



**Priority Rating System Guidance
for Division of Water Infrastructure
Asset Inventory and Assessment Grants**

(Last updated: July 2023)



This guidance aids applicants in understanding and implementing the Priority Rating System when applying for **Asset Inventory and Assessment (AIA) grants**. This guidance applies to AIA grants funded out of the Drinking Water or Wastewater State Reserve Program (SRP) and the Viable Utility Reserve (VUR). **Use this guidance only for AIA applications.** For any other project types, please use the guidance appropriate for that particular program.

The goal of an Asset Inventory and Assessment grant is to inventory the existing water and/or sewer system and document the condition of inventoried infrastructure. Other components of an asset management program may be eligible. The State Water Infrastructure Authority (Authority) and the Division of Water Infrastructure (Division) have structured the priority rating system to prioritize applications that reflect the greatest likelihood that information obtained through this project will result in effective and proactive infrastructure management.

Please refer to the Division's "Water and Wastewater Utility Asset Assessment Guidance" and the AIA Scope Preparation FAQ for a more complete guide to performing an AIA project. These can be found on the Division's website at the following link:

<https://www.deq.nc.gov/about/divisions/water-infrastructure/i-need-funding/asset-inventory-and-assessment-grants>

Only systems with 10,000 residential accounts or less are eligible for these grants with two exceptions:

1. If one of the project benefits of doing an AIA grant is considering consolidation with a larger system, the applicant may address the questions related to system management using information provided by the larger system. In addition, the applicant must describe this benefit in the response to the first narrative question. **A resolution from the larger system stating the consolidation is being considered must be submitted with the application.**
2. If a small system (10,000 residential accounts or less) has merged with a larger system within 2 years of the date of the application and the larger system can justify needing the AIA project after merger, the larger system can apply on behalf of the merged system.

Starting with the Fall 2023 funding cycle, applications for LCRR compliance, LSL inventories, and addressing emerging contaminants are no longer eligible for AIA funding.

Funding Requirements

1.5% Grant Fee (for all SRP and VUR AIA grants)

All AIA grants funded from the State Reserves Program (SRP) and Viable Utility Reserve (VUR) are subject to a 1.5% Grant Fee to be invoiced with the formal Grant Offer. Full payment is due before the Division will process the first reimbursement for incurred costs.

Funding Match Requirement (only for SRP funding to non-Distressed systems)

The amount of required match is a percentage of the funding amount based on how many of the LGU indicators exceed the state benchmarks from the Affordability Criteria. Full match is due before DWI will process the last reimbursement request for incurred costs.

- 5 of 5 LGU indicators are worse than the state benchmarks = 5% match
- 4 of 5 LGU indicators are worse than the state benchmarks = 10% match
- 3 of 5 LGU indicators are worse than the state benchmarks = 15% match
- < 3 of 5 LGU indicators are worse than the state benchmarks = 20% match

The 1.5% grant fee may be attributed to the match requirement on a case-by-case basis. The remainder of the match (or a portion of it) can be achieved with in-kind services of the utility. Realistic and adequate documentation of the utility's internal asset management team members' time would count as in-kind services.

Software/Equipment Purchases and Recurring Fees (for all SRP and VUR AIA grants)

Up to 10-percent (10%) of the AIA funding amount may be eligible for purchasing specific asset management software and/or equipment. Please refer to the Division's "Water and Wastewater Utility Asset Assessment Guidance" and AIA Scope Preparation FAQ documents.

Recurring fees beyond the first set of subscription costs are not eligible for AIA funding.

Submittal Requirements (must read)

For all applicants, separate applications must be submitted when applying for asset inventory and assessments on both the drinking water and wastewater systems.

Non-distressed partners of distressed systems may also apply for an AIA grant to inventory and assess only the existing system components that may be used for a regional water/sewer system.

- In order to be scored and prioritized for funding, a complete application must include completed and signed application forms, appropriate application resolution(s), Water & Sewer Financial Information Form, Fund Transfer Certification form, and a priority rating system narrative. **Do not submit a completed priority rating system point sheet with the AIA application.**
- The priority rating system narrative is the main part of the application and allows points to be awarded for each line item in the priority rating system. Address each narrative question

in the order they appear below. Narrative questions that are not addressed will result in 0 points being awarded for that line item.

- All supporting documentation to determine priority points must be submitted with the funding application and explicitly discussed in the application narrative. Please ensure that submittals provide clear and concise information needed to determine points, and that the narrative clearly discusses how the supporting documentation supports the applicant’s claims including specific page references.
- Additional information will not be requested after applications are due, and points will be determined based solely on the information submitted by the application due date.
- The narrative must be consistent with information in the Application for Funding, financial forms, and other supporting information.

Priority Rating System Narrative

Category 1	Project Benefits
Category 2	System Management
Category 3	Affordability

Asset Inventory and Assessment Narrative Guidance

The AIA grant provides funding for water and sewer utilities to help address their top three (3) challenges over the next five (5) years. Applications are generally prioritized based on the urgency and acuteness of the system’s challenges, and how clearly the applicant demonstrates their ability to execute this project in a way that will effectively address their immediate challenges.

Category 1 – Project Benefits (0-8 points)

The following questions and items must be addressed by the applicant in a narrative format to be used for scoring Category 1 - Project Benefits:

Line Item 1. – Project Benefits

- 1.i Challenges:** What are the top three (3) challenges your system faces in the next five (5) years? How will the proposed asset inventory and assessment project help address these challenges? Examples of challenges that affect a utility’s desired level of service might include age of infrastructure, risk of infrastructure failure, public health and environmental compliance issues, lack of water/sewer capacity, water loss, infiltration/inflow, loss/lack of institutional knowledge, causes for high rates and/or high debt, etc. Provide specific excerpts of documentation for these challenges such as relevant NOVs, a local water supply plan, water audits, inflow/infiltration study results, etc., and specifically discuss in the narrative how the documentation supports these challenges.

Line Item 1.i Scoring Rationale

To receive the maximize eight (8) points for Project Benefits, the narrative should clearly link each challenge with the benefits of receiving an AIA grant. To receive the baseline 4 points, narratives (via supporting documentation and specific references in the narrative) must demonstrate either:

- A. The water/sewer system is old and leaks or frequently breaks, or
- B. The water/sewer system has recently invested in significant rehabilitation/replacement,

The baseline narrative discussion must also include how an AIA project will be used to initiate or continue proactive operation and maintenance programs. Equal consideration will be given to AIA projects that will either initiate new asset management practices in a programmatic manner or those that will continue existing practices and programs will be considered equally.

Consider:

- System age
- Frequency of breaks and non-routine maintenance
- NOV's and other enforcement actions
- Recent capital investments
- Significant and recurring SSOs
- Excessive I/I and unaccounted-for water
- Sewer moratoria
- Regulatory changes

- 1.ii Previous Planning:** Has the utility done any asset management or capital planning work previously? Does the utility have reliable system maps? If so, how are they utilized, and what do the maps lack?

In the narrative, give specific examples of how the system has benefited by having information from past efforts (e.g., improved operations, change in maintenance practices, bill collection methods/procedures, staffing levels and qualifications, etc.). Supporting documentation must be submitted, including but not limited to relevant asset inventories, images of GIS maps, smoke testing results or other condition assessment report, flow monitoring results, asset management plan, or capital improvement plan as they apply to the utility's challenges.

Line Item 1.ii Scoring Rationale

To receive the maximum two (2) additional points for previous planning, the narrative must demonstrate regular utilization of previously completed asset management work, capital planning work, or system mapping. Include discussion of the benefit to the applicant of doing the previous work and how the proposed AIA project will build on those efforts.

Consider:

- Existing asset inventories and their attributes
- Current and past Capital Improvement Plans
- GIS or GPS-based mapping
- Past Rate Studies
- Master Plans
- Work order tracking

- 1.A Distressed designation per §159G-45(b):** The LGU has been designated as "distressed" by the Authority and Commission per NCGS 159G-45(b).

If designated as distressed, discuss in the narrative any of the steps taken thus far in fulfilling the requirements outlined in 159G-45(b), such as past AIAs, rate studies, VU's initial education training, short-term and long-term action plans, and/or long-term financial management plans.

Two (2) points will be awarded if the applicant has been designated as distressed by the Authority and the Local Government Commission (Commission) up to a maximum of eight (8) Project Benefit points.

Category 2 – System Management (0-12 points)

The following questions and items must be addressed by the applicant in a narrative format to be used for scoring Category 2 – System Management:

2.A Asset Management Team: Identify (by title) the utility’s asset management team that will be assembled to develop the asset inventory and assessment project and describe the roles of each member during and after the AIA project. Describe any asset management and/or capital planning experience or training each team member has. Include any external partners (consultants, county, COG, or nonprofit staff, etc.) that will participate on the team and describe the role of each member during this project. Differentiate between external members that are temporary (e.g., surveying companies) and those that will be continuously assisting in asset management planning (e.g., company or COG providing long-term data management).

If the applicant lacks asset management experience or a single team member holds multiple positions within the utility, the team should include external partners. If external partners are needed, additional points may be considered if the narrative clearly discusses how the internal asset management team will lead the project and how the external partners will support the team’s efforts. Focus on the roles and expertise needed to accomplish the team’s asset management goals.

Line Item 2.A Scoring Rationale

To receive the maximum four (4) points for the asset management team, the narrative must present a team that includes members internal to the utility who hold operational, managerial, and financial positions within the system. Include discussion of any asset management experience and/or certifications (e.g., capital improvement planning, rate setting, and GIS), the roles of each team member during and after the AIA project, and how the team will continually manage the asset management program.

2.B Rate Setting: How does the utility currently set rates to generate revenue for appropriate levels of infrastructure maintenance, operations, and replacement? Has the process for setting rates changed in the last five (5) years, how has it changed, when did it change, and why did it change? How does the rate setting process blend with the capital improvement planning (CIP) process?

Line Item 2.B Scoring Rationale

To receive the maximum 2 points for rate setting, the narrative must clearly discuss the process used to set rates and demonstrate that this process utilizes an adopted CIP (including a discussion of completed projects). The rates should be sufficient to maintain an operating ratio above 1.0, and the rate history on the application should ideally show consistent rate increases and high rates of bill collection. Applications that do not meet these criteria generally score lower for this item.

Line Item 2.C – Management of Asset Inventory Data

- 2.C.i Data Usage:** How will the utility use the information developed through this project to develop future infrastructure projects and/or proactive management practices? How will the future infrastructure projects be prioritized to address the utility’s challenges and meet the utility’s desired level of service? How will these projects and their funding sources be incorporated into the CIP planning process in the future?
- 2.C.ii Data Management:** How will the utility’s asset inventory developed through this project be managed and kept up to date? How will the utility pay for this ongoing effort?

Include any information about partnering with counties, Councils of Government (COG), or others to maintain and update the asset inventory.

If the narrative indicates that data developed through this AIA project will be managed by an applicant who is already managing GIS data, or by the county or by a COG, and that funding will be budgeted to maintain the data, the narrative should indicate which of these options will be utilized and discuss how the utility will ensure continual data maintenance.

Line Item 2.C Scoring Rationale

To receive the maximum four (4) points for data usage and management, the narrative must clearly describe how the asset management team will utilize the AIA data to develop and prioritize projects, manage and pay for updates to the data, and help document good system management practices. A narrative that clearly describes how AIA team members will coordinate (e.g. duties, frequency) and make level of service decisions usually receives more points than a narrative that outlines how to perform a condition assessment.

Applications that do not demonstrate that the utility will effectively utilize and manage the data to address their challenges will receive fewer points than applications that do.

- 2.D Operating Ratios:** Calculate the System Operating Ratios each year for the past three (3) years and include the calculations in the narrative. These values must reflect the same information as shown on the Financial Information Form and/or audited financial statements. Discuss in the narrative any discrepancies, differences, or extraneous circumstances which led to inconsistent ORs. If the applicant has separate enterprise funds for their drinking water and wastewater systems, calculate a single operating ratio using the values from both funds.

$$OR = \frac{\text{Operating Revenues}}{\text{Total Expenditures} + \text{Debt Principal} + \text{Interest} + \text{Capital Outlay}}$$

Scoring

- all ORs are greater than or equal to 1.00 = 2 points
- all ORs are less than 1.00 and rates for 5,000 gallons are at least \$107/month = 1 point
- all ORs are less than 1.00 AND rates for 5,000 gallons is less than \$107/month = 0 points

Line Item 2.D Scoring Rationale

To receive the maximum 2 points for operating ratios, the narrative must show a calculation that all three ORs are at least 1.00. If all three operating ratios fluctuate, points will be awarded based on the narrative discussion and how many years were above 1.00, whether the OR trend is increasing or decreasing, and how high the bill is for 5,000 gallons. Ensure the application form includes the utility's rate increase and bill collection history to receive full consideration.

Calculation Notes:

- In the narrative and calculations, use the same values entered in Financial Information Form.
- Do not include "Non-operating Revenues" in the numerator.
- Present "Total Expenditures" from Financial Information Form.
- Present "Debt Principal", "Interest" and "Capital Outlay" from Financial Information Form; "Capital Outlay" is defined as funded from the enterprise fund.
- Report the Operating Ratio to two decimal points.

Category 3 – Affordability (0-4 points)

The following questions and items must be addressed by the applicant in a narrative format to be used for scoring Category 3 – Affordability:

- 3.A Current Water/Sewer Rates:** In the narrative, show a calculation of the current water/sewer bill per 5,000 gallons, and provide a copy of the utility's water/sewer rate sheet. Applications that do not include the utility's current water/sewer rate sheet will receive 0 points for this line item.

Line Item 3.A Scoring

Points will be scored based on the current monthly utility rate at 5,000 gallons provided on the application form for in-town rates. The Division has determined that the median rate in NC for 5,000 gallons of combined water and sewer is \$79/month for in-town rates.

- Greater than or equal to \$107/month = 2 points
- Greater than \$79/month and less than \$107/month = 1 points
- Less than or equal to \$79/month = 0 points

- 3.B Local Government Unit Indicators:** Points will be awarded based on the Local Government Unit (LGU) indicators provided on the application form and how these indicators compare with the state benchmarks. For systems that serve multiple local government units, a weighted average of indicators will be used.

- Percent population change
- Poverty rate
- Median household income
- Unemployment
- Property valuation per capita

Additional Information: Describe any additional benefits to the utility of receiving this Asset Inventory & Assessment grant that was not captured in the above priority rating system questions.

Consider vulnerability to storms and flooding, whether the AIA will be used to meet existing permit requirements, and whether this AIA will be utilized to develop programmatic approaches for addressing energy efficiency, hidden leak detection/non-revenue water, and other sustainability practices.

Add. Info. Scoring Rationale

Additional benefits discussed here will be evaluated in the scoring process and may increase points awarded for Category 1: Project Benefits up to a maximum of eight (8) points.

End of AIA PRS Narrative

Priority Rating System for Viable Utility Reserve Funding for Distressed Applicants

All AIA applications must include a narrative responding to the questions below as well as the relevant documentation supporting the narrative and application responses. Most local government units (LGUs) designated as distressed and their regional partners (e.g. non-distressed systems who are partnering with one or more distressed systems in an adjoining and concurrent Merger/Regionalization Feasibility Study) on the application will likely be funded from the Viable Utility Reserve (VUR).

Applications that will be funded out of the VUR will be prioritized for funding in the order below and must be approved by both the State Water Infrastructure Authority and the Local Government Commission.

1. Distressed Category 1 (LGUs under fiscal control of the LGC) by Assessment Score
2. Distressed Categories 2, 3, and 4 by Assessment Score
 - Tiebreaker 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)

Some applications from LGUs designated as distressed and their regional partners on the application may be funded out of the State Reserve Program (SRP). These will be funded out of the SRP based on the Priority Rating System at the end of this document.

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