

State Water Infrastructure Authority
April 14, 2021 Meeting
Agenda Item L – Prioritization of Viable Utility Reserve Study Grants

Division of Water Infrastructure Staff Report

Background

Session Law 2020-79, entitled in part “An Act to Improve the Viability of the Water and Wastewater Systems of Certain Units of Local Government...”, created the Viable Utility Reserve (VUR). Pursuant to § 159G-39, the Division must rank each application for the Authority’s review. The Authority must consider the Division’s determination of priority when the Authority reviews an application’s priority. The Authority’s determination of priority is conclusive. In addition, for the VUR, the Department shall not award a grant from the VUR Fund unless the Local Government Commission (Commission) approves the award of the grant.

Criterion for Study Grants from the Viable Utility Reserve

At its November 18, 2020 meeting, the Authority approved the sole criterion for the VUR – that a unit be identified as distressed. At that time there were only four distressed local government units (LGUs). Since that time, additional LGUs have been designated as distressed, and over 100 other LGUs meet the Identification Criteria. The Authority discussed draft prioritization concepts for VUR funding at its March 10, 2021 meeting, and Division staff have continued to develop these concepts.

VUR Study Grant Prioritization

Grant prioritization for the study grants is divided into two categories. The first category is the highest priority, and the second category will be considered when there are remaining funds in the VUR after meeting all needs in the first category.

Category 1

Local government units who are identified as distressed due to fiscal affairs being under the control of the Commission (meets Identification Criteria 1) and distressed LGUs working with these highest priority LGUs are considered Category 1. LGUs in Category 1 and their distressed regional partners will be invited to apply for grants to assist in developing long-term solutions and will need to commit to the requirements of the viable utility process as discussed in the first paragraph of the Category 2 section below.

Should needs within this category exceed existing VUR funding availability, priority will be determined using the same factors used in Category 2.

Category 2

All other local government units who are identified as distressed comprise Category 2. Those LGUs would apply under a competitive process for study grant funding. Units must be willing to commit to the viable utility process: attend board education/training; develop short- and long-term action plans for infrastructure repair, maintenance and management; and develop a long-term financial plan that facilitates the provision of reliable water and/or wastewater services.

Distressed LGU assessment scores are placed into groups of point ranges such as shown in Table I.1. Each subcategory group would be prioritized until funding is exhausted or all applicant needs are funded within that group.

Within the same overall score group, priority will be further distinguished by prioritizing:

1. Revenue Outlook: 15 points
2. Moratorium: 15 points
3. Service Population <1,000: 10 points
4. Ability to address multiple distressed units: 5 points

Assessment Evaluation Score Point Ranges	# Units	# Rev Outlook	#Moratorium	#<1,000 population
8 (single provider) – 10	51	9	3	19
11-12	38	10	6	20
>13	18	12	6	7

A LGU's priority can be adjusted by the Authority when considering other factors that reflect the LGU's situation that are not completely reflected in the assessment score. For example, a LGU may have several parameters that just meet the thresholds established in the assessment criteria or they may be missing data / audits. This may be particularly important in working with distressed LGUs that meet Identification Criteria 2 (2 years of missing audits) and Identification Criteria 4.

Division Recommendation

The Division recommends the Authority approve the proposed prioritization criteria for study grants from the Viable Utility Reserve for Category 1 and go to public review for the Category 2 prioritization concepts.