

# State Water Infrastructure Authority

Meeting Date: December 9, 2020

## Agenda Item H

### Summary of Fall 2020 Application Round

#### Division of Water Infrastructure Staff Report

#### Background

The Fall 2020 application round for State Revolving Funds, including ASADRA funds, and State Reserve Appropriation funds closed on September 30, 2020. The CDBG-I application round closed on November 23<sup>rd</sup>. At the February 10, 2021 and April 14-15 meetings, the Authority will have a total of approximately \$227 million in loans and grants to apply to the requests totaling approximately \$1.03 billion. The Drinking Water and Wastewater Project grants are limited to a maximum of \$3 million each. The Community Development Block Grants are limited to a maximum of \$2 million each. The following applications were received:

Funding Program	No. Applications <sup>1</sup>	Total Request <sup>1</sup> (\$)	Approximate Amount Available		
Community Development Block Grant - Infrastructure	39	\$70.1M	CDBG-I Projects: \$27 M		
Drinking Water Projects	39 (9 ASADRA)	\$344.7M (\$90.7M ASADRA)	Drinking Water SRF Loan: \$50 M	ASADRA 42.7 M	State Reserve Appropriation Grant: \$10 M <sup>2</sup>
Wastewater Projects	90 (61 ASADRA)	\$603.8M (\$378.4M ASADRA)	Clean Water SRF Loan: \$97.3 M <sup>3</sup>		
Asset Inventory & Assessment Grants	109	\$15.6M			
Merger/Regionalization Feasibility Grants	10	\$495,000			
<b>Totals:</b>	<b>287</b>	<b>\$1.03 Billion</b>	<b>\$227 M</b>		

<sup>1</sup> Number includes fall applications as well as reconsiderations

<sup>2</sup> Available State Reserve Recurring Grant dollars contingent on possible revisions to the State Budget

<sup>3</sup> Amount includes \$27.3 M in declined funding from Spring 2020 awards

### **Preparation for use of Declined Funds**

In the Spring of 2020, eleven projects awarded CW SRF loan declined funding for a total of \$27,328,513, and one DWSRF loan declined for a total of \$859,685. The declined funds will be made available for project application received this fall. Funds were declined for two primary reasons; 1) the Utility was hoping for better funding through ASADRA, or 2) the utility did not feel comfortable taking on additional debt because of uncertain revenues as a result of the COVID-19 pandemic.

In addition to the funds above, another six projects informed the Division of their uncertainty in pursuing the project but have not declined funding. These six projects would total another \$13 million in available funds. Due to the likelihood of additional funding being declined during this Falls application round, this staff report outlines some alternatives to utilizing any declined funds other than holding them for the next funding round.

### **Use of ASADRA funds**

ASADRA funds are a onetime Federal appropriation eligible for resiliency type projects related to Hurricanes Florence and Michael. In accordance with the ASADRA Intended Use Plan, all eligible projects were identified during the Spring 2020 application round. In the event that a project awarded ASADRA funds declines the funds, the Division will shift the available ASADRA funds to the next ASADRA eligible project that was approved by the Authority for funding (ASADRA or regular SRF) but was not funded entirely through ASADRA. If ASADRA principle forgiveness funds become available, the principle forgiveness will be evaluated separately to assure that the best funds are provided to the highest scoring eligible projects. In either case, the Division will use the Fall priority ranking spreadsheets that will be presented to the Authority in February to determine the next eligible recipient.

### **Use of regular SRF funds**

If projects awarded SRF funds declines the funds, or that regular SRF funds become available when displaced by ASADRA funds, the following funding options are available:

1. SWIA approves funding for additional fall 2020 projects assuming that some will be declined
2. Provide additional funding to previously funded projects that submitted fall application but did not receive full funding (potentially PWC, Clayton, Johnston Co, Winston Salem)
3. Provide additional funding to previously funded projects that request additional funds to meet increases in project costs.
4. Award the funds the following Spring round

Additional description of each alternative is listed below. Based on discussion today the Division intends consider use of all the following alternatives in the priority order shown.

1. *SWIA approves funding for additional fall 2020 projects assuming that some will be declined*

This alternative allows the Authority to decide which projects are awarded funds. However, the effectiveness of this alternatives depends on Division Staff estimates on how many projects will be declined. This alternative may not cover all additional funds made available if more funds are declined than anticipated. This alternative could limit funding in future rounds if significantly more project funds are awarded compared to the amount of declined funds. This alternative will only be available for the Fall 2020 application round.

2. *Provide additional funding to previously funded projects that submitted fall application but did not receive full funding (potentially Fayetteville PWC, Clayton, Johnston Co.)*

This alternative allows for partially funded projects to receive full funding more quickly. This alternative will award the declined funds to the next eligible project that submitted a fall application that was previously funded by the Authority but not fully funded. Prior to awarding funds to a DWSRF project the Division would assure that project bypassing does not occur. This alternative will remain available to projects until the Spring 2021 application round.

3. *Provide additional funding to previously funded projects that request additional funds to meet increases in project costs.*

This alternative also allows for partially funded projects to receive additional funding more quickly. This alternative does not limit project selection based on the utility submitting an eligible application in the fall. The Division currently provides additional funding for project overruns on a case-by case basis if funds are available and the change in project costs does not exceed \$5,000,000. If more than \$5,000,000 in funds are needed the Division will bring the request to SWIA for consideration at the next regularly scheduled SWIA meeting.

4. *Award the funds the following Spring round*

This alternative is currently utilized by the SRF program and would be used for any funds not redistributed by any of the alternatives described above.