

State Water Infrastructure Authority
Meeting Date: July 8, 2020
Agenda Item J – Asset Inventory and Assessment (AIA) Program Modifications

Division of Water Infrastructure Staff Report

Background

North Carolina General Statute G.S. 159G-71 contains the powers and the duties of the State Water Infrastructure Authority (the Authority) which include the following:

- To establish priorities for making loans and grants consistent with federal law
- Develop guidelines for making loans and grants

Overview

At the Authority's April 8, 2020 meeting, Division staff presented information regarding potential changes to the program. Two of the eight narrative questions have proposed revisions. Also, changes to the priority rating system are proposed to allow scores of 0,1,2,3,4,5,6,7 or 8 for Line Item 1 and 0,1,2,3 or 4 for Line Items 2.A and 2.C. to provide more granularity in the overall scores. Upon approval by the Authority to take these proposed changes out for public review, the Division opened the public comment period on May 4, 2020. The public comment period closed on June 4, 2020. Comments were received from the following people: Bobby Blowe, P.E. of Municipal Engineering Services Company, P.A.; Scott Bradley, Chairman of the Ocracoke Sanitary District, Rhonda Olson of Brunswick County Public Utilities, and Grady McCallie, Peter Raab, and Geoff Gisler of the NC Conservation Network, American Rivers, and Southern Environmental Law Center, respectively.

Municipal Engineering Services Company, P.A.

1. Comment: Scoring for the Asset Inventory and Assessment (AIA) grant program is not clearly defined and is reviewed on a subjective basis rather than an objective basis. The commenter stated there is little granularity in further subdividing priority points without providing a distinct breakdown of each point and recommended that any subjective decisions be made by the Authority on a case-by-case basis. The commenter asked that revisions to the priority ranking system for the AIA program result in a rating system that is as clear and objective as the other programs administered by the Division.

Response: When the AIA program was established in 2016, the Division and the Authority believed the subjective nature of the narrative questions was the best way for the applicant to demonstrate that they understood the value of asset management and to explain how they would use the information obtained during the project in future asset management planning. The subjective nature of the priority system was to allow maximum flexibility in scoring applications where different applicants had different asset management program components in place and desired to use the funds for different purposes. The intent of the AIA program has not changed. However, the Division will further discuss this comment with the Authority at a future meeting in anticipation of potential changes to the priority system for the 2021 application cycle.

Ocracoke Sanitary District

2. Comment: Sanitary Districts rarely qualify under the current priority system, and the AIA would be very helpful for their small system (1,300 residential and business customers) to analyze their aging infrastructure and plan upgrades. The commenter recognized the needs exceed the available funds and wondered if there was a way to provide the small, rural areas some assistance to be more competitive in the priority system.

Response: While every system can benefit from an AIA, the smaller utilities may not have the system management in place to be able to maintain and update the data developed or to fully utilize the information to develop and implement prioritized capital projects. The priority system is weighted to incentivize improved system management to maximize the use of the data.

Brunswick County Public Utilities

3. Comment: The limitation of the AIA grant program to systems < 10,000 connections should be modified to include opportunities for inventory and assessment of non-viable systems rescued by merger.

Response: The Division will update the application guidance to extend funding eligibility for up to two years after execution of a merger for applications that address AIA projects in the non-viable system.

NC Conservation Network, American Rivers, Southern Environmental Law Center

4. Comment: The commenters recommended that assessment of vulnerability to storms and other forms of climate risk be a legitimate component of asset inventory and that the grants help pay to assess risks over time to a system's financial viability.

Response: Systems should be considering vulnerability to storms in the risk analysis of their water and sewer assets. The Division will add clarification to the application guidance that the assessment of infrastructure may include this type risk analysis.

Staff Recommendations

Staff recommends that the Authority approve:

1. Revisions to Questions 2 and 3 as shown in the Attachment
2. Changes in points to Line Items 1, 2.A and 2.C. in the Asset Inventory and Assessment Priority Rating System as shown in the Attachment

Attachment

Modifications to Eligibility for the Asset Inventory and Assessment Grant Program

Program Changes

Many applicants lose potential points in their answers to the questions about previous asset management work and previous asset management experience. The proposed revisions are an effort to improve these responses and do not significantly change the questions.

In the Narrative Section of Categories 1 & 2 - Project Benefits and System Management:

Current Question No. 2:

Has the utility received grant funding in the past for a capital improvement plan (CIP) or asset inventory/assessment? How has the utility used the information obtained during that work? Provide a copy (hard copy or CD) of any existing asset inventory, map, condition assessment report, or asset management plan. Provide information on the prior grant funding including when funded, by whom, how much, scope, etc.

Revised Question No. 2:

Has the utility done any asset management or capital planning work previously? Give specific examples (i.e., immediate operational changes or longer term changes in business practices) of how the system has benefited by having this information. Provide a copy (hard copy or CD) of any existing asset inventory map, smoke testing results or other condition assessment report, flow monitoring results, asset management plan or capital improvement plan.

Current Question No. 3:

Identify (by title or employee job description) the utility's internal asset management team that will be assembled to develop the asset inventory and assessment project. Describe the experience or training each team member has related to utility management – such as rate setting, CIP development, asset management, etc. In addition, describe how this team will continue to inventory, assess, prioritize, and plan for water infrastructure assets after completion of the project.

Revised Question No. 3:

Identify (by title) the utility's asset management team that will be assembled to develop the asset inventory and assessment project. Describe any asset management and/or capital planning experience or training each team member has had. 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 providing long-term data management). In addition, describe the role of each team member in the future to continue to inventory, assess, prioritize, and plan for water infrastructure assets after completion of the project.

In addition, the following changes to the priority rating system are proposed to allow more granularity in the scoring of the applications:

Asset Inventory and Assessment Priority Rating System			
Line Item #	Category	Current Points	Proposed Points
1.	Project Benefits	0, 2, 4, 6, or 8	0 - 8
2.	System Management		
2.A	Knowledge base of utility's internal asset management team	0, 2, or 4	0 - 4
2.B	Current and past rate setting practices, CIPs, etc.	0, 1, or 2	no change
2.C	Management of asset inventory data	0, 2, or 4	0 - 4
2.D	Operating Ratio (OR) is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and water/sewer bill is greater than \$47/month for 5000 gallons	0, 1, or 2	no change
3.	Affordability		
3.A	Current Monthly Utility Bill for 5,000 gallons usage	0, 1, or 2	no change
3.B	Local Government Unit (LGU) Indicators		
3.B.1	3 out of 5 LGU indicators are worse than the state benchmark OR	0	no change
3.B.2	4 out of 5 LGU indicators are worse that the state benchmark OR	1	no change
3.B.3	5 out of 5 LGU indicators are worse that the state benchmark	2	no change
Total Points		24 Max	24 Max