

State Water Infrastructure Authority
Meeting Date – February 19, 2025
Agenda Item M
Draft Priority Rating System for Community Development Block Grant – Infrastructure
(CDBG-I) Program

Division of Water Infrastructure Staff Report

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 of 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 (Authority’s) Master Plan and with statutory requirements. The PRS supports applicants in their continued efforts toward long-term utility viability.

Background Related to Line Item 2.N

In July 2022, the Authority approved changes to the CDBG-I PRS to incorporate resilience and moving infrastructure within floodplains or out of the floodplain. These line items are currently denoted as Line Items 2.N.1 through 2.N.7. See the staff report for Agenda Item L for additional history of the inclusion of these line items into the other funding programs.

Hurricane Helene struck the western part of North Carolina on September 27, 2024, and devastated water and drinking water infrastructure in many communities in that part of the state, demonstrating the need to protect infrastructure from flood events. In addition, public comments received in prior years declared a need to ensure that infrastructure built using funding from the funding programs are protected from flood events. These recent events highlight a need to review the 2.N.1 through 2.N.7 priority line items.

Proposed Changes to Line Items in Category 2 – Project Benefits and Category 3 – System Management

Division staff have developed recommendations related to the drinking water and wastewater PRSs and CDBG-I PRS. This section highlights those changes, which are consistent with the changes to the PRSs to other funding programs described in Agenda Item L. The table at the end of the staff report shows the proposed full PRS for the CDBG-I program, including the proposed changes to the line items using red-font text.

Line Item 2.N

During Fall 2024, Division staff began reviewing the drinking water and wastewater PRSs in preparation for the submittal of the FY 2025-2026 capitalization grant applications for the CWSRF and DWSRF. To ensure consistency across all construction programs, the proposed changes are also being recommended for the CDBG-I program.

Based upon the increasing frequency and intensity of hurricanes within the state, Division staff propose changes to Line Item 2.N. The changes are designed to simplify the line item by consolidating or removing line items that are rarely or never claimed in applications and increase focus and priority on moving infrastructure outside of or fortifying infrastructure against flood events within the 500-year floodplain (regardless of location relative to the 100-year floodplain). In addition, staff recommend moving line item 2.N.7, which is focused on redundancy and resiliency that is not necessarily related to floodplains, into its own new Line Item 2.T. This will enable applicants to claim these points alongside points related to moving or fortifying infrastructure in floodplains. It will also enable the Authority to expand Line Item 2.T in the future, for instance, related to prioritizing cybersecurity measures in more specific ways.

Table 1 on the next page summarizes the proposed changes.

Table 1. Proposed Changes to Line Item 2.N			
Current Line Item Number and Points	Current Line Item	Proposed Changes	New Line Item Number (if applicable)
2.N	Project provides resiliency for critical system functions	Modify language to focus on floodplains.	N/A
2.N.1 (8 points)	Project relocates infrastructure from inside the 100-year floodplain to outside the 500-year floodplain OR	Remove language related to 100-year floodplains, giving maximum priority to moving infrastructure from anywhere within the 500-year floodplain. No change in points.	N/A
2.N.2 (5 points)	Project relocates infrastructure from inside the 100-year floodplain to outside the 100-year floodplain OR	Change to be Line Item 2.N.3. No change in points.	2.N.3
2.N.3 (3 points)	Project relocates infrastructure from between the 100-year and 500-year floodplains to outside a 500-year floodplain OR	Remove. Consolidated with 2.N.1 (see proposed changes above).	Removed
2.N.4 (4 points)	Project fortifies or elevates infrastructure within floodplain OR	Modify language to specify this applies to infrastructure within the 500-year floodplain and must ensure continued operations during flood events. Change points from 4 points to 7 points. Change to be Line Item 2.N.2.	2.N.2
2.N.5 (4 points)	Project improves ability to assure continued operation during flood events OR	Remove. Consolidated with new line item 2.N.2.	Removed
2.N.6 (4 points)	Project downsizes infrastructure related to buyouts OR	Remove. No applicant has claimed these points since Fall 2020.	Removed
2.N.7 (3 points)	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source	Create a new Resiliency line item that can be expanded in the future. This would allow applicants to receive these points in addition to points related to protecting infrastructure from flood events.	2.T

New Line Item 3.F

Over the past few years, the North Carolina Department of Environmental Quality has been developing a flood resiliency blueprint that will guide development of local action plans to address flood resiliency. Category 3 (System Management) rewards drinking water and wastewater utilities that have implemented proactive activities related to utility management. Though the flood resiliency blueprint is still being developed and expanded, Division staff recommend adding a line item to reward applicants who have completed a local flood resiliency action plan, with the proposed application project as part of the plan. Since local governments can develop local flood resiliency action plans using other methods, the local flood resiliency action plan does not necessarily have to be the result of the flood resiliency blueprint. This new line item, Line Item 3.F, would have a value of five points, consistent with other line items such as having an approved Source Water Protection Plan and/or a Wellhead Protection Plan. For guidance to successfully claim these points, Division staff would utilize summaries of action plans similar to what staff now require for Asset Management Plans.

Staff Recommendation

Staff recommend that the Authority approve the Draft Priority Rating System for Community Development Block Grant Infrastructure (CDBG-I) program for public review.

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.J	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

Proposed 2025 PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS

2.E.2	Project directly resolves a Notice of Violation or Notice of Deficiency	3
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 moves existing infrastructure from the floodplain or fortifies infrastructure within the floodplain provides resiliency for critical system functions	
2.N.1	Project relocates infrastructure from inside the 100-year floodplain to outside the 500-year floodplain OR	8
2.N.2	Project fortifies or elevates infrastructure within the 500-year floodplain to assure continued operation during flood events, OR	7
2.N.23	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

Proposed 2025 PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS

4.A	Reserved for other programs	
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