latest science and developments by the Department of Environmental Quality and by EPA to define eligible projects. The Division anticipates that strategies will evolve continuously.

### Prioritization for resiliency of critical infrastructure.

In response to President Biden's Justice40 Initiative and his *Executive Order on Tackling the Climate Crisis at Home and Aboard* (EO 14008), HUD released their Climate Adaptation Plan (Plan) in October 2021. This Plan outlined how HUD will embed adaptation and resiliency planning and implementation throughout their programs. One component of the Plan states, "...HUD recognizes the need to better protect America's communities from the impacts of climate change...and minimizing adverse impacts to the beneficial functions of floodplains and wetlands." In addition, as a recipient of CDBG funds, the State of North Carolina must address impacts of climate change on low-to-moderate income residents, how current and future natural hazard risks may impact their communities, and how to reduce said risks in their HUD Consolidated Plan.

The CDBG-I funding program provides funding for infrastructure improvement projects, and many of these projects have critical components located in the 100- or 500-year floodplain. Therefore, it would be beneficial for communities to receive points if their proposed project will include improvements that address long-term flood resiliency while also addressing environmental issues and improving quality of life.

The CDBG-I priority criteria have lacked a benefit associated with resiliency, while the other Division funding programs provide points for such items. The proposed addition to this category mirrors the available benefits in the other Division funding priority rating systems.

- **Add Line Item 2.N and its sub-line items: 2.N.1 – 2.N.7** – Also, include any subsequent changes to these line items from the other Division Priority Rating Systems.

### Other Potential Changes

- **Line Item 4.E. (Current Monthly Combined Utility Rate at 5,000 Gallons)** – Many CDBG-I applicants apply to the other Division funding programs at the same time; thus, it is important to be consistent with line items, as much as possible to avoid confusion or misinformation. Therefore, the proposed change to 4.E will mirror the changes made and approved by the Authority in 2021 for other funding program priority rating systems.
- **Line Item 4.F Low- and Moderate-Income)** – Increase the available points for 4.F to keep Category 4 maximum points at 50.
- **Line Items 1.B (Project will resolve failed infrastructure issues)** – Increase project purpose points from five points to 15 points for projects that will directly resolve failing infrastructure which can directly impact low-to-moderate income individuals.

**DRAFT 2022 CDBG PRIORITY RATING SYSTEM – FOR ALL CDBG 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 Project Total 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	Claimed Yes/No	Points
1.A	Project will consolidate a nonviable drinking water or wastewater utility		15
1.B	Project will resolve failed infrastructure issues		15
1.C	Project will rehabilitate or replace infrastructure		10
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, <b>OR</b> water/sewer lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old <b>OR</b>		5
1.C.2	Replacing old lead service drinking lines		5
1.D	Reserved for Other Programs		
1.E	Project will extend service for the following specific reasons:		
1.E.1	Extend water and/or sewer service to new low-income housing, or to an area where existing LMI homes are being rehabilitated <b>OR</b>		15
1.E.2	Connect existing LMI homes to water and/or sewer service		10
1.F – 1.H	Reserved for Other Programs		
	<b>Maximum Points for Category 1 – Project Purpose</b>		<b>15</b>
	<b>Subtotal Claimed Points for Category 1 – Project Purpose</b>		
Line Item #	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A	Project provides a Specific Environmental or Public Health benefit <del>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</del>		15

2.A.1	Project eliminates 20% or more Failed Septic Systems, Malfunctioning Onsite Wastewater Systems, or Private Wells that are Dry or Contaminated		5
2.B-2.C	Reserved for Other Programs		
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	Project includes system merger		10
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, <b>OR</b>		15
2.H.2	Project addresses contamination of a water source other than acute, <b>OR</b>		10
2.H.3	Project addresses an emerging compound		10
2.I	Reserved for Other Program		
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 <b>OR</b>		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 Program		
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
2.N	Project provides resiliency for critical system functions:		
2.N.1	Project relocates infrastructure from inside the 100-year floodplain to outside the 500-year floodplain <b>OR</b>		8

2.N.2	Project relocates infrastructure from inside the 100-year floodplain to outside the 100-year floodplain <b>OR</b>		5
2.N.3	Project relocates infrastructure from between the 100-year and 500-year floodplains to outside a 500-year floodplain <b>OR</b>		3
2.N.4	Project fortifies or elevates infrastructure within floodplain, <b>OR</b>		4
2.N.5	Project improves ability to assure continued operation during flood events <b>OR</b>		4
2.N.6	Project downsizes infrastructure related to buyouts <b>OR</b>		4
2.N.7	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and backup electrical power source		3
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
	<b>Maximum Points for Category 2 – Project Benefits</b>		<b>20</b>
	<b>Subtotal Claimed Points for Category 2 – Project Benefits</b>		
<b>Line Item #</b>	<b>Category 3 – System Management</b>	<b>Claimed Yes/No</b>	<b>Points</b>
3.A	Capital Planning Activities:		
3.A.1	Applicant has implemented an Asset Management Plan as of the date of application <b>OR</b>		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%		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		
	<b>Maximum Points for Category 3 – System Management</b>		<b>15</b>
	<b>Subtotal claimed for Category 3 – System Management</b>		

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