

**State Water Infrastructure Authority
February 20, 2024 Meeting
Agenda Item L**

Draft Priority Rating Systems for Water and Sewer for Viable Utility Reserve Planning Grants

Division of Water Infrastructure Staff Report

Background

General Statute 159G-35(c) directs the State Water Infrastructure Authority (Authority) and Local Government Commission (LGC) to develop evaluation criteria for grants from the Viable Utility Reserve (VUR), among other responsibilities. The Authority prefers to use the existing Priority Rating Systems (PRSs) to prioritize awards made from various funding programs, including Asset Inventory and Assessment (AIA) and Merger/Regionalization Feasibility (MRF) grants. Typically, the LGC has deferred to the Authority on prioritization of awards from the VUR, including AIA/MRF awards.

In an effort to focus resources on the most severely distressed units, the Authority and LGC originally opted to use an alternative PRS based mostly on Assessment Scores to prioritize awards to local government units (LGUs) from the VUR.

Discussion

Currently, AIA and MRF applications that are eligible for funding from the VUR are prioritized in decreasing priority as shown below:

1. Distressed Category 1 (LGUs under fiscal control of the LGC) by Assessment Score
2. Distressed Categories 2, 3, and 4 by Assessment Score
3. Tie-breaker Criteria
 - a. Revenue Outlook (15 points)
 - b. Moratorium (15 points)
 - c. Service Population <1,000 (10 points)
 - d. Project addresses multiple distressed units (5 points)

After multiple rounds of AIA/MRF application review and award, Division staff have observed that the current PRS for study grants funded from the VUR sometimes results in recommending awards for study grants based on substandard applications. Considering that the Authority prefers to rely on the existing PRS to the extent practicable and because of staff concerns about application quality, Division staff recommend changing the PRS for study grants from the VUR, while still retaining prioritization for LGUs under control of the

LGC (so-called, D1 units). Because of Division staff's close working relationship with LGC staff, the quality of study grant applications for D1 units are typically not a concern.

The recommended modifications presented below were presented and approved for Authority consideration at the January 30, 2024 Viable Utility Committee meeting. Note that the recommended PRS is consistent with the PRS used to prioritize AIA and MRF awards from the State Reserve Program (SRP). Attachments to this report describe the PRS and scoring framework used by the SRP and proposed for use for the VUR.

Staff Recommendations

Division staff recommend that the Authority approve the following modifications to the prioritization of AIA and MRF applications that are eligible for funding from the VUR in decreasing priority, as shown below, starting with the Fall 2024 application cycle:

1. Distressed Category 1 (LGUs under fiscal control of the LGC) by Assessment Criteria Score
2. Priority Rating System score by using the Priority Rating Systems for the AIA and MRF programs that are currently used by the SRP
3. Tie-breaker criteria (for multiple applicants with the same PRS score)
 1. Assessment Criteria Score
 2. Number of LGU Indicators that exceed the state benchmarks

DW and WW SRP Asset Inventory and Assessment Study Priority Rating System		
Line Item #	Category	Points
1.	Project Benefits	0 - 8
1.A	The LGU has been identified as "distressed" by the Authority and Commission per NCGS 159G-45(b).	2
2.	System Management	
2.A	Knowledge base of utility's internal asset management team	0 - 4
2.B	Current and past rate setting practices, CIPs, etc.	0, 1, or 2
2.C	Management of asset inventory data	0 - 4
2.D	Operating Ratios (OR)	0, 1, or 2
3.	Affordability	
3.A	Current Monthly Utility Rate at 5,000 gallons usage	0, 1, or 2
3.B	Local Government Unit (LGU) Indicators	
3.B.1	3 out of 5 LGU indicators are worse than the state benchmark OR	0
3.B.2	4 out of 5 LGU indicators are worse than the state benchmark OR	1
3.B.3	5 out of 5 LGU indicators are worse than the state benchmark	2
Total Points		24 Max

DW and WW SRP Merger/Regionalization Feasibility Study Priority Rating System		
Line Item #	Category	Points
1.	Project Benefits	
1.A	Top 3 Challenges and Compliance History	0, 1, 2, or 3
1.B	Past Collaboration and/or Proximity	0, 1, 2, or 3
2.	System Management	
2.A	Size and Capabilities	0, 1, or 2
2.B	The LGU has been designated as "distressed" by the Authority and Commission per NCGS 159G-45(b).	3
2.C	Operating Ratio < 1.00	1
3.	Affordability	
3.A	Current Monthly Utility Rate at 5,000 gallons usage	0, 2, or 4
3.B	Local Government Unit (LGU) Indicators	
3.B.1	3 out of 5 LGU indicators are worse than the state benchmark OR	0
3.B.2	4 out of 5 LGU indicators are worse than the state benchmark OR	2
3.B.3	5 out of 5 LGU indicators are worse than the state benchmark	4
Total Points		20 Max