

State Water Infrastructure Authority

Meeting Date: February 20, 2024

Agenda Item M

Draft Priority Rating System for Community Development Block Grant-Infrastructure (CDBG-I) Projects

Division of Water Infrastructure Staff Report

Background

The State (Small Cities) 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 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 (PRS) 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 PRS provides a consistent and transparent methodology for prioritization that aligns with the State Water Infrastructure Authority's Master Plan and with statutory requirements. The PRS supports applicants in their continued efforts toward long-term utility viability and resiliency.

Potential Changes to the Priority Rating System

The proposed PRS for the CDBG-I program revises the Project Benefits Category (Category 2) to reduce the 2.H.1 – 2.H.4 (Project Addresses Contamination) project benefit points to the same proposed new line item scores proposed in the PRSs for Drinking Water and Wastewater Projects, as presented in Agenda Item K.

Recommended changes in points to the Project Benefits category (Category 2) are shown in Table 1.

| Table 1. Project Benefits Changes | | |
|-----------------------------------|--|---------------------|
| Line Item # | Category 2 – Project Benefits | Points |
| 2.H.1 | Project addresses acute contamination of a water supply source OR | 15 10 |
| 2.H.2 | Project addresses contamination of a water supply source other than acute OR | 10 5 |
| 2.H.3 | Project addresses any PFAS compounds exceeding 10 ppt or State-established regulatory standards or limits, OR | 5 2 |
| 2.H.4 | Project addresses PFAS exceeding proposed MCL or Hazard Index | 10 5 |

Staff recommend the following change for line item 4.B Current Monthly Combined Utility Rates for 5,000 gallons of usage (Table 2) under Category 4. Staff propose to change line items 4.B.1 through 4.B.4 thresholds from specific dollar amounts to the corresponding percentiles for the combined water and sewer bills, consistent with the recommendation in Agenda Item K for the PRSs for Drinking Water and Wastewater Projects. This would fix the PRS to those percentile thresholds, allowing staff to update the equivalent dollar thresholds in application materials and guidance on a recurring basis, starting with Fall 2024 application materials.

| Table 2. Financial Situation Changes | | |
|--------------------------------------|--|--------|
| Line Item # | Category 4- Financial Situation | Points |
| 4.B | Current Monthly Combined Utility Rates at 5,000 Usage | |
| 4.B.1 | Greater than \$79 50th Percentile OR | 4 |
| 4.B.2 | Greater than \$90 70th Percentile OR | 6 |
| 4.B.3 | Greater than \$107 85th Percentile OR | 8 |
| 4.B.4 | Greater than \$129 95th Percentile | 10 |

Staff Recommendation

Division staff ask that the Authority approve for public review the complete Priority Rating System for CDBG-I Projects as shown below.

DRAFT 2024 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 or failing infrastructure issues | | 15 |
| 1.C | Project will rehabilitate or replace infrastructure, including by a regionalization project | | 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, OR lead service lines | | 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 | | 15 |
| 2.A.1 | Project eliminates 20% or more failing 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 |

DRAFT 2024 PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS

| | | | |
|------------|---|--|------------------|
| 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 or Regionalization | | |
| 2.F.1 | Project includes a system merger, OR | | 10 |
| 2.F.2 | Project results in a system regionalization and/or partnerships | | 5 |
| 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 10 |
| 2.H.2 | Project addresses contamination of a water source other than acute, OR | | 10 5 |
| 2.H.3 | Project addresses any PFAS compounds exceeding 10 ppt or State-established regulatory standards or limits, OR | | 5 2 |
| 2.H.4 | Project addresses PFAS exceeding proposed MCL or Hazard Index. | | 10 5 |
| 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 |
| 2.N | Project provides resiliency for critical system functions | | |

| DRAFT 2024 PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS | | | |
|--|---|-----------------------|---------------|
| 2.N.1 | Project relocates infrastructure from inside the 100-year floodplain to outside the 500-year floodplain OR | | 8 |
| 2.N.2 | Project relocates infrastructure from inside the 100-year floodplain to outside the 100-year floodplain OR | | 5 |
| 2.N.3 | Project relocates infrastructure from between the 100-year and 500-year floodplains to outside a 500-year floodplain, OR | | 3 |
| 2.N.4 | Project fortifies or elevates infrastructure within floodplain, OR | | 4 |
| 2.N.5 | Project improves ability to assure continued operation during flood events, OR | | 4 |
| 2.N.6 | Project downsizes infrastructure related to buyouts, OR | | 4 |
| 2.N.7 | Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or 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 |
| 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 | | |
| 4.B | Current Monthly Combined Utility Rates at 5,000 Usage | | |
| 4.B.1 | Greater than \$79 the 50 th Percentile OR | | 4 |
| 4.B.2 | Greater than \$90 the 70 th Percentile OR | | 6 |
| 4.B.3 | Greater than \$107 the 85 th Percentile OR | | 8 |
| 4.B.4 | Greater than \$129 the 95 th Percentile | | 10 |
| 4.C - 4.D | Reserved for other programs | | |
| 4.E | Poverty Rate | | Calculati on; Max 15 pts |
| 4.F | Low-to-Moderate Income | | Calculati on; Max 25 pts |
| Maximum points for Category 4 – Financial Situation | | | 50 |
| Subtotal claimed points for Category 4 – Financial Situation | | | |
| Total Points Claimed for All Categories | | | |