

State Water Infrastructure Authority
Meeting Date: April 16 – 17, 2024
Agenda Item Q – Final Priority Rating System for the Community Development Block Grant-Infrastructure (CDBG-I) Program

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.

North Carolina General Statute (G.S.) 159G-71 empowers the State Water Infrastructure Authority (Authority) to establish priorities for making loans and grants consistent with federal law. All 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 Authority's Master Plan and with statutory requirements. The PRS supports applicants in their continued efforts toward long-term utility viability and resiliency.

At its February 20, 2024 meeting, the Authority approved the Draft CDBG-I PRS for public review.

The Division provided a public comment period from March 1, 2024, to April 1, 2024. The following summarizes the comments received, provides staff response to each comment, and includes staff recommendations for action on the PRS. In summary, staff appreciate the comments and recommendations provided.

Public Comments and Staff Response

There were no public comments on the proposed changes to the CDBG-I Priority Rating System (PRS). However, one comment was received from W.K. Dickson and Co., Inc. on the PRS for the Drinking Water/ Wastewater Construction Projects, pertains to the CDBG-I PRS.

Comment: The proposed changes score critical public health issues less than other general project benefits. For example, Line Item 2.G – Project addresses low pressure receives 10 points which is the same as the new 2.H.1 – Project addresses acute contamination of a water supply source proposed score of 10 points and twice as much as 2.H.4 – Project addresses PFAS exceeding proposed MCL or Hazard Index. It appears, addressing contamination and its direct public health impacts is now a lower priority for the Division of Water Infrastructure based on the proposed priority rating system; and specifically addressing PFAS is a lower priority than other contamination or addressing other “promulgated but not yet effective regulations.”

Response: Addressing public health is embedded throughout the PRS, not exclusively in the 2.H line item points. Line Item 2.G – Project addresses low pressure – also addresses public health since low pressure could lead to acute contamination of drinking water and boil water advisories. Addressing acute contamination is the higher priority for protecting public health, followed by addressing contamination that is non-acute. To better reflect this, **the Staff recommend restoring Line Item 2.H.1 – Project addresses acute contamination of a water supply source – to 15 points** to raise the project benefit points for related projects. Projects that address contamination that is not acute will score 2 to 5 points in addition to other related project benefits. Projects that directly address PFAS are eligible for Line Items 1.J.1 – 1.J.3 or possibly Line Item 1.C, which, when combined with Line Items 2.H.3 and 2.H.4, provide a high project priority score to address the public health concern. Lastly, in anticipation that proposed Maximum Contaminant Levels (MCL) and/or Hazard Index for PFAS compounds may be promulgated in the coming months, **the Staff recommend including promulgated MCL and Hazard Index to Line Item 2.H.4, i.e. Line Item 2.H.4 is to be labeled “Project addresses PFAS exceeding proposed or promulgated MCL or Hazard Index.”**

The changes to the CDBG-I PRS are identical to changes proposed to the PRSs applicable to the other Drinking Water and Wastewater construction programs the Division funds. The proposed changes to the PRS include:

- Adjusting points in Line Items 2.H.2, 2.H.3 and 2.H.4 to be consistent with proposed changes to those line item points in the PRS for Drinking Water and Wastewater Construction Projects funded by the Division.
- Expanding the Line Item 2.H.4 label to include “promulgated.”
- Replacing the combined water and wastewater rates thresholds in Line Items 4.B.1 – 4.B.4 from dollar values (which have not changed since 2020) to percentiles of rates charged across the state. The percentiles will be included in application materials to indicate to applicants which line item their utility’s current water/wastewater rates would qualify for, compared to rates charged across the state.

The revised PRS for the CDBG-I program is attached below, with changes shown in red font in Line Items 2.H.3 – 2.H.4 and 4.B.1 – 4.B.4. No other changes are proposed.

Staff Recommendation

Division staff recommend that the Authority approve the PRS as shown in the attachment.

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

2.E	Project directly addresses enforcement documents		
2024 PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS			
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
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 or promulgated 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		
2.N.1	Project relocates infrastructure from inside the 100-year floodplain to outside the 500-year floodplain OR		8
2024 PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS			
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		
Maximum points for Category 3 – System Management			15
Subtotal claimed points for Category 3 – System Management			
2024 PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS			
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			