

State Water Infrastructure Authority
Meeting Date: April 16 – 17, 2025
Agenda Item M – Final Priority Rating System for the Community Development Block Grant-Infrastructure (CDBG-I) Program

Division of Water Infrastructure Staff Report

Background

The 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 (i.e., incorporated municipalities under 50,000 and counties under 200,000 in population) 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.

North Carolina General Statute (G.S.) 159G-71 empowers the State Water Infrastructure Authority (Authority) to establish priorities for making loans and grants consistent with federal law. 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 Authority's Master Plan and with statutory requirements. The PRS supports applicants in their continued efforts toward long-term utility viability and resiliency.

Public Comments and Staff Response

At the Authority's February 2025 meeting, the Authority approved a draft PRS for public review for drinking water and wastewater projects funded by the CDBG-I program. The draft PRS included proposed updates to Line Items 2.N, moving Line Item 2.N.7 into a new Line Item 2.T, and added a new Line Item 3.F. The updates are shown in red font text in the table displaying the proposed PRS below, starting on page 3. These proposed updates were presented to the public for a public comment period between February 28, 2025, and March 31, 2025. One comment was received that was related to the PRS. The following summarizes the comment, provides the staff response, and includes the staff recommendation for action on the PRS.

Line Item 2.N

Comment: The proposed rating system merges relocation and general improvement to assure continued operation. Both ends can be worthwhile, of course, but conflating those two things may lead to suboptimal choices for resilience planning. Hardening or elevating for a flood event is valuable if that event cannot be avoided. However, relocation to a place of reduced or eliminated risk is preferable. Much like the UFMP only allows state property to be constructed in the 100-year or 500-year floodplain under special circumstances (otherwise, property has to be outside the 500-year floodplain), we believe the Division's scoring should maximally incentivize infrastructure located outside of these areas, instead of having it be on par with improvements that leave infrastructure in a higher risk area.

We see two possible ways to treat this issue. The first would be like the UFMP, using a threshold and waiver approach. Project applications would have to either demonstrate that they are outside of the 100-year floodplain or that there is no feasible alternative. From there, the project could propose hardening, elevation, or other improvements that would allow for continued operation.

A second option would be to word line items 2.N.1 and 2.N.2 in the following manner: "Project demonstrates maximally effective feasible resilience measures in the 500/100-year floodplain." This would require the Division to assess whether the project was taking the best approach to eliminate risk from storm events, first through relocation and then secondly through other measures. Only then would the application score points for those line items.

Response: These recommendations will be considered when evaluating project applications as well as developing PRS guidance for SRF Helene Recovery programs. New construction in 100-year and 500-year flood plains will be evaluated carefully during the Engineering Report and Environmental Information Document review. The Division accepts the first recommendation, and the application guidance narrative related to line item 2.N will be updated to include that an awarded project within a floodplain must evaluate the option to relocate the infrastructure outside of the floodplain before proposing other improvements to allow continued operation during the flood event.

Division staff recommend no change in PRS; however the guidance will be updated as described in the previous sentence.

Line Items 2.T and 3.F

The Division received no public comments on these items.

Staff Recommendation

Division staff recommend that the Authority approve the PRS as shown in the table below as final.

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 (<i>Points will be awarded for <u>only one</u> Project Purpose</i>)	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	

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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
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	
2.N.1	Project relocates and/or improves infrastructure to assure continued operation during a 500-year flood event OR	8

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2.N.2	Project relocates and/or improves infrastructure to assure continued operation during a 100-year flood event	5
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	
4.B	Current Monthly Combined Utility Rates at 5,000 Usage	
4.B.1	Greater than the 50 th Percentile OR	4

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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		