

# Water Infrastructure



NC Division of  
Water Infrastructure

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**Division of Water Infrastructure**

# Outline

- Consolidation of funding programs
- Funding programs
  - Clean Water and Drinking Water SRFs
  - CDBG-I
  - State grants
- State Water Infrastructure Authority
  - Activities
  - Annual Report

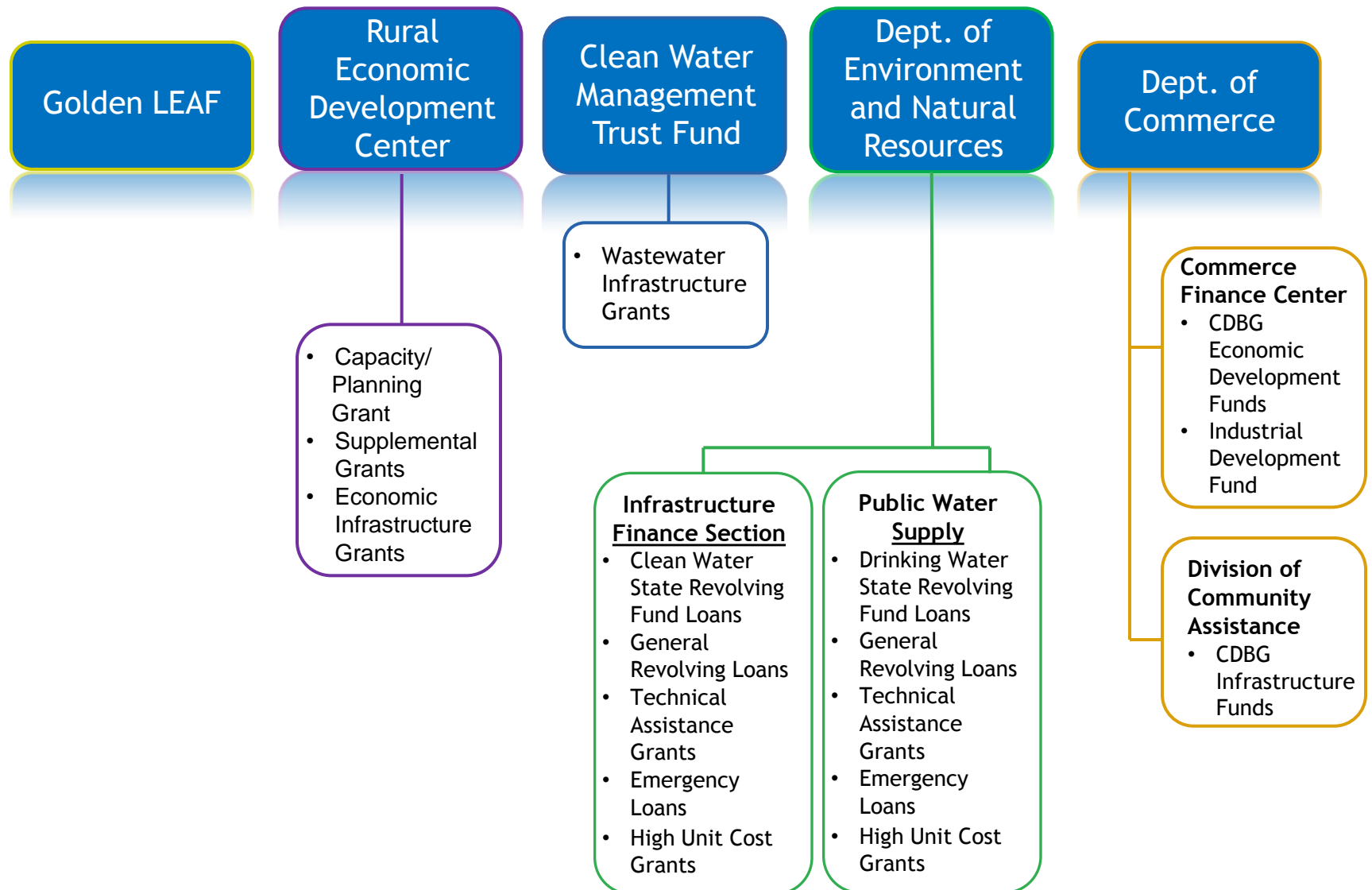


# Session Law 2013-360 (Budget)

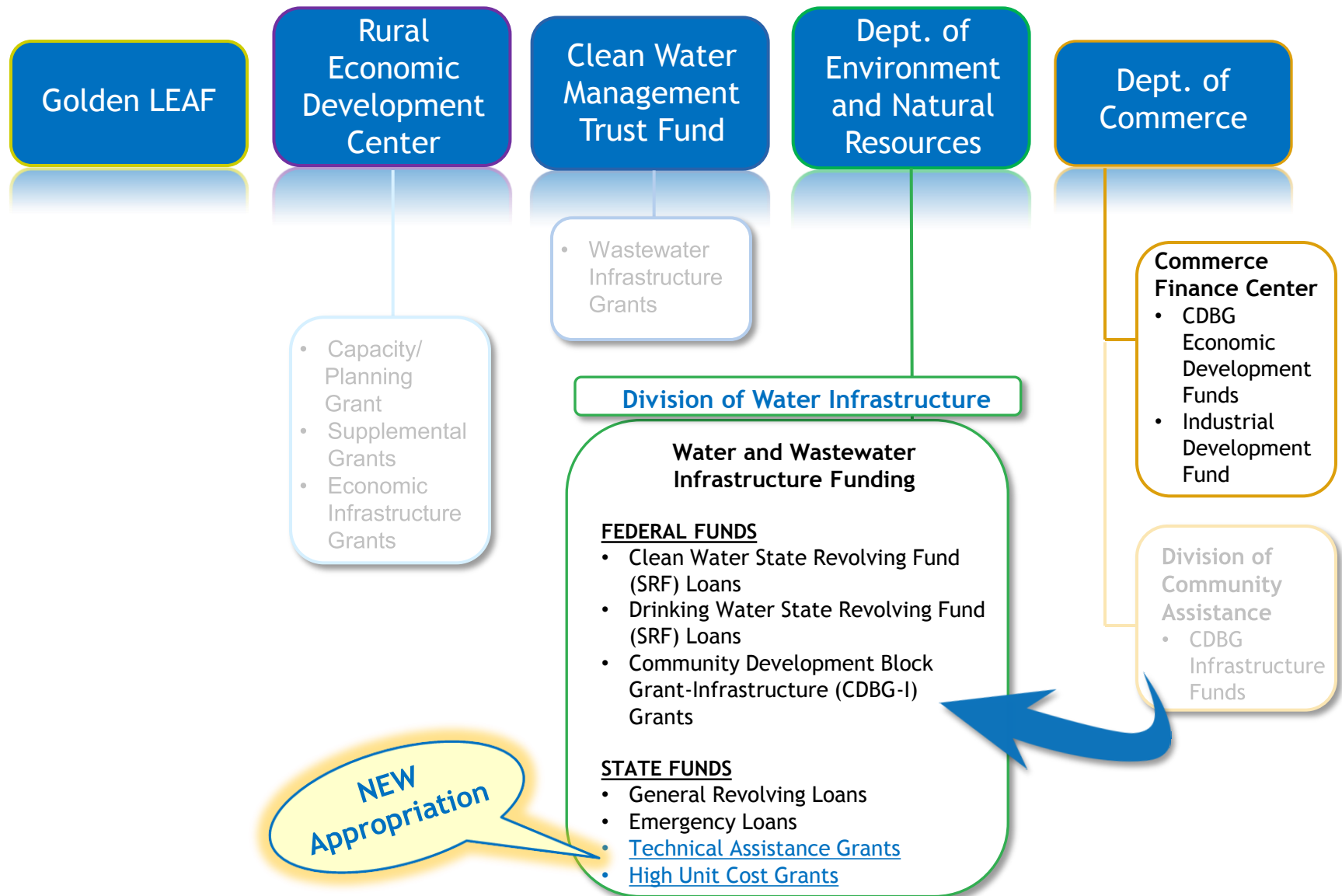
- Created Division of Water Infrastructure
- Consolidated Water Infrastructure Funding
  - SRFs (Drinking Water and Clean Water)
  - CDBG-Infrastructure
  - State Programs
- Created State Water Infrastructure Authority (Authority)



# N.C. Water and Wastewater Infrastructure Funding – Prior to 2013 Budget Bill



# N.C. Water and Wastewater Infrastructure Funding – Current Framework



# Funding Programs

- Clean Water State Revolving Fund
- Drinking Water State Revolving Fund
- Community Development Block Grant
- State Reserves
  - Drinking water / wastewater
  - Grants / loans



# Funding Programs

- Priority systems (general)
  - Rehabilitation projects higher priority
  - Economic status
  - System management
  - Doesn't exclude other projects
- No ready-to-proceed requirements
- Two years to enter construction contract
  - 159G-41



# Funding Programs

- Outreach
- Training for funding applications
  - Usually one event with multiple programs
- I'm-funded;-now-what? training
  - A walk through the 2-year funding process
- One-on-one meetings





# Funding Programs

- **Clean Water State Revolving Fund**
- Drinking Water State Revolving Fund
- Community Development Block Grant
- State Reserves
  - Drinking water / wastewater
  - Grants / loans



# Clean Water State Revolving Fund

- Federal / state low-interest loan program
  - Replaced the federal construction grants program
  - Capitalized since 1989
  - 20% state match
  - NC allocation is +/- 1.8%
- \$100+ million / year
  - Most is revolving funds
- CW Needs Survey - \$6 billion for NC



# Clean Water State Revolving Fund

- To accomplish the objectives, goals, and policies of the Clean Water Act
- Eligible activities include:
  - Collection and treatment of wastewater
  - Stormwater
  - Stream restoration
  - Reclaimed water
- Priority criteria
  - Rehabilitation / upgrades
  - Impaired streams, basin plans

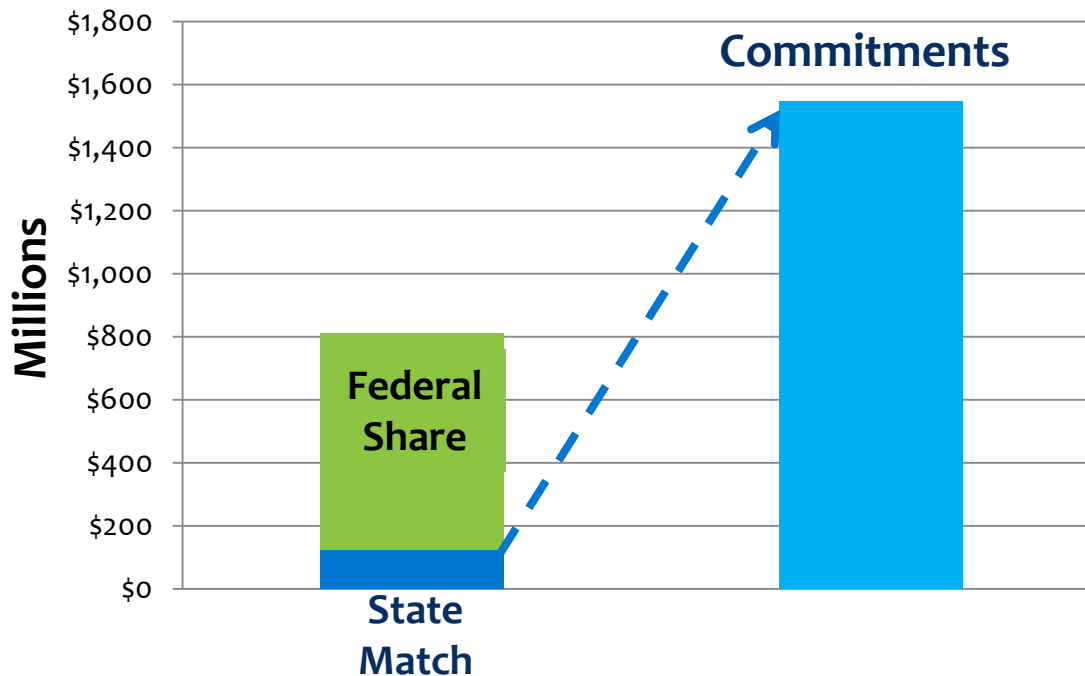


# Clean Water State Revolving Fund

- Eligible applicants
  - Local government unit – city, county, w&s district, sanitary district, etc.
  - Nonprofit water corporation
- Benefits
  - ½ market rate or 0% loans (159G-40)
  - No interest during construction
  - Principal forgiveness



# CWSRF Capitalization and Match

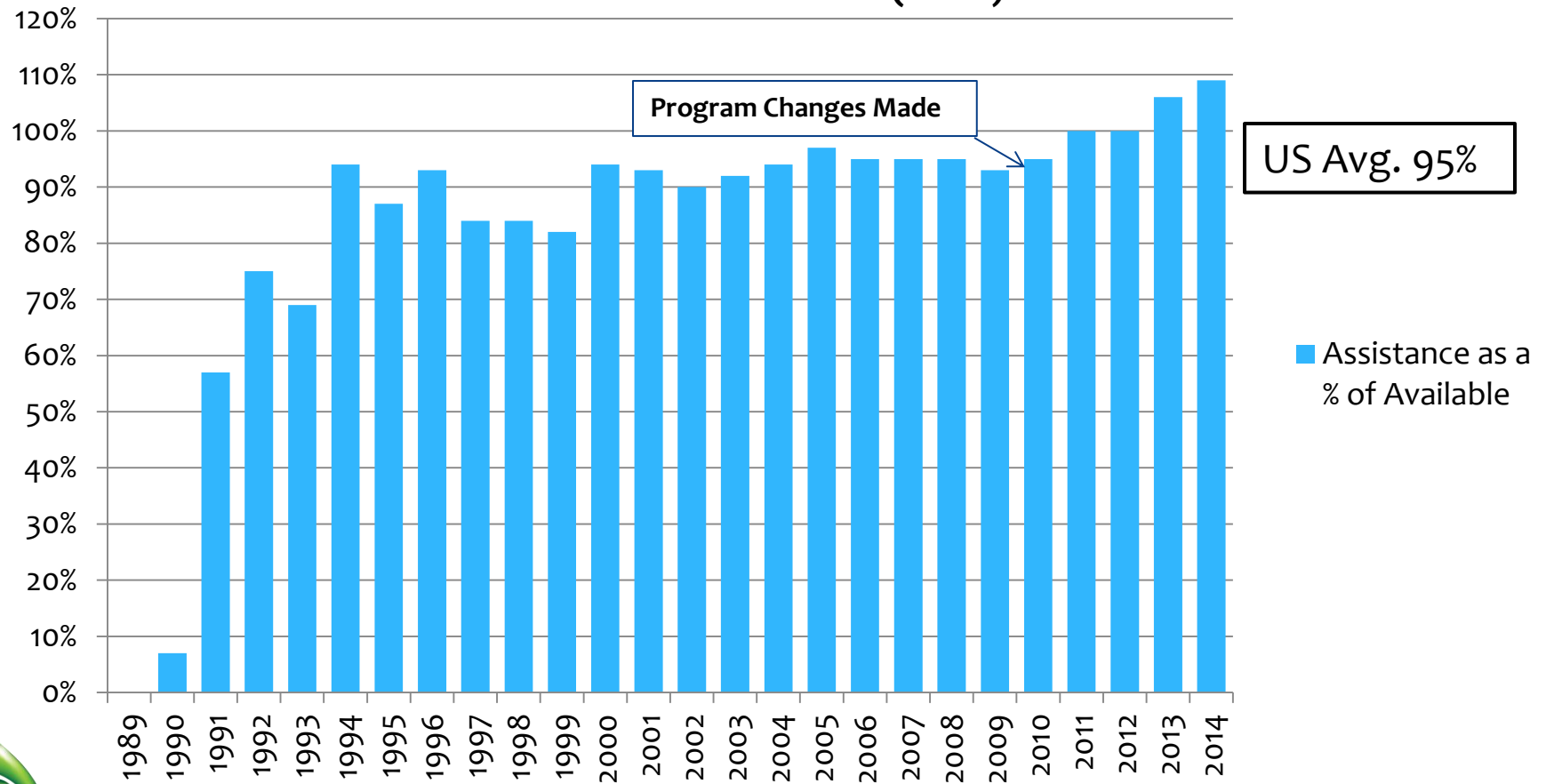


\$123 million in state match resulted in \$1.5 billion in commitments over the life of CWSRF in NC

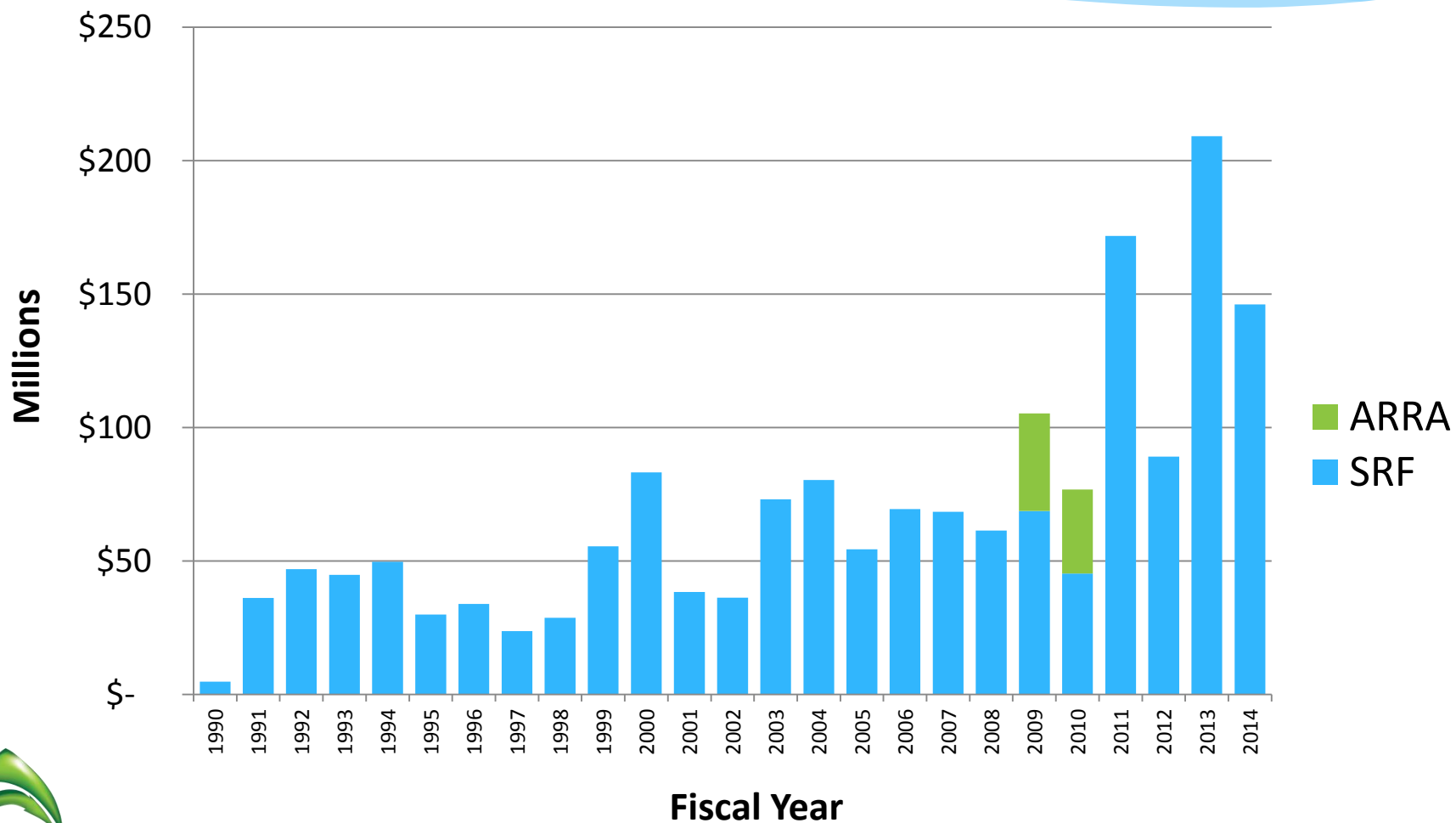


# CWSRF Pace

Assistance as a % of Available (Pace)



# CWSRF Commitments



# CWSRF Amendments

- Davis Bacon; American Iron and Steel
  - Current year-to-year requirement
  - Made permanent
- Brooks Act
- Fiscal sustainability plans
  - Project basis
- EPA required to study allocations





# Funding Programs

- Clean Water State Revolving Fund
- **Drinking Water State Revolving Fund**
- Community Development Block Grant
- State Reserves
  - Drinking water / wastewater
  - Grants / loans



# Drinking Water State Revolving Fund

- Federal / state low-interest loan program
  - Mirrors CWSRF
  - Capitalized since 1997
  - 20% state match
  - NC allocation is +/- 2.4%
- DW Needs Survey - \$10 billion for NC
- \$50 million / year



# Drinking Water State Revolving Fund

- To further the health protection objectives of the Safe Drinking Water Act (SDWA)
- Specific requirements for priority in the SDWA
  - most serious risk to human health;
  - ensure compliance with the requirements of SDWA; and
  - assist systems most in need on a per household basis



# Drinking Water State Revolving Fund

- Priority criteria
  - Public health benefits
  - Rehabilitation / upgrades
- Eligible applicants
  - Same as CWSRF plus public utilities
- Benefits
  - Same as CWSRF
- Synchronize with CWSRF program



# Funding Programs

- Clean Water State Revolving Fund
- Drinking Water State Revolving Fund
- **Community Development Block Grant**
- State Reserves
  - Drinking water / wastewater
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# CDBG - Infrastructure

- Federal grant program
- Non-entitlement communities
  - Excludes 23 larger cities / towns
  - Excludes 3 urban counties
- Units of General Local Governments
  - Cities, towns and counties
  - Does not include sanitary districts, authorities, etc.



# CDBG - Infrastructure

- Low – moderate income areas
  - 51% or greater
  - Service area may be entire town or part of town
- Priorities
  - More focus on economic need



# CDBG - Infrastructure

- Water and Sewer Infrastructure
  - Increased to approx. \$26 million
  - Administration transferred to DENR
  - 7 positions transferred
- Maximum funding - \$3 million
  - Aligned with state grants (159G-36)





# CDBG - Infrastructure

- Program changes
  - Increase training / outreach
  - Engineering reports submitted after funding awarded
  - Environmental documents by grantees
  - Additional methods to determine LMI
  - One public hearing prior to application



# Funding Programs

- Clean Water State Revolving Fund
- Drinking Water State Revolving Fund
- Community Development Block Grant
- **State Reserves**
  - Drinking water / wastewater
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# State Reserves – Loans

- Wastewater
  - Revolving loans (similar to SRF)
  - Emergency loans
- Drinking water
  - Inactive – funds used for DWSRF match
- Loan limits
  - \$3 million over 3 years (159G-36)
  - Applies to both DW or WW



# State Reserves – Grants

- High unit cost grants
  - >1.5% rates/MHI (159G-33, 159G-34)
  - \$3 million maximum over 3 years (159G-36)
- Technical assistance grants
  - resolve noncompliance (159G-33, 159G-34)
  - \$50,000 maximum over 3 years (159G-36)



# State Reserves – SL 2013-360

- SFY 2014-15 - \$5 million (recurring) – critical needs grants
- Authority – “determine the distribution of funds between” water and wastewater projects
- Tier 1 and 2 counties



# State Water Infrastructure Authority

- 9 member authority
  - 2 appointed by Governor
  - 2 appointed by Senate
  - 2 appointed by House
  - 3 ex officio
- Qualifications provided in 159G-70



# Authority's Powers and Duties

- Defined at NCGS 159G-71
- 12 duties in 4 broad categories
  1. Distribute loan and grant funding
  2. Define water infrastructure needs and funding sources
  3. Assess best and emerging practices in utility planning
  4. Assess need for “troubled systems” protocol



# Authority's Annual Report

- November each year
  - 2014 – first report
- Purpose
  - Overview of Authority's activities to date
  - Summarize concerns and issues regarding NC's water infrastructure & available funding
  - Provide recommendations to address some of those issues





# Overview of Authority's Activities

- Required to have 4 meetings / year
  - In 2014, 10 meetings were held
- Approved funding for 95 projects for \$226 M
  - \$91.5 M in CWSRF loans
  - \$105 M in DWSRF loans
  - \$26 M in CDBG-I grants
  - \$3.5 M in state grants



# Overview of Authority's Activities

- Presentations and discussions
  - “Troubled systems”
  - Recent infrastructure master plans
  - Asset management
  - Public-private partnerships



# Concerns and Issues Identified

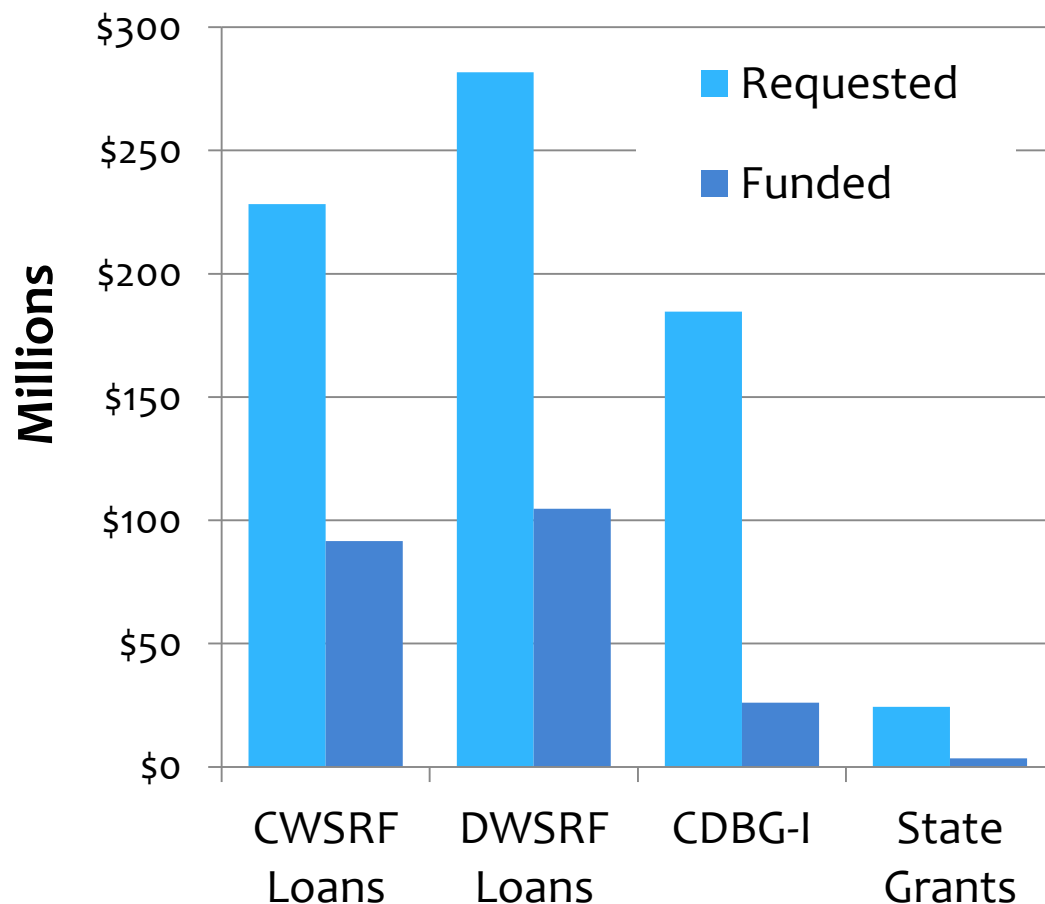
- Significant demand for funding
- State grant funds may not be available to some of the targeted communities
- Proactive system management and financing should be encouraged
- The Division's and the Authority's application review priorities should be consistent



# Significant Funding Demand Exists

## Issue

Requests for funding will likely continue to outpace the availability of both loan and grant funds across all programs (328 requests for \$719 M)



# State Grant Funding to Targeted Communities

- Current legislation
  - Requires state reserve grant funds targeted to “rural, economically distressed” communities
- Defined as only in Tier 1 and 2 counties, and
  - SL 2013-360
- Based on % MHI spent on water/sewer
  - 159G-33, 159G-34



# State Grant Funding to Targeted Communities

## Issue

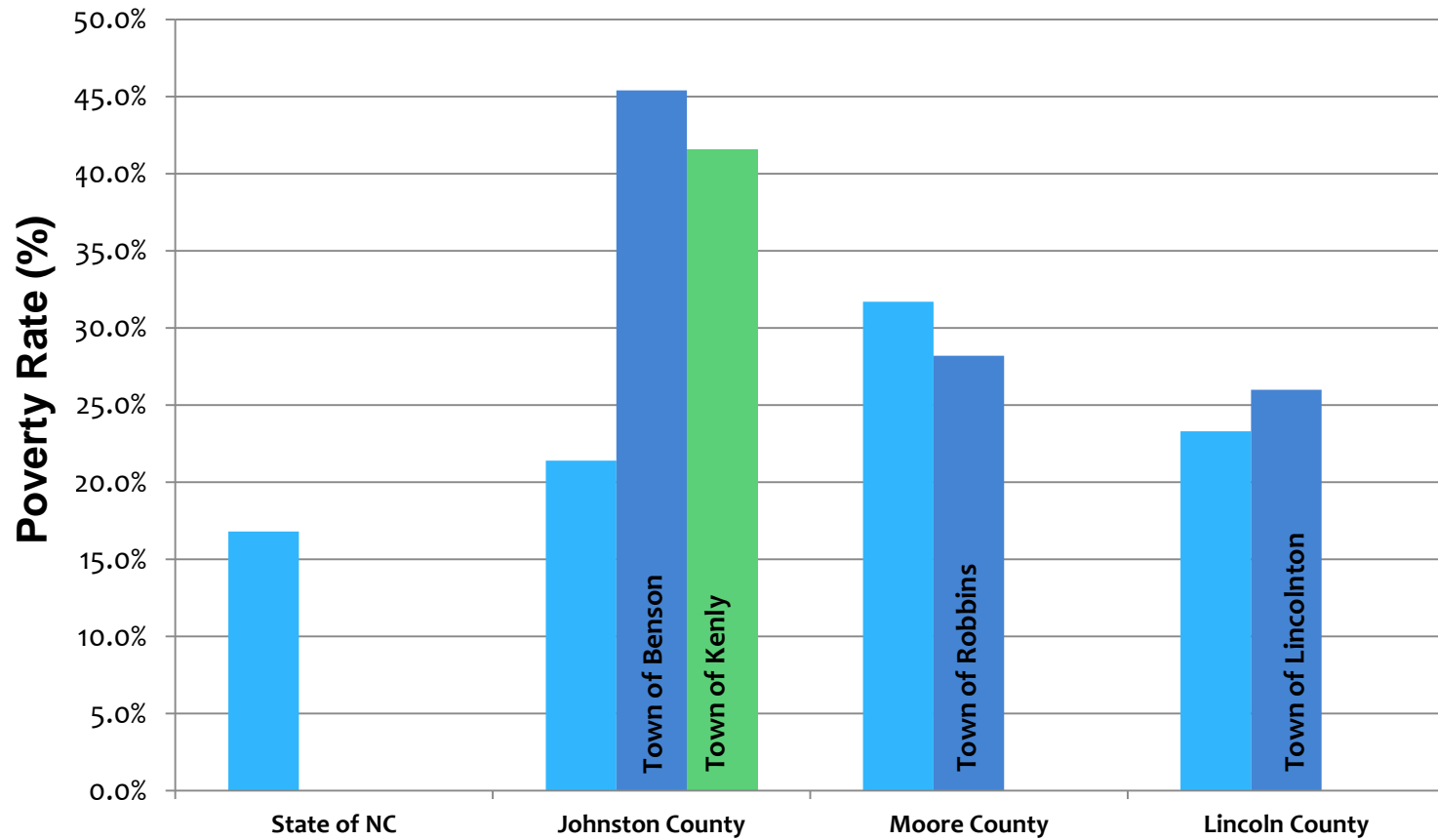
County tier and amount spent on water/sewer may not accurately represent the economic conditions in rural communities

## Recommendation

Base applicant eligibility on affordability using factors such as poverty rates, unemployment, population, water/sewer rates and/or others



# Communities Within Tier 3 Counties



# Broaden Use of State Grant Funds

## Issue

Grants are not available for any proactive activities such as ways to assist utilities to become more self-sufficient and avoid future/continued reliance on grant funds

## Recommendation

Broaden the use of grant funds to provide incentives to encourage utilities to become more proactive in the management and financing of their systems





# Broaden Use of State Grant Funds

- Currently only Technical Assistance Grants are available
  - Studies/analyses to determine how to correct violations
- Look at proactive grants
  - Asset inventory and assessment
  - Consolidation studies



# Align Priority Statutes

- 159G-71 assigns priority determination to the Authority
- 159G-23 requires the use of the common criteria by the Division
- Change 159G-23 to considerations
  - Allows Division to operate in concert with Authority



# Contact Information

Division of Water Infrastructure

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