

State Water Infrastructure Authority

Meeting Date: July 18 and 19, 2023

Agenda Item F

Spring 2023 Application Round and Example Funding Scenario for Community Development Block Grant - Infrastructure

Division of Water Infrastructure Staff Report

This report presents a ***preliminary*** funding scenario for the consideration of the State Water Infrastructure Authority. Subsequent updates and corrections to the application information and funding scenario (including application scores, ranking, potential funding amount, etc.) may occur and will be presented to the Authority during the meeting on July 18-19. Applications are selected for funding by the Authority during the meeting, and the Authority’s selections are final.

Background

This staff report presents background information on the Spring 2023 Application Round for applications to be funded from the Community Development Block Grant Infrastructure (CDBG-I) funds. The Spring 2023 application round includes funds appropriated to Water Infrastructure Funds established in G.S. 159G. This information includes a summary of available funds and any limitation on awarding the funds, a summary of applications received, and the process staff used to apply funds in the funding scenario example presented to the State Water Infrastructure Authority (Authority). This funding round shows continuous demand that exceeds available funds.

Table 1 shows a comparison of funding requested from complete and eligible applications and the amount of funding available from the Community Development Block Grant-Infrastructure (CDBG-I) program fund.

Table 1. Comparison of Funding Requested from Complete and Eligible Applications and Amount of Funding Available			
Application Type	Number of Complete/Eligible Applications	Total Requests	Approximate Amount Available
Drinking Water Projects - Construction	4	\$ 7,838,500	CDBG-I Grant: \$14.7M
Wastewater Projects - Construction	6	\$ 12,065,040	
Total:	10	\$ 19,903,540	

Spring 2023 Funds Available

The following funds are available for award for the Spring 2023 Application Round:

- The Community Development Block Grant – Infrastructure (CDBG-I) is a grant fund available to low-to-moderate income (LMI) communities for water and sewer improvements.

The State of North Carolina received \$47,037,288 in Community Development Block Grant (CDBG) State funds for FY 2022, of which \$19,323,243 was appropriated for the CDBG-I program. The Authority awarded \$4,600,000 in FY2022 CDBG-I program funds to four local governments (and another local government with \$305,609 in FY2018 CDBG-I program funds) at the February 21, 2023 meeting. The remaining FY2022 CDBG-I balance is \$14,723,243.

Table 2 shows the current balance of unobligated / uncommitted CDBG-I Program funds.

Table 2: Unobligated / Uncommitted CDBG-I Funds Balance as 6/29/2023		
Funding Year	Balance	U.S. Dept. of Treasury Recapture Date*
FY 2016**	\$ 49,165.32	September 2023
FY 2017***	\$ 662,631.29	September 2024
FY 2018***	\$ 257,581.39	September 2025
FY 2019****	\$ 191,277.83	September 2026
FY 2020****	\$ 5,000.00	September 2027
FY 2021	\$ 0.00	September 2028
FY 2022	\$ 14,723,243.00	September 2029

**States have eight years to expend funds from its annual CDBG allocation. Funds not disbursed from State's line of credit after eight years will be cancelled and recaptured by the U.S. Department of Treasury [per 21 U.S.C 1552(a), as amended by the National Defense Authorization Act of 1991]*

***No existing or potentially new CDBG-I projects can use these funds in the time remaining. Staff has been in discussion with Department of Commerce to allow them to use these funds.*

****There are currently two existing CDBG-I projects working on submitting official requests for additional funds due to high construction bids; therefore, these funds are tentatively earmarked for those projects.*

*****Division will retain these funds for future use by existing CDBG-I projects*

Summary of Applications Received

Spring 2023 application round applications were due May 1, 2023. A total of 12 CDBG-I program applications were submitted during the round. A summary of the number of drinking water and wastewater applications for consideration for CDBG-I program funding by project type is shown in Table 3. Requested funding for CDBG-I projects exceeds the amount of available funds for this round.

Table 3 - Number of Applications			
Category	Drinking Water	Wastewater	Total
Submitted Applications	5	7	12
Incomplete / Ineligible Applications	1	1	2
Complete and Eligible Applications Considered	4	6	10
Funding Requested from Complete and Eligible Applications	\$ 7,838,500	\$ 12,065,040	\$ 19,903,540

During earlier funding rounds, Authority members requested additional information on the types of projects in applications received. Table 4 shows the number of applications from self-identified

distressed systems, the number that self-identified that the project is the result of a previously awarded Asset Inventory and Assessment (AIA) or Merger/Regionalization Feasibility (MRF) project, and projects that received prioritization for certain, but not all, priority line items.

Table 4. Summary of Applications by Characteristics and Receiving Specific Priority Rating System Points									
	Parameter Type								
	Local Government Unit Designated as Distressed	Result of Awarded AIA/MRF[†]	Consolidate a Non-Viable Utility^a	Failing Infrastructure^b	Rehab/Replace Old Infrastructure^c	Replace Lead Service Lines^e	Address Emerging Contaminants^f	Merger/ Regionalization^g	Resiliency^h
Project Type									
Drinking Water	2	2	0	0	4	0	0	0	1
Wastewater	0	3	0	0	6	0	0	0	0
Total	2	5	0	0	10	0	0	0	1
^a Consolidate a Non-Viable Utility: successfully claimed Line Item 1.A of the Priority Rating Systems for CDBG-I. ^b Failing Infrastructure: successfully claimed Line Item 1.B of the Priority Rating Systems for CDBG-I. ^c Rehab/Replace Old Infrastructure: successfully claimed Line Items 1.C. of the Priority Rating Systems for CDBG-I. ^e Replace Lead Service Lines: successfully claimed Line Item 2.A of the Priority Rating Systems for CDBG-I. ^f Address Emerging Contaminants: successfully claimed Line Item 2.H.3 of the Priority Rating Systems for CDBG-I. ^g Merger/Regionalization: successfully claimed Line Items 2.F.1 or 2.F.2 of the Priority Rating Systems for CDBG-I. ^h Resiliency: successfully claimed one of Line Items 2.N.1 through 2.N.7 of the Priority Rating Systems for CDBG-I. [†] Projects resulting from an AIA or MRF are self-identified.									

Example of Funding Scenario for CDBG-I Program

This example funding scenario is detailed in Table 5 below. This table identifies the projects that would potentially be funded under the example funding scenario (preliminary information). A full list of applications, including those that would not be funded under this scenario, are shown in the accompanying spreadsheets. Application numbers in the table below reference application numbers in the accompanying spreadsheets.

Table 5: CDBG-I Example Funding Scenario						
SWIA Sheet Appl. No.	Applicant Name	County	Project Name	Amount of Funding Requested	Potential CDBG-I Grant Amount	CDBG-I Funding Year
1	Brunswick, Town of	Columbus	Water System Resiliency Improvements - Phase 2	\$2,000,000	\$2,000,000	FY 2022
2	Magnolia, Town of	Duplin	Sun Valley MHP Sewer Replacement Project	\$1,488,700	\$1,488,700	FY 2022
3	Warsaw, Town of	Duplin	2023 Water Supply/WTP Improvements	\$3,000,000	\$3,000,000	FY 2022
4	Fountain, Town of	Pitt	2023 Water System Improvements	\$2,225,000	\$2,225,000	FY 2022
5	Fair Bluff, Town of	Columbus	2023 Gravity Sewer Improvements	\$3,000,000	\$3,000,000	FY 2022
6	Tabor City, Town of	Columbus	Basin 4A Sanitary Sewer Improvements	\$2,000,000	\$2,000,000	FY 2022
7*	Waynesville, Town of	Haywood	South Waynesville Sanitary Sewer System Improvement Project	\$2,385,825	\$1,009,543	FY 2022
Total:				\$ 16,099,525	\$ 14,723,243	

**Partial funding – see note below*

SWIA Sheet Appl. No. 7: The Town of Waynesville, is recommended for partial funding using the remaining FY 2022 CDBG-I program funds. If awarded, and the Town accepts, the Town will need to scale back the project scope to meet the potential awarded grant amount while ensuring the national objective, of at least 51% of Low- to Moderate-Income persons will benefit from project, is met to maintain eligible for CDBG-I funds.