

State Water Infrastructure Authority
Meeting Date: July 14, 2021
Agenda Item J – Approval of Priority Rating Systems for the AIA / MRF Programs

Division of Water Infrastructure Staff Report

Background

At the Authority’s April 14, 2021, meeting, Division staff presented information regarding potential changes to the Priority Rating Systems for both the Asset Inventory and Assessment (AIA) and Merger/Regionalization Feasibility (MRF) grant programs.

Separate Priority Rating Systems approved by the State Water Infrastructure Authority (Authority) are used to evaluate AIA and MRF applications and rank them in priority order for funding consideration.

AIA prioritization

Division staff proposed to provide two additional priority points under the Project Benefits category to applications from LGUs designated as distressed per §159G-45. This change aligns the Priority Rating System with G.S. 159G-45 by recognizing the benefit of distressed systems completing an asset assessment. The total maximum score does not change.

MRF Prioritization

Division staff proposed to change the name of the first and second categories (Line Items 1 and 2) to be consistent with the other programs. Staff also proposed to change the description of Line Item 2.B under the proposed System Management category (formerly Organizational Status) from Systems that have Received an LGU Unit Letter to Local Government Units Designated as Distressed per § 159G-45. This change aligns the Priority Rating System with G.S. 159G-45 by recognizing the benefit of distressed systems evaluating long-term solution for providing utility service. The line item score and the total maximum score would not change.

The Division opened the public comment period on May 7, 2021. The Division did not hold a public meeting due to social distancing requirements stemming from the Covid-19 pandemic. The public comment period closed on June 4. The following summarizes the comments received, provides staff response to each comment and staff recommendations for action on the Priority Point Systems. Comments were received from the following entities: Aqua North Carolina and Withers-Ravenel.

Comments, Responses, and Staff Recommendations

Aqua North Carolina submitted the following comments.

Comment: Local governments should be required to evaluate the option of working with regulated utilities when receiving a MRF grant.

Response: Communities are encouraged to consider all feasible alternatives when conducting an MRF. Identification and evaluation of potential alternatives are part of the MRF process. Identifying and requiring certain alternatives as part of the application and prioritization process would significantly delay the application process. *Division staff recommend no change to the MRF Priority Rating System.*

Comment: The evaluation process in providing management and infrastructure solutions under the MRF and VUR grants should include regulated utilities as part of the priority systems

Response: The Division notes that in the MRF program, “partnering” systems may include regulated systems. No priority points are earned for the type or number of “partnering” systems – regulated or otherwise. *Division staff recommend no change to the MRF Priority Rating System.*

Withers-Ravenel submitted the following comments.

Comment: Are the points shown in Line Item 1.A in addition to the project benefit (Line Item 1) points? Could an applicant potentially receive a maximum of 8 or 10 points in Category 1? The priority system is shown to max out points at 24 but if the maximum project benefit points is now 10, this should increase the total maximum score to 26. [Comment references the AIA Priority Rating System.]

Response: The two (2) additional points available in Line Item 1.A are intended to augment applications submitted by distressed local government units (LGUs) because distressed LGUs are less likely than non-distressed LGUs to receive the maximum eight (8) points in the Project Benefits category. *Division staff recommend no change to the AIA Priority Rating System as proposed.*

Comment: Per G.S. 159G-45b, there does not appear to be a specific process identified. Could you please define “participate” and “process” in Line Item 1.A “Participate in the Viable Utility Process?” G.S. 159G-45b states each distressed unit identified shall do all the tasks listed. It does not appear to identify a specific process or option to not participate. The word participate presents an appearance that completing the items listed in the statute is optional. [Comment references the AIA Priority Rating System.]

Response: Fundamental elements of the Viable Utility (VU) process are defined in the statute [159G-45(b)]. The process was further described during the joint Authority and Commission during their joint meeting on October 14, 2020 (see Agenda Item F from the October 14, 2020 joint meeting between the Authority and the Local Government Commission [LGC]). Elements of the VU process continue to be developed.

The Division agrees that the word “participate” in Line Item 1.A is unclear. Division staff recommends modifying Line Item 1.A to read “The LGU has been designated as “distressed” by the Authority and Commission, has initiated fulfilling the requirements outlined in 45(b), and continues to make adequate progress fulfilling

the requirements outline in 45(b) as determined by the Division. If it receives an AIA grant, the LGU commits to completing the grant in accordance with the requirements of the VU program.” *Division staff recommend changing the proposed AIA Priority Rating System as discussed above.*

Comment: The MRF Priority Rating System states in Line Item 2.B “Unit has been defined as distressed through G.S. 159G-45 which is a broader line item. Can you provide an explanation of why these two line items differ?”

Response: *Division staff recommend modifying the language in Line Item 2.B of the MRF Priority Rating System to be consistent with the modified language for Item 1.A of the AIA Priority Rating System.*

Staff Recommendations

Division staff recommend that the Authority approve the Priority Rating Systems for AIA grants and MRF study grants as summarized below and shown in the attachment.

1. Revisions to Line Item 1.A of the AIA Priority Rating System as shown in the attachment.
2. Revisions to category titles for Categories 1 and 2 of the MRF Priority Rating System as shown in the attachment.
3. Revisions to Line Item 2.B. of the MRF Priority Rating System as shown in the attachment.

| Proposed Changes to Asset Inventory and Assessment Priority Rating System | | |
|---|---|------------------|
| Line Item # | Category | Points |
| 1. | Project Benefits | 0 – 8 (8 Max) |
| 1.A | The LGU has been designated as “distressed” by the Authority and Commission, has initiated fulfilling the requirements outlined in 45(b), and continues to make adequate progress fulfilling the requirements outline in 45(b) as determined by the Division. If it receives an AIA grant, the LGU commits to completing the grant in accordance with the requirements of the VU program. | 2 |
| 2. | System Management | (12 max) |
| 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 Ratio (OR) is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and water/sewer bill is greater than \$47/month for 5000 gallons | 0, 1, or 2 |
| 3. | Affordability | (4 Max) |
| 3.A | Current Monthly Utility Bill for 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 that the state benchmark OR | 1 |
| 3.B.3 | 5 out of 5 LGU indicators are worse that the state benchmark | 2 |
| Total Points | | 24 Max |

| Proposed Changes to Merger/Regionalization Feasibility Priority Rating System | | |
|---|---|---------------|
| Line Item # | Category | Points |
| 1. | Technical Status Project Benefits | |
| 1.A | Compliance History | 0, 1, 2, or 3 |
| 1.B | Past Collaboration and /or Proximity | 0, 1, 2, or 3 |
| 2. | Organizational Status System Management | |
| 2.A | Size and Capabilities | 0, 1, or 2 |
| 2.B | LGU Unit Letter | 3 |
| 2.B | The LGU has been designated as “distressed” by the Authority and Commission, has initiated fulfilling the requirements outlined in 45(b), and continues to make adequate progress fulfilling the requirements outline in 45(b) as determined by the Division. If it receives an AIA grant, the LGU commits to completing the grant in accordance with the requirements of the VU program. | 3 |
| 2.C | Operating Ratio < 1.00 | 1 |
| 3. | Affordability | |
| 3.A | Current Monthly Utility Bill for 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 that the state benchmark OR | 2 |
| 3.B.3 | 5 out of 5 LGU indicators are worse that the state benchmark | 4 |
| Total Points | | 20 Max |