

State Water Infrastructure Authority
Meeting Date: July 16, 2024
Agenda Item H
Spring 2024 Application Round and Example Funding Scenario for
Community Development Block Grant – Infrastructure

Division of Water Infrastructure Staff Report

This report presents a *preliminary* funding scenario for the consideration of the State Water Infrastructure Authority (Authority). Subsequent updates and corrections to the application information and funding scenario (including application scores, ranking, potential funding amount, etc.) may occur and will be presented to the Authority during the meeting. Applications are selected for funding by the Authority during the meeting, and the Authority’s selections are final.

Background

This staff report presents background information on the Spring 2024 Application Round for applications to be funded from the Community Development Block Grant Infrastructure (CDBG-I) funds. The Spring 2024 application round includes funds appropriated to Water Infrastructure Funds established in G.S. 159G. This information includes a summary of available funds and any limitation on awarding the funds; a summary of applications received; and the process staff used to apply funds in the funding scenario example presented to the Authority.

The CDBG-I fund is a grant fund available to low-to-moderate income (LMI) communities for water and sewer improvements.

Table 1 shows a comparison of funding requested from submitted applications and the amount of funding available from the Community Development Block Grant-Infrastructure (CDBG-I) program fund.

Table 1. Comparison of Funding Requested from Submitted Applications and Amount of Funding Available			
Application Type	Number of Submitted Applications	Total Requests	Approximate Amount Available – FY23 Funds
Drinking Water Projects - Construction	3	\$ 7,055,000	CDBG-I: \$11,328,290
Wastewater Projects - Construction	6	\$ 12,502,050	
Total:	9	\$ 19,557,050	

Spring 2024 Funds Available

The following funds are available for award for the Spring 2024 Application Round.

The State of North Carolina received \$46,076,826 in Community Development Block Grant (CDBG) State funds for FY 2023, of which \$19,022,056 was appropriated for the CDBG-Infrastructure

program. The Authority awarded \$7,693,766 in FY2023 CDBG-I program funds to four local governments at the February 20, 2024 meeting. The remaining FY2023 CDBG-I balance is \$11,328,290.

Table 2 shows the current balance of unobligated / uncommitted CDBG-I program funds.

Funding Year	Balance^a	U.S. Dept. of Treasury Recapture Date^b
FY 2018	\$ 1,090,601.74	September 1, 2025
FY 2019	\$ 1,554,657.89	September 1, 2026
FY 2020	\$ 51,227.91	September 1, 2027
FY 2021	\$ 7,681.79	September 1, 2028
FY 2022	\$ 0.00	September 1, 2029
FY 2023	\$ 11,328,290.00	September 1, 2030

^a Balance based on final requisitions, pending closeout packages, and closed pending final audit status.

^b States have eight years to expend funds from their annual CDBG allocation from HUD. Funds not disbursed from State’s line of credit after eight years will be cancelled and recaptured by the U.S. Department of Treasury [per 21 U.S.C 1552(a), as amended by the National Defense Authorization Act of 1991].

Summary of Applications Received

Spring 2024 application round applications were due April 30, 2024. A total of nine CDBG-I program applications were submitted during the round. A summary of the number of drinking water and wastewater applications for consideration for CDBG-I program funding by project type is shown in Table 3. Requested funding for CDBG-I projects exceeds the amount of available funds for this round.

Category	Drinking Water	Wastewater	Total
Submitted Applications	3	6	9
Incomplete / Ineligible Applications	1	0	1
Complete and Eligible Applications Considered	2	6	8
Funding Requested from Complete and Eligible Applications	\$ 5,000,000	\$ 12,502,050	\$ 17,502,050

During previous funding rounds, Authority members requested additional information on the types of projects in applications received. Table 4 shows the number of complete and eligible applications from local government units designated as Distressed, the number that self-identified that the project is the result of a previously awarded Asset Inventory and Assessment (AIA) or Merger/Regionalization Feasibility (MRF) project, and projects that received prioritization for certain, but not all, priority line items.

Table 4. Summary of Applications by Characteristics and Receiving Specific Priority Rating System Points									
Project Type	Parameter Type								
	Local Government Unit Designated as Distressed	Result of Awarded AIA/MRF[†]	Consolidate a Non-Viable Utility^a	Failing Infrastructure^b	Rehab/Replace Old Infrastructure^c	Extending Service to LMI Homes^d	Address Emerging Contaminants^e	Merger/Regionalization^f	Resiliency^g
Drinking Water	1	0	0	1	3	2	0	0	0
Wastewater	4	0	0	3	4	4	0	0	2
Total	5	0	0	4	7	6	0	0	2

^a Consolidate a Non-Viable Utility: successfully claimed Line Item 1.A of the Priority Rating Systems for CDBG-I.

^b Failing Infrastructure: successfully claimed Line Item 1.B of the Priority Rating Systems for CDBG-I.

^c Rehab/Replace Old Infrastructure: successfully claimed Line Items 1.C. of the Priority Rating Systems for CDBG-I.

^d Extending Service to Low-to-Moderate (LMI) Homes: successfully claimed Line Items 1.E.1 or 1.E.2 of the Priority Rating Systems for CDBG-I.

^e Address Emerging Contaminants: successfully claimed Line Items 2.H.3 or 2.H.4 of the Priority Rating Systems for CDBG-I.

^f Merger/Regionalization: successfully claimed Line Items 2.F.1 or 2.F.2 of the Priority Rating Systems for CDBG-I.

^g Resiliency: successfully claimed one of Line Items 2.N.1 through 2.N.7 of the Priority Rating Systems for CDBG-I.

[†] Projects resulting from an AIA or MRF are self-identified.

Example of Funding Scenario for CDBG-I Program

The example funding scenario is detailed in Table 5 on the next page. This table identifies the projects that would potentially be funded under the example funding scenario. A full list of applications, including those that would not be funded under this scenario, are shown in the accompanying spreadsheets (Agenda Items I-1 and I-2). Application numbers in the table below reference application numbers in the accompanying spreadsheets.

The funding scenario involves each project being recommended to be funded with two grants: 1) an initial “planning grant” funded with uncommitted FY2018 funds, and 2) a larger “construction grant” funded with uncommitted FY2023 funds.

The initial “planning grant” will fund the activities (engineering report, environmental, compliance plans and fair housing plan, and minimal grant administration tasks) to get the project to a benchmark called “release of conditions and funds.” The second “construction grant” will cover activities (final design and specs, easement acquisition, etc.) to get the project through construction, plus grant administration. A similar funding strategy is presented and approved in April 2021 by the SWIA.

Table 5. CDBG-I Example Funding Scenario

SWIA Sheet Appl. No.	Applicant Name	County	Project Name	Amount of Funding Requested	Potential Total CDBG-I Grant Amount	CDBG-I Funding Year 2023 Amount	CDBG-I Funding Year 2018 Amount
1	Hertford, Town of	Perquimans	WWTP Rehabilitation	\$3,000,000.00	\$3,000,000.00	\$2,895,000.00	\$105,000.00
2	Pollocksville, Town of	Jones	Pump Station No. 2 Improvements	\$2,000,000.00	\$2,000,000.00	\$1,950,000.00	\$50,000.00
3	Ayden, Town of	Pitt	Woodcrest Sanitary Sewer Improvements	\$1,400,000.00	\$1,400,000.00	\$1,360,000.00	\$40,000.00
4 ^a	Fountain, Town of	Pitt	Pump Station No.1 Renovation	\$800,000.00	\$775,000.00	\$740,000.00	\$35,000.00
5 ^b	Enfield, Town of	Halifax	Phase 7 Sewer – WWTP Improvements	\$2,302,050.00	\$2,242,515.00	\$2,202,515.00	\$40,000.00
6 ^c	Valdese, Town of	Burke	Berrytown Waterline Project	\$3,000,000.00	\$2,236,775.00	\$2,180,775.00	\$56,000.00
Total:				\$12,502,050.00	\$11,654,290.00	\$11,328,290.00	\$326,000.00

^aProject 4 - Request amount is over the allowed \$3 million aggregated total for CDBG-I grants during a 3-year period. Received a 2022 grant for \$2,225,000 (official SWIA award of 2022 grant was 7/18/23); thus, reduced this award amount to \$775,000 (-\$25,000 of requested amount). Project must either be reduced to award amount or local funds will have to be added to project.

^bProject 5 - Request amount is over the allowed \$3 million aggregated total for CDBG-I Grants during a 3-year period. Received a 2021 grant for \$757,485 (official SWIA award of 2021 grant was 2/9/22); thus, reduced this award amount to \$2,242,515 (-\$59,535 of requested amount). Project either must be reduced to award amount or local funds will have to be added to project.

^cProject 6 - Partial award to obligate remaining FY23 funds. Unfunded balance of the requested amount is \$763,225. Town will have to reduce scope to meet award or local funds will have to be added to project.