

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

**Proposed Priority Rating System Changes for the Community Development
Block Grant-Infrastructure (CDBG-I) Program**

February 28, 2025

Draft for Public Comment

Please provide comments by March 31, 2025 at 5:00pm ET.

Background

The State (Small Cities) Community Development Block Grant - Infrastructure (CDBG-I) program is a federally funded community development program in the Department of Housing and Urban Development (HUD) designed to provide grant funds to non-entitlement communities to carry out housing and community development activities.

The CDBG-I Program is designed to help communities create healthy living environments through financing public water and sewer infrastructure and to mitigate public and environmental health problems in areas where the percentage of low-to-moderate income (LMI) persons is at least 51 percent.

All the Division's funding programs follow a similar Priority Rating System (PRS) consisting of four categories:

1. Category 1 – Project Purpose
2. Category 2 – Project Benefits
3. Category 3 – System Management
4. Category 4 – Affordability/Financial Situation

The current PRS provides a consistent and transparent methodology for prioritization that aligns with the State Water Infrastructure Authority's Master Plan and with statutory requirements. The PRS supports applicants in their continued efforts toward long-term utility viability and resiliency.

On February 19, 2025, the State Water Infrastructure Authority (SWIA) approved proposed changes to the PRS for public review. Once the public review is complete the final draft PRS will be presented to SWIA in April 2025. The implementation of these changes will occur for the Fall 2025 funding round.

Proposed Changes to the Priority Rating System

The proposed changes to the CDBG-I PRS align with the Priority Rating System applicable to Drinking Water and Wastewater construction projects that are funded by other funding programs administered by the Division of Water Infrastructure. The proposed changes to the

PRS will occur in two categories: Category 2 – Project Benefits and Category 3 – System Management. All of the proposed changes simplify and enhance prioritization for projects that address flood resiliency and/or other types of resiliency.

Proposed Changes to Category 2 – Project Benefits: the proposed changes will modify existing line items in 2.N, and move one line item to a new line item 2.T as follows:

- The proposed PRS will simplify and adjust line items in 2.N to focus on relocating and/or improving the infrastructure to ensure continued operation during two levels of flood events. The proposed changes to 2.N are as follows:
 - Consolidate and modify existing line items into line items 2.N.1 and 2.N.2 that would add 8 points and 5 points, respectively, by relocating and/or improving infrastructure to ensure continued operation during a 500-year or 100-year flood event, respectively.
 - The remaining existing line items 2.N.3 through 2.N.6 are eliminated or consolidated with new line items 2.N.1 and 2.N.2. The net result of consolidation is that greater priority points are now assigned to the types of projects that qualified for the eliminated line items.
 - Move existing line item 2.N.7 (which is focused on all other types of resiliency, not specifically flood resiliency) to a new, separate line item 2.T. This will allow applicants to claim these points along with points related to adding flood resiliency, rather than only qualifying for one type of resiliency priority points.

Proposed Changes to Category 3 – System Management: the proposed PRS will add a new line item 3.F, for 5 points:

- To encourage applicants is to develop local action plans to focus on resiliency to address risk against flood events, and to apply for funding for a project that is identified in the local action plan. The proposed PRS will add the following to Category 3:
 - Add 3.F. to the PRS.

The proposed revised PRS for the CDBG-I program is attached below, with changes shown in red font to items 2.N., 2.T., and 3.F.

Proposed 2025 PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS

Instructions: For each line item, mark “X” to claim the points for that line item. Be sure that your narrative includes justification for every line item claimed. At the end of each category, provide the total points claimed for each program in the subtotal row for that category. Then add the subtotals from each category and enter the Total of Points for All Categories in the last line. Note that some categories have a maximum allowed points that may be less than the total of individual line items.

Line Item #	Category 1 – Project Purpose (Points will be awarded for <u>only one</u> Project Purpose)	Points
1.A	Project will consolidate a nonviable drinking water or wastewater utility	15
1.B	Project will resolve failed or failing infrastructure issues	15
1.C	Project will rehabilitate or replace infrastructure, including by a regionalization project	10
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old, OR lead service lines	5
1.D-1.E	Reserved for other programs	
1.F	Project will extend service for the following specific reasons:	
1.F.1	Extend water and/or sewer service to new low-income housing, or to an area where existing LMI homes are being rehabilitated, OR	15
1.F.2	Connect existing LMI homes to water and/or sewer service	10
1.G- 1. I	Reserved for other programs	
Maximum points for Category 1 – Project Purpose: 15 Points		
Line Item #	Category 2 – Project Benefits	Points
2.A	Project provides a specific environmental or public health benefit	15
2.A.1	Project eliminates 20% or more failing septic systems, malfunctioning onsite wastewater systems, or private wells that are dry or contaminated.	5
2.B-2.C	Reserved for other programs	
2.D	Project addresses promulgated but not yet effective regulations	3
2.E	Project directly addresses enforcement documents	
2.E.1	Project directly addresses an EPA Administrative Order for a local government applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DEQ Administrative Order, OR	5
2.E.2	Project directly resolves a Notice of Violation or Notice of Deficiency	3

Proposed 2025 PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS

2.F	Project includes System Merger or Regionalization	
2.F.1	Project includes a system merger, OR	10
2.F.2	Project results in a system regionalization and/or partnerships	5
2.G	Project addresses low pressure in a public water supply system	5
2.H	Project addresses contamination of a water supply source:	
2.H.1	Project addresses acute contamination of a water supply source, OR	15
2.H.2	Project addresses contamination of a water source other than acute, OR	5
2.H.3	Project addresses any PFAS compounds exceeding 10 ppt or State-established regulatory standards or limits, OR	2
2.H.4	Project addresses PFAS exceeding proposed or promulgated MCL or Hazard Index.	5
2.I	Reserved for other programs	
2.J	Water loss in system to be rehabilitated or replaced is 30% or greater	10
2.K	Project provides a public water system interconnection	
2.K.1	Project creates a new interconnection between systems not previously interconnected OR	5
2.K.2	Project creates an additional or larger interconnection between two systems already interconnected which allows one system's public health water needs to be met during an emergency	3
2.K.3	Reserved for other programs	
2.L	Water and sewer project is located within the same footprint	5
2.M	Project directly addresses a moratorium on a local government unit system	7
2.N	Project provides resiliency for critical system functions moves existing infrastructure from the floodplain or fortifies infrastructure within the floodplain	
2.N.1	Project relocates infrastructure to outside the 500-year floodplain Project relocates and/or improves infrastructure to assure continued operation during a 500-year flood event OR	8
2.N.2	Project relocates infrastructure from inside the 100-year floodplain to outside the 100-year floodplain OR Project relocates and/or improves infrastructure to assure continued operation during a 100-year flood event	5
2.N.2	Project relocates infrastructure from inside the 100-year floodplain to outside the 100-year floodplain OR	5

Proposed 2025 PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS

2.N.3	Project relocates infrastructure from between the 100-year and 500-year floodplains to outside a 500-year floodplain, OR	3
2.N.4	Project fortifies or elevates infrastructure within floodplain, OR	4
2.N.5	Project improves ability to assure continued operation during flood events, OR	4
2.N.6	Project downsizes infrastructure related to buyouts, OR	4
2.N.7	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source	3
2.O -2.R	Reserved for other programs	
2.S	Project provides site work and new water/wastewater infrastructure, including house or apartment connections, to new low-to-moderate income housing	5
2.T	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source	3

Maximum points for Category 2 – Project Benefits: 20 Points

Line Item #	Category 3 – System Management	Points
3.A	Capital Planning Activities	
3.A.1	Applicant has implemented an Asset Management Plan as of the date of application, OR	10
3.A.2	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10 years and proposed project is included in the plan	3
3.B	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5% of MHI	5
3.C	Applicant has an approved Source Water Protection Plan and/or a Wellhead Protection Plan	5
3.D	Applicant has implemented a water loss reduction program	5
3.E	Reserved for other programs	
3.F	Applicant has completed a local flood resiliency action plan with the proposed project included in the plan	5

Maximum points for Category 3 – System Management: 15 Points

Line Item #	Category 4 – Financial Situation	Points
4.A	Reserved for other programs	

Proposed 2025 PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS

4.B	Current Monthly Combined Utility Rates at 5,000 Usage	
4.B.1	Greater than the 50 th Percentile OR	4
4.B.2	Greater than the 70 th Percentile OR	6
4.B.3	Greater than the 85 th Percentile OR	8
4.B.4	Greater than the 95 th Percentile	10
4.C -4.D	Reserved for other programs	
4.E	Poverty Rate	Calculation; Max 15 pts
4.F	Low-to-Moderate Income	Calculation; Max 25 pts
Maximum points for Category 4 – Financial Situation: 50 Points		