

**NORTH CAROLINA DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER INFRASTRUCTURE**

**Proposed Priority Rating System Changes for Viable Utility Reserve (VUR)
Planning Grants
February 29, 2024**

Draft for Public Comment

Background

General Statute 159G-35(c) directs the State Water Infrastructure Authority (SWIA) and the Local Government Commission (LGC) to develop evaluation criteria for grants from the Viable Utility Reserve (VUR), among other responsibilities. SWIA uses Priority Rating Systems (PRSs) to prioritize awards made from various funding programs, including Asset Inventory and Assessment (AIA) and Merger/Regionalization Feasibility (MRF) grants. Typically, the LGC has deferred to SWIA on prioritization of awards from the VUR.

The Viable Utility Reserve provides grant funding to local governments designated as distressed by SWIA and the LGC for specific purposes as listed in NCGS 159G-32(d). Grants from the Viable Utility Reserve may be used to fund Asset Inventory and Assessment and Merger/Regionalization Feasibility studies. Previously, SWIA and the LGC opted to use an alternative PRS to prioritize planning grant awards to local government units based primarily on the Assessment Scores used to assess local government units' viability per NCGS 159G-45. The PRS for AIAs and MRFs to be funded from the Viable Utility Reserve currently prioritizes applications from eligible utilities in decreasing priority as follows:

1. Distressed Category 1 (local government units under fiscal control of the LGC) by Assessment Score
2. Distressed Categories 2, 3, and 4 by the local government unit's Assessment Score
3. Tie-breaker Criteria:
 - a. Revenue Outlook (15 points)
 - b. Moratorium (15 points)
 - c. Service Population <1,000 (10 points)
 - d. Project addresses multiple distressed units (5 points)

Applications for AIAs and MRFs can also be funded from the Drinking Water Reserve and from the Wastewater Reserve (State Reserve Program), for which separate PRSs have been established by SWIA. The PRSs for these planning grants score applications based on Project Benefits, System Management, and Affordability criteria, rather than on the local government units' Assessment Scores.

Proposed Changes to the Priority Rating System

On February 20, 2024, the State Water Infrastructure Authority approved proposed changes to the Priority Rating System for funding AIA and MRF planning grants from the Viable Utility Reserve. The proposed change would align the PRSs for evaluating AIA and MRF planning grants from the Viable Utility Reserve to the PRSs for evaluating those planning grants from the State Reserve Program. Specifically, the PRSs for evaluating AIA and MRF applications from the Viable Utility Reserve, starting with the Fall 2024 application cycle, would be as follows in decreasing priority:

1. Distressed Category 1 (local government units under fiscal control of the LGC) by Assessment Score
2. The applicable Priority Rating System score by using the Priority Rating Systems for the AIA and MRF programs that are currently used by the State Reserve Program. See tables below for the PRSs for AIA and MRF programs under the State Reserve Program.
3. Tie-breaker criteria (for multiple applicants with the same PRS score)
 1. Assessment Score
 2. Number of local government unit indicators that exceed the state benchmarks

PRIORITY RATING SYSTEM for Asset Inventory and Assessment Studies

DW and WW State Reserve Program Asset Inventory and Assessment Study Priority Rating System		
Line Item #	Category	Points
1.	Project Benefits	0 - 8
1.A	The LGU has been identified as "distressed" by the Authority and Commission per NCGS 159G-45(b).	2
2.	System Management	
2.A	Knowledge base of utility's internal asset management team	0 - 4
2.B	Current and past rate setting practices, CIPs, etc.	0, 1, or 2
2.C	Management of asset inventory data	0 - 4
2.D	Operating Ratios (OR)	0, 1, or 2
3.	Affordability	
3.A	Current Monthly Utility Rate at 5,000 gallons usage	0, 1, or 2
3.B	Local Government Unit (LGU) Indicators	
3.B.1	3 out of 5 LGU indicators are worse than the state benchmark OR	0
3.B.2	4 out of 5 LGU indicators are worse than the state benchmark OR	1
3.B.3	5 out of 5 LGU indicators are worse than the state benchmark	2
Total Points		24 Max

PRIORITY RATING SYSTEM for Merger/Regionalization Feasibility Studies

DW and WW State Reserve Program Merger/Regionalization Feasibility Study Priority Rating System		
Line Item #	Category	Points
1.	Project Benefits	
1.A	Top 3 Challenges and Compliance History	0, 1, 2, or 3
1.B	Past Collaboration and/or Proximity	0, 1, 2, or 3
2.	System Management	
2.A	Size and Capabilities	0, 1, or 2
2.B	The LGU has been designated as "distressed" by the Authority and Commission per NCGS 159G-45(b).	3
2.C	Operating Ratio < 1.00	1
3.	Affordability	
3.A	Current Monthly Utility Rate at 5,000 gallons usage	0, 2, or 4
3.B	Local Government Unit (LGU) Indicators	
3.B.1	3 out of 5 LGU indicators are worse than the state benchmark OR	0
3.B.2	4 out of 5 LGU indicators are worse than the state benchmark OR	2
3.B.3	5 out of 5 LGU indicators are worse than the state benchmark	4
Total Points		20 Max