

State Water Infrastructure Authority

Meeting Date: April 13-14, 2022

Agenda Item H

**Conversion of Funds from Clean Water State Revolving Fund / Drinking Water State Revolving Fund
/ State Reserve Loan to Viable Utility Reserve Funds
Division of Water Infrastructure Staff Report**

Background

This staff report presents background information and recommendations for conversion of previously awarded State Revolving Funds (SRF) and State Reserve Program (SRP) loans to local government units (LGUs) designated as distressed with grant funds from the Viable Utility Reserve (VUR).

As part of the state budget, in S.L. 2021-180, the VUR was appropriated more than \$456 million for water and wastewater infrastructure funding for LGUs designated as distressed. There are currently 93 LGUs that have been designated as distressed by the State Water Infrastructure Authority (Authority) and the Local Government Commission (LGC). The appropriated funds in the annual budget were allocated to the state from the American Rescue Plan Act (ARPA) State Fiscal Recovery Fund. Projects eligible for ARPA funds passing through the VUR are limited by federal ARPA requirements of project eligibility as well as NC G.S. 159G-32(d) for projects funded through the VUR. American Rescue Plan Act funds must be expended by December 31, 2026.

The Division's ARPA Administration Plan specifies that LGUs designated as distressed that have recently awarded SRF or SRP loans for VUR-eligible projects but have not yet drawn down their loans will be given the option to replace their existing SRF/SRP loan funding with VUR grant funds. The option may provide those LGUs more streamlined access to ARPA funds, relieve financial burdens from pending debt, and better assure the success of existing projects. NC G.S. 159G-36(d)(1) establishes a funding limit of \$15 million per LGU from the VUR. Any VUR funds used to replace SRF or SRP loans will count toward this limit.

Three (3) such requests were submitted to the Division with sufficient time to review prior to the March Authority meeting. An additional 21 requests have been submitted and are presented for consideration by SWIA. Information related to these LGUs are found in Attachment 1.

Staff Recommendation

Table 1 lists eligible projects for which LGUs have agreed to the potential funding source replacement and have acknowledged requirements of funding the project with ARPA funds from the VUR. Potential recipients were given the option to update project costs based on more up-to-date cost information, by providing a professional engineer-sealed cost estimate. The Division supports providing additional funds to meet increased project costs to assure projects are fully funded, provided that the scope of the project remains the same as initially approved by the Authority.

Division staff recommend that the Authority approve replacing the previously approved funding to VUR funds for the projects listed in Table 1.

Table 1. Local Government Units Designated as Distressed with SRF-funded Projects Eligible for American Rescue Plan Act Grant Funds from the Viable Utility Reserve

Local Government Unit	Project Number	Project	Updated Total Project Cost	Awarded SRF Loan Amount (not yet disbursed)	Requested VUR (ARPA) Grant Funds	Notes
Bailey, Town of	CS370696-03	2020 Sanitary Sewer Collection Lines, Regionalization	\$533,900	\$533,900	\$533,900	Loan NOT yet approved by LGC
Dublin, Town of	SRP-W-0182	Baker Creek Sewer Outfall Replacement	\$1,668,550	\$225,750	\$991,300	Project awarded \$677,250 as SRP grant. Project cost increases reflected in updated budget. Scope of work remains the same. Loan NOT yet approved by LGC
East Arcadia, Town of	SRP-D-18-0166	Advance Metering Infrastructure	\$475,000	\$300,000	\$475,000	Project cost increases reflected in updated budget. Scope of work remains the same. Loan approved by LGC
Edgecombe County*	WIF-2029	Booster Pump Station Replacement and expansion	\$2,482,800	\$1,033,200	\$1,982,800	Project awarded \$500,000 principal forgiveness. Distressed designation is currently "On-Hold". Final award contingent on pending distressed designation. Project cost increases reflected in updated budget. Scope of work remains the same. Updated budget did not reflect awarded PF, so requested amounts were updated by DWI staff.
Elm City, Town of	WIF-2015	Water Filtration Restoration and Emergency Backup Generation	\$1,989,086	\$1,491,815	\$1,491,815	Project awarded \$497,272 principal forgiveness. Loan NOT yet approved by LGC

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Fountain, Town of	WIF-1987	Replace aged waterline	\$496,000	\$124,000	\$124,000	Project awarded \$372,000 principal forgiveness. Loan approved by LGC.
Greene County	WIF-1945	Conversion of disinfection at seven wells from gaseous chlorine to liquid chlorine	\$1,383,000	\$691,500	\$691,500	Project awarded \$691,500 principal forgiveness. Loan approved by LGC.
Grifton, Town of	WIF-2027	Replace water lines	\$2,662,005	\$490,200	\$2,171,805	WIF-2027 -Project awarded \$490,200 principal forgiveness. Project cost increases reflected in updated budget. Scope of work remains the same. Updated budget did not reflect awarded PF, so requested amounts were updated by DWI staff. Loan approved by LGC.
Macclesfield, Town of	CS370605-02	2020 WWTP Facilities Relocation	\$4,008,100	\$2,750,000	\$3,508,100	Project awarded \$500,000 principal forgiveness. Project cost increases reflected in updated budget. Scope of work remains the same. Loan NOT yet approved by LGC
Middlesex, Town of	CS370711-02	Sewer Collection System Rehabilitation/Relining Project	\$829,589	\$829,589	\$829,589	Loan NOT yet approved by LGC
Norwood, Town of	E-SRP-W-17-0112	Sanitary Sewer Rehabilitation	\$2,101,209	\$2,101,209	\$2,101,209	Loan approved by LGC.

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Pilot Mountain	SRP-W-0207 (Fall 2021)	Replace sewer lines, pump station and aerial crossing	\$3,881,868	\$1,422,500	\$2,402,000	SRP-W- Project awarded \$1,422,500 grant. Project cost increases reflected in updated budget. Scope of work remains the same. Loan NOT yet approved by LGC.
Pilot Mountain	SRP-D-0205 (Fall 2021)	Replace waterline and hydrants, and install new isolation valves, altitude valve and tank mixers	\$1,117,500	\$341,500	\$776,000	SRP-D – Project awarded \$341,500 grant. Project cost increases reflected in updated budget. Scope of work remains the same. Loan NOT yet approved by LGC.
Robersonville, Town of	WIF-1953	Replace waterline and abandon 4,850’ of 2” waterline	\$2,160,615	\$389,650	\$1,770,965	WIF-Project awarded \$389,650 in principal forgiveness. Project cost increases reflected in updated budget from 2018. Loan NOT yet approved by LGC
Robersonville, Town of	SRP-D-17-0082	Rehab 7 supply wells	\$650,000	\$267,500	\$382,500	SRP-Project awarded \$267,500 grant. Project cost increases reflected in updated budget. Scope of work remains the same. Loan NOT yet approved by LGC
Scotland Neck, Town of	WIF-2031 (Fall 2021)	Replace waterlines and all appurtenances.	\$2,116,630	\$396,433	\$999,933	WIF-Project awarded \$1,116,697 principal forgiveness. Project cost increases reflected in updated budget. Scope of work remains the same. Loan NOT yet approved by LGC
Scotland Neck, Town of	SRP-W-17-0119	New clarifier, convert old clarifier to sludge management and replace tertiary filter sand media	\$1,653,370	\$223,319	\$983,414	SRP- Project awarded \$669,956 grant. Project cost increases reflected in updated budget. Scope of work remains the same. Loan NOT yet approved by LGC
Sharpsburg, Town of	CS370698-01	Rehab pump stations, SCADA, install generator and rehab manholes	\$2,629,084	\$951,234	\$2,129,084	Project awarded \$500,000 principal forgiveness.

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						Loan approved by LGC
St. Pauls, Town of	CS370529-05	Wastewater treatment plant relocation	\$8,093,450	\$2,893,450	\$2,893,450	Project awarded \$3,200,000 principal forgiveness and \$2,000,000 CDBG-I funding. Loan NOT yet approved by LGC
Tryon, Town of	CS370620-02	Braewick Rd Sewer Rehab	\$2,218,397	\$1,189,950	\$1,218,397	Project awarded \$1,000,000 principal forgiveness. Project cost increases reflected in updated budget. Scope of work remains the same. Loan approved by LGC
Whitakers, Town of	CS370579-02	Rehab/replace sewer lines, manholes, lift stations	\$5,021,800	\$2,615,600	\$4,521,800	Other secured funding \$500,000. Project cost increases reflected in updated budget. Scope of work remains the same. Loan NOT yet approved by LGC
Total				\$21,262,299	\$32,978,561	

* Edgecombe County is recommended for designation as distressed as part of Agenda Item H. VUR funds award as part of this item will be contingent on a Distressed designation by both SWIA and LGC.