

**State Water Infrastructure Authority**  
**Meeting Date – April 9-10, 2019**  
**Agenda Item O – Priority System Modifications for CDBG-I Program**

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**Division of Water Infrastructure Staff Report**

**Background**

The Community Development Block Grant (CDBG) program is primarily a housing program that may also fund other community-based activities supporting strong neighborhoods and communities. At the Authority’s April 2018 meeting, staff recommended seeking public review for several changes to the program.

Staff sought public input on the following changes:

1. Add new Line Item 2.T to the Priority Rating System in Category 2 – Project Benefits to provide priority for projects that extend water and sewer infrastructure to new low-to-moderate income housing to support housing projects that are a core part of the CDBG program.

**2.T** *Project provides site work and new water and/or wastewater infrastructure, including house or apartment connections, to new low-to-moderate income housing. 5 points.*

2. Replace Line Item 4.G in the Priority Rating System in Category 4 – Financial Situation

- Delete existing Line Item 4.G:

~~**4.G** *Utility rates/median household income (MHI), the value of which is scored on a sliding scale, and that incorporates both water and sewer rates into one number, divided by the most recent reported MHI. 15 points.*~~

- Replace with new Line Item 4.G as follows, which will mirror this line item in the priority rating systems for other loan and grant programs:

<b>4.G Current Monthly Residential Single Utility Rates at 5,000 Gallons Usage</b>		
4.G.1	Greater than \$33	6 points
4.G.2	Greater than \$40	9 points
4.G.3	Greater than \$47	12 points
4.G.4	Greater than \$58	15 points
<b>Maximum Total for 4.G</b>		<b>15 points</b>

3. Apply the last two steps of the affordability criteria with an adjustment to the grant percentage by adding 25% to the grant percentages in the matrix, not to exceed 100%. Continue to allow 100% grant for projects that extend lines to existing homes with failing wells and septic systems and for projects that extend lines to new low-to-moderate income housing projects.

**Staff Recommendations**

- Staff recommends that the Authority approve the changes to Line Item 2.T. and Line Item 4.G as proposed in April 2018.

- Staff does not recommend applying the affordability criteria as proposed in April 2018. Applying the affordability criteria would likely lead to a greater number of grants, because it would stretch the available grant funds in the same way that the affordability criteria did for the other funding programs. Staff sought an additional position to address the workload increase (note that federal CDBG administration funds must be matched one-to-one with state funds), but request was not included in the Governor’s budget.
- To address the desire to move utilities toward viability by financing more projects (i.e., not relying on grants) and to facilitate a path to viability, two alternate changes are recommended. First, modify Line Item 1.A. to include projects that consolidate a nonviable utility. Second, provide bonus points under Line Item 4.G. for a utility that financed a project within the last two years in an amount equal to or greater than the amount of CDBG-I grant funds that are being sought.

All proposed modifications are shown below in red:

<b><u>Proposed Changes to</u> CDBG-I PRIORITY RATING SYSTEM – For All CDBG-I Projects</b>			
	<b>Category 1 – Project Purpose</b>	<b>Points</b>	<b>Points Claimed</b>
<b>1.A</b>	<u>Project will consolidate a nonviable drinking water or wastewater utility</u>	15	
<b>1.B</b>	Project will resolve failed infrastructure issues	5	
<b>1.C</b>	Project will rehabilitate or replace infrastructure	10	
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, <b>OR</b> lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old	5	
<b>1.D</b>	Reserved for the CWSRF and DWSRF Programs		
1.D.1	Reserved for the CWSRF and DWSRF Programs		
<b>1.E</b>	Project will extend service for the following specific reasons:		
1.E.1	Extend water and/or sewer service to new low-income housing, or to an area where existing LMI homes are being rehabilitated	15	
1.E.2	Connect existing LMI homes to water and/or sewer service	10	
<b>1.F</b>	Reserved for the CWSRF Program		
1.F.1	Reserved for the CWSRF Program		
1.F.2	Reserved for the CWSRF Program		

<b>1.G</b>	Reserved for the CWSRF Program		
1.G.1	Reserved for the CWSRF Program		
<b>1.H</b>	Reserved for the CWSRF Program		
	<b>Subtotal for Category 1 – Project Purpose (max = 15)</b>		
	<b>Category 2 – Project Benefits</b>	<b>Points</b>	<b>Points Claimed</b>
<b>2.A</b>	Project provides a specific environmental or public health benefit by replacement, repair, or merger; includes replacing failing septic tanks, replacing dry wells, addressing contamination of a drinking water source by replacing or additional treatment	15	
2.A.1	In the project area, 20% or greater of individual septic tanks are failing, or water sources are contaminated, or wells are dry	5	
<b>2.B</b>	Reserved for the DWSRF Program		
<b>2.C</b>	Reserved for the CWSRF Program		
<b>2.D</b>	Project addresses promulgated but not yet effective regulations	3	
<b>2.E</b>	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 <b>OR</b>	5	
2.E.2	Project directly resolves a Notice of Violation or Notice of Deficiency	3	
<b>2.F</b>	Project includes system merger	10	
<b>2.G</b>	Project addresses low pressure in a public water supply system	5	
<b>2.H</b>	Project addresses contamination of a water supply source		
2.H.1	Project addresses acute contamination of a water supply source	15	
2.H.2	Project addresses contamination of a water supply source other than acute	10	
<b>2.J</b>	Reserved for the CWSRF and DWSRF Programs		

<b>2.K</b>	Water loss in system to be rehabilitated or replaced is 30% or greater	10	
<b>2.L</b>	Project provides a public water system interconnection		
2.L.1	Project creates a new interconnection between systems not previously interconnected <b>OR</b>	5	
2.L.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.L.3	Reserved for the DWSRF Program		
<b>2.M</b>	Project directly addresses a moratorium on a local government unit system	7	
<b>2.N</b>	Water and sewer project is located within the same footprint	5	
<b>2.O</b>	Reserved for the DWSRF Program		
<b>2.P</b>	Reserved for the CWSRF Program		
<b>2.Q</b>	Reserved for the CWSRF Program		
<b>2.R</b>	Reserved for the CWSRF Program		
<b>2.S</b>	Reserved for the CWSRF Program		
<b>2.T</b>	<u>Project provides site work and new water and/or wastewater infrastructure, including house or apartment connections, to new low-to-moderate income housing</u>	<u>5</u>	
	<b>Subtotal for Category 2 – Project Benefits (max = 20)</b>		
	<b>Category 3 – System Management</b>	<b>Points</b>	<b>Points Claimed</b>
<b>3.A</b>	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10-years and proposed project is included in the plan <b>OR</b>	3	
<b>3.B</b>	Applicant has implemented an Asset Management Plan as of the date of application	10	
<b>3.C</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%	5	
<b>3.D</b>	Applicant has an approved Source Water Protection Plan and/or a Wellhead Protection Plan	5	
<b>3.E</b>	Applicant has implemented a water loss reduction program	5	

<b>3.F</b>	Reserved for the DWSRF Program		
	<b>Subtotal for Category 3 – System Management (max = 15)</b>		
	<b>Category 4 – Financial Situation</b>	<b>Points</b>	<b>Points Claimed</b>
<b>4.A</b>	Reserved for the CWSRF and DWSRF Programs		
<b>4.B</b>	Reserved for the CWSRF Program		
<b>4.C</b>	Reserved for the DWSRF Program		
<b>4.D</b>	Reserved for the CWSRF Program		
<b>4.E</b>	Reserved for the CWSRF Program		
<b>4.F</b>	Poverty rate	Calculation; cap = 15	
<b>4.G</b>	<del>Utility rates/MHI</del> <u>Current Monthly Residential Single Utility Rates at 5,000 gallons Usage</u>	<del>Calculation;</del> Cap = 15	
<b>4.G.1</b>	<u>Greater than \$33</u>	<u>6</u>	
<b>4.G.2</b>	<u>Greater than \$40</u>	<u>9</u>	
<b>4.G.3</b>	<u>Greater than \$47</u>	<u>12</u>	
<b>4.G.4</b>	<u>Greater than \$58</u>	<u>15</u>	
<b>4.G.5</b>	<u>The utility financed a project within the last two years in an amount equal to or greater than the amount of CDBG-I grant funds that are being sought</u>	<u>4 additional points</u>	
<b>4.H</b>	Low to Moderate Income	Calculation; cap = 20	
	<b>Subtotal for Category 4 – Financial Situation (max = 50)</b>		
	<b>Total of Points for All Categories:</b>	<b>100</b>	