

State Water Infrastructure Authority
Meeting Date: February 19, 2025
Agenda Item J
Fall 2024 Application Round and Example Funding Scenario for
Community Development Block Grant – Infrastructure
(Revised on February 12, 2025)

Division of Water Infrastructure Staff Report

This report presents a *preliminary* funding scenario for the consideration of the State Water Infrastructure Authority (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. 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 Fall 2024 application round for applications to be funded from the Community Development Block Grant – Infrastructure (CDBG-I) funds. The Fall 2024 application round includes funds appropriated to the Water Infrastructure Fund 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 Authority.

The CDBG-I fund is a grant fund available to low-to-moderate income (LMI) communities for their drinking water and sewer improvements to meet current needs.

Fall 2024 Funds Available

The following funds are available for the Fall 2024 Application Round.

The State of North Carolina received \$46,272,979 in Community Development Block Grant (CDBG) State funds for Funding Year (FY) 2024, of which \$19,010,558 was appropriated for the CDBG-Infrastructure program.

Table 1 shows the current balance of unobligated/uncommitted CDBG-I program funds, including the new FY 2024 funds.

Funding Year	Balance^a	U.S. Dept. of Treasury Recapture Date^b
FY 2018 ^c	\$ 1,734,188.16	September 1, 2025
FY 2019 ^d	\$ 1,554,657.89	September 1, 2026
FY 2020	\$ 383,923.93	September 1, 2027
FY 2021 ^e	\$ 7,681.79	September 1, 2028
FY 2022	\$ 0.00	September 1, 2029
FY 2023	\$ 0.00	September 1, 2030
FY 2024	\$ 19,010,558.00	September 1, 2031

^a Balance based on final requisitions, pending closeout packages, and closed pending final audit status.

^b States have eight years to expend funds from their annual CDBG allocation from HUD. 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].

^c Gave Department of Commerce these funds in October 2024 to use for potential urgent need and other funding applications.

^d Holding approximately \$667,604 for Elizabeth City due to updated cost estimates. Once bids come in, the amount will be finalized. Two additional FY 2019 projects may need funds once bids are received.

^e Holding approximately \$7,681.79 for Elizabeth City due to updated cost estimates. Once bids come in, the amount will be finalized.

Summary of Applications Received

Fall 2024 application round applications were due September 30, 2024. A total of 13 CDBG-I program applications were submitted during the round (Table 2). Table 2 shows a comparison of funding requested from submitted applications and the amount of funding available from the CDBG-I program fund.

Application Type	Number of Submitted Applications	Total Requests	Approximate Amount Available – Funding Year (FY) 2024 Funds
Drinking Water Projects - Construction	6 5	\$15,500,000 \$12,500,000	CDBG-I: \$19,010,558
Wastewater Projects - Construction	7 8	\$17,627,735 \$20,627,735	
Total:	13	\$33,127,735	

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.

Category	Drinking Water	Wastewater	Total
Submitted Applications	56	87	13
Incomplete / Ineligible Applications	91	40	1
Complete and Eligible Applications Considered	5	7	12
Funding Requested from Complete and Eligible Applications	\$12,500,000	\$17,627,735	\$30,127,735

During previous funding rounds, Authority members requested additional information on the types of projects in applications received. Table 4 shows the number of complete and eligible applications from local government units (LGUs) designated as Distressed, 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.

Project Type	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	Extending Service to LMI Homes^d	Address Emerging Contaminants^e	Merger/Regionalization^f	Resiliency^g
Drinking Water	3	0	0	0	4	0	0	0	0
Wastewater	4	0	0	0	7	0	0	0	1
Total	7	0	0	0	11	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.

^d Extending Service to Low-to-Moderate (LMI) Homes: successfully claimed Line Items 1.E.1 or 1.E.2 of the Priority Rating Systems for CDBG-I.

^e Address Emerging Contaminants: successfully claimed Line Items 2.H.3 or 2.H.4 of the Priority Rating Systems for CDBG-I.

^f Merger/Regionalization: successfully claimed Line Items 2.F.1 or 2.F.2 of the Priority Rating Systems for CDBG-I.

^g 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

The example funding scenario is detailed in Table 5 on the next page. This table identifies the projects that would potentially be funded under the example funding scenario. A full list of applications, including those that would not be funded under this scenario, are shown in Agenda Items J-1 and J-2. Application numbers in the table below reference application numbers in the accompanying spreadsheets.

The funding scenario involves each project being recommended to be funded with either one (FY 2024) or two grants: 1) an initial “planning grant” funded with uncommitted FY 2019 funds, and 2) a larger “construction grant” funded with uncommitted FY 2024 funds.

The initial “planning grant” will fund the activities (engineering report, environmental review, compliance plans and fair housing plan, and minimal grant administration tasks) to get the project to a benchmark called “release of conditions and funds.” The second “construction grant” will cover activities (final design and specs, easement acquisition, etc.) to get the project through construction, plus grant administration. A similar funding strategy was presented and approved in April 2021 and July 2024 by the Authority.

The example funding scenario would award eight of the 12 eligible applications, obligating all of the \$19,010,558 available FY2024 funds and \$285,000 from the unobligated FY2019 funds, for a total of \$19,295,558.

Project-Specific Notes

The following notes related to the applications listed in Table 5.

- **Project 1 (Town of Beulaville)** – Reduced eligible amount (removed \$57,200 in camera inspection of lines and \$194,480 in asphalt overlay). Per the CDBG-I Priority Rating System (PRS) and Guidance (page 29), this type of expense (camera inspection to determine where work is needed) is not allowed anymore in the program since the Division has planning grants for such activities. If needed, the Town must pay for it prior to application. The CDBG-I program does not pay for the entire road/street to be paved and/or overlaid (page 18 of PRS and Guidance). The CDBG-I Program will only pay for incidental asphalt repair, and the application budget already has "cut and patch" for \$168,960. No FY 2019 Planning Grant recommended.
- **Project 2 (Town of Mount Olive)** – Paired FY 2024 grant with a FY 2019 planning grant. Reduced eligible amount (removed \$42,200 in road overlay). The CDBG-I program does not pay for the entire road/street to be paved and/or overlaid (page 18 of PRS and Guidance). The CDBG-I program will only pay for incidental asphalt repair, and the application budget already has "road repairs" for \$350,000.
- **Project 3 (Town of Troy)** – Paired FY 2024 grant with a FY 2019 planning grant. Reduced eligible amount (removed \$240,000 in 2-inch asphalt overlay). The program does not pay for the entire road/street to be paved and/or overlaid (page 18 of PRS and Guidance). The CDBG-I program will only pay for incidental asphalt repair, and the application budget already has "asphalt road repair" for \$287,500.

- **Project 4 (Town of Plymouth)** – Paired FY 2024 grant with a FY 2019 planning grant.
- **Project 5 (Town of Mount Gilead)** – Reduced eligible amount (removed \$796,000 in asphalt pavement). The program does not pay for the entire road/street to be paved and/or overlaid (page 18 of PRS and Guidance). The CDBG-I program will only pay for incidental asphalt repair. Did not pair with a FY 2019 Planning Grant.
- **Project 6 (Town of Wadesboro)** – Paired FY 2024 grant with a FY19 planning grant.
- **Project 7 (Town of Enfield)** – Paired FY 2024 grant with a FY19 planning grant.
- **Project 8 (New Hanover County)** – Recommended a partial award using the remaining FY 2024 funds available. Did not pair with a FY 2019 Planning Grant. The County is providing remaining funds to cover project costs.

Table 5. CDBG-I Example Funding Scenario

SWIA Sheet Appl. No.	Applicant Name	County	Project Name	Amount of Funding Requested	Potential Total CDBG-I Grant Award Amount	CDBG-I Funding Year 2024 Amount	CDBG-I Funding Year 2019 Amount
1	Beulaville, Town of	Duplin	South Beulaville Sewer Improvements	\$3,000,000	\$2,748,320	\$2,748,320	\$0
2	Mount Olive, Town of	Duplin/Wayne	2024 Sewer Line Rehabilitation Project	\$3,000,000	\$2,957,800	\$2,892,800	\$65,000
3	Troy, Town of	Montgomery	S. Main & Blue St. Area Sewer Improvements	\$3,000,000	\$2,760,000	\$2,695,000	\$65,000
4	Plymouth, Town of	Washington	2024 CDBG-I Lift Station Improvements	\$1,870,250	\$1,870,250	\$1,820,250	\$50,000
5	Mount Gilead, Town of	Montgomery	Julius Chambers Ave CDBG-I Water Rehab	\$3,000,000	\$2,204,000	\$2,204,000	\$0
6	Wadesboro, Town of	Anson	Old Lilesville Sewer Outfall Rehabilitation	\$3,000,00	\$3,000,000	\$2,925,000	\$75,000
7	Enfield, Town of	Halifax	Phase 8 Sewer WWTP Improvements	\$757,485	\$757,485	\$727,485	\$30,000
8	New Hanover County	New Hanover	Scotts Hill Water Main Extension	\$3,000,000	\$2,997,703	\$2,997,703	\$0
Total:				\$20,627,735	\$19,295,558	\$19,010,558	\$285,000