



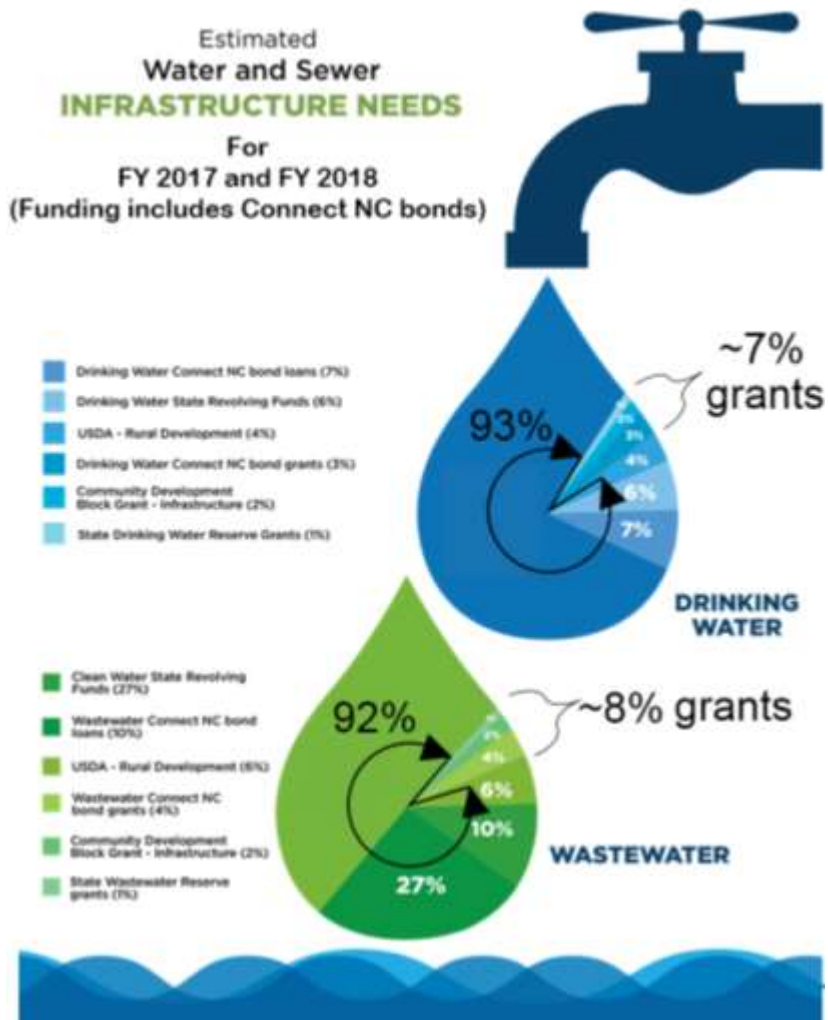
March 1, 2017



Overview of Water Infrastructure  
Funding Programs  
*Department of Environmental Quality*  
*Water Infrastructure*



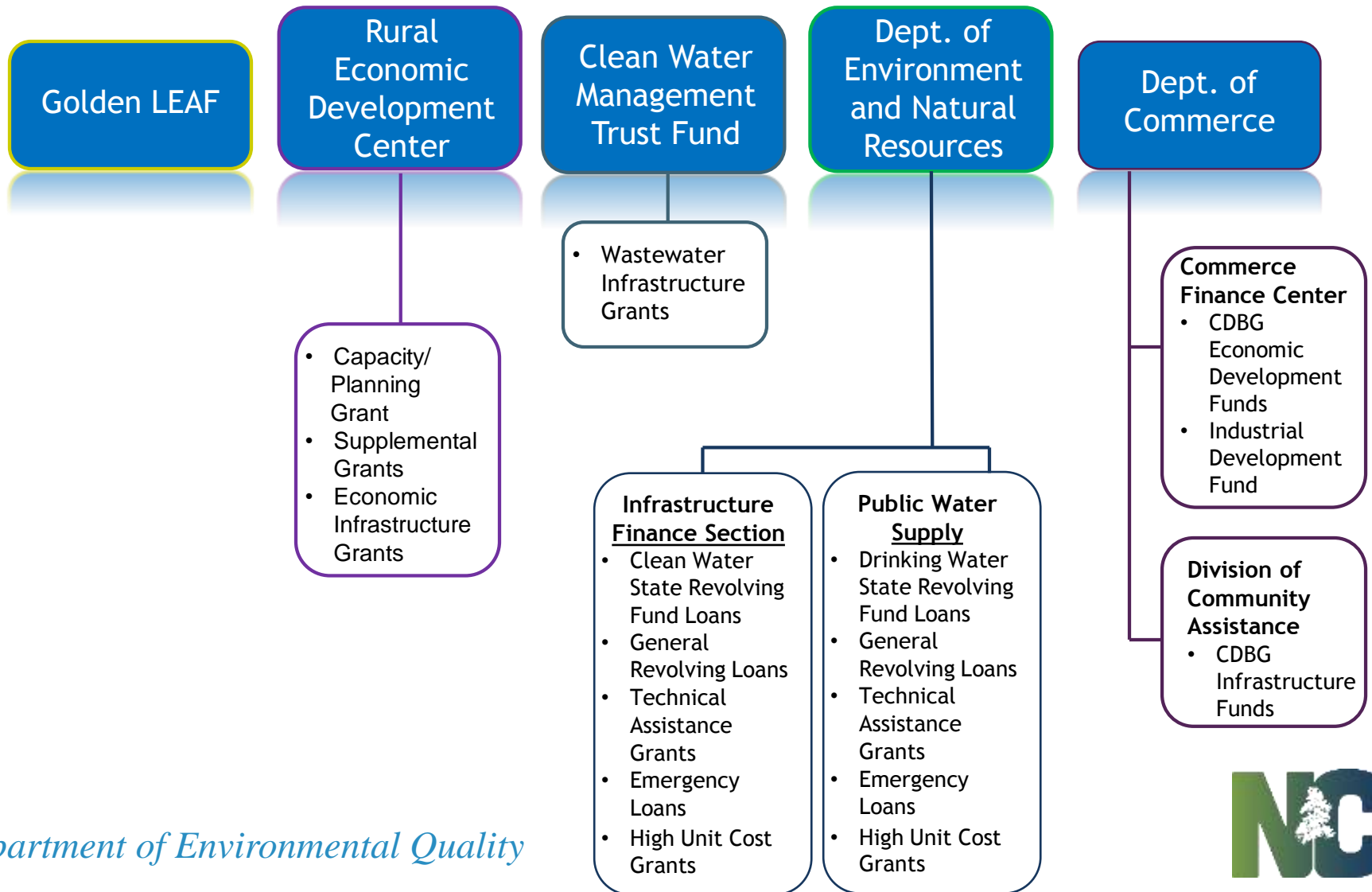
# Water Infrastructure Needs



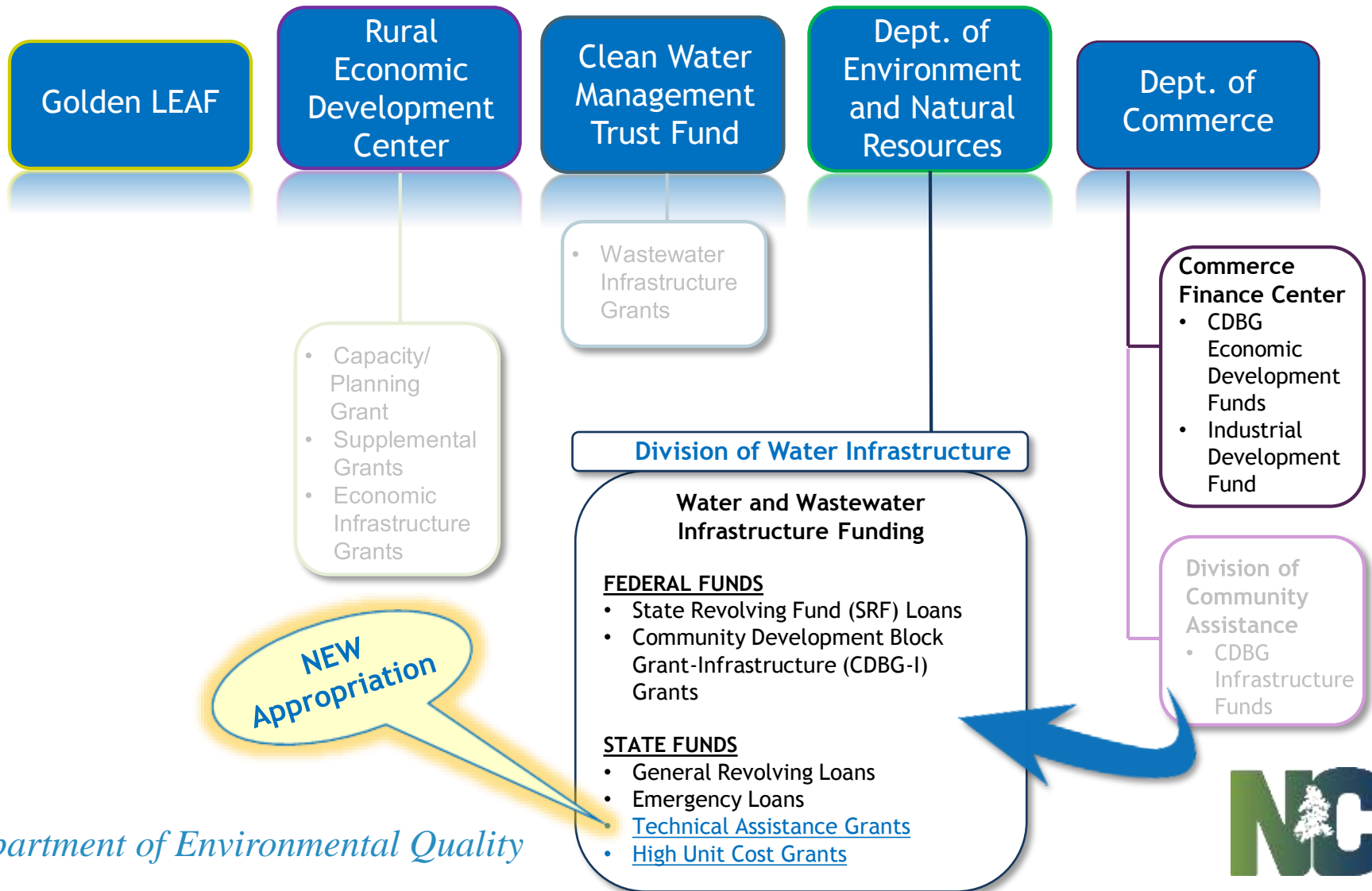
- Drinking water systems needs are \$10-\$15 billion over next 20 years<sup>1</sup>
- Wastewater systems needs are \$7 - \$11 billion over next 20 years<sup>1</sup>
- For most funding sources, users pay to meet capital needs (e.g., loans, bonds, reserves, etc.)

1 - Environmental Finance Center at the University of North Carolina's School of Government (EFC) evaluation of needs surveys

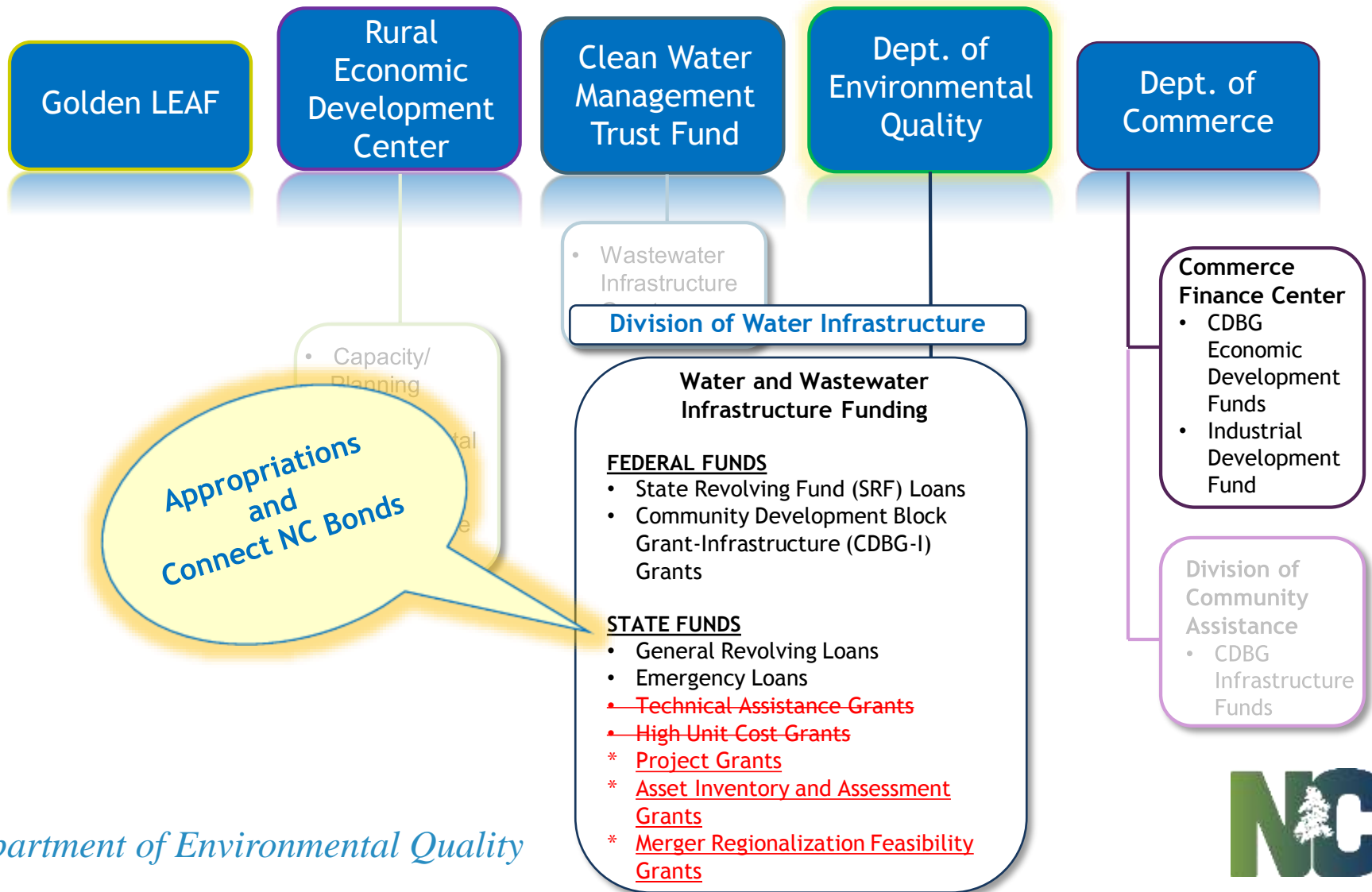
# Funding Program Changes - 2013



# Funding Program Changes - 2013



# Funding Program Changes - 2013



Department of Environmental Quality



# *Consolidation of Water Infrastructure Funding Programs*

- Division of Water Infrastructure
  - DWQ – Infrastructure Finance Section
  - DWR – DWSRF staff
  - Commerce – CDBG staff and positions
- CDBG limited to federal law (SL 2013-360 & SL 2013-363)
- State reserve grants for rural, economically distressed local government units
- State Water Infrastructure Authority (159G-70)
  - Replaced SWIC
  - DWI Director serves as chair
  - 3 ex officio members
  - 6 appointed

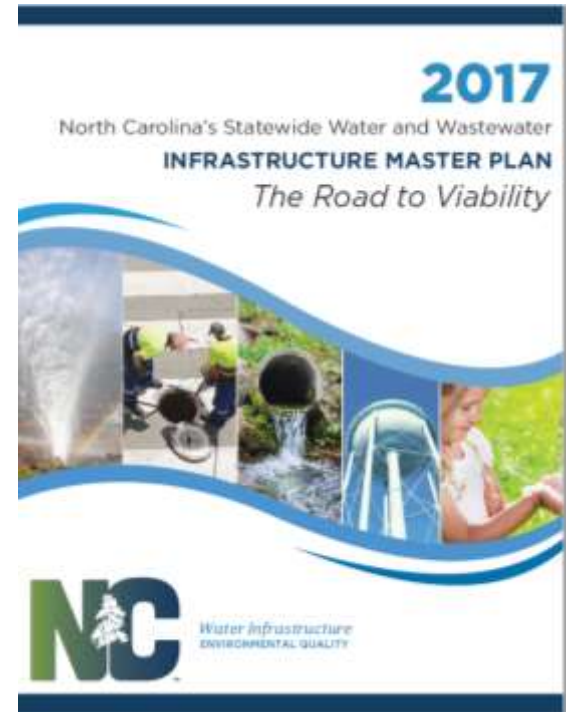
# *Consolidation of Water Infrastructure Funding Programs*

- Authority awards since first meeting in January 2014
  - CDBG-I – \$106 M
  - DWSRF – \$278 M
  - CWSRF – \$450 M
  - State Reserve - \$165 M
- Total project workload for Division of Water Infrastructure
  - \$1.2 B in active projects
  - Awarded thru project completion



# State Water Infrastructure Authority

- Recommended changes to funding statutes
  - Affordability
  - Asset Inventory and Assessment Grants
  - Regionalization / Merger Grants
- Master plan
  - 2017 plan approved in Dec. 2016
  - Focus is utility viability
  - More to come ...
- Troubled system protocol
- Synchronization of funding programs
  - Apply for funding or to a specific program
  - Priority systems now similar





# Summary of January 2017 Funding Decisions

| Project Funding Program                       | No. of Applications Approved | Funding Amount |
|---|------------------------------|----------------|
| CDBG-I grants                                 | 19                           | \$26,969,014   |
| Drinking Water State Reserve loans and grants | 25                           | \$49,138,177   |
| DWSRF loans                                   | 12                           | \$56,034,889   |
| Wastewater State Reserve loans and grants     | 24                           | \$89,044,357   |
| CWSRF loans                                   | 8                            | \$73,856,388   |
| Asset Inventory and Assessment grants         | 65                           | \$8,274,229    |
| Merger/Regionalization Feasibility grants     | 3                            | \$150,000      |
| Total   | 156                          | \$303,467,054  |

# *Water Infrastructure Funding Programs*

- State Revolving Funds
  - Clean Water SRF
  - Drinking Water SRF
- CDBG-Infrastructure
- State Programs
  - Projects – loans and grants
  - Asset Inventory and Assessment grants
  - Merger Regionalization Feasibility grants

# *Water Infrastructure Funding Programs*

- Construction of water infrastructure projects
  - Some program specific restrictions
  - O&M not allowable
- Priorities
  - Fix existing infrastructure first
  - Public health benefits
  - Environmental benefits
  - Management
  - Financial



# *Water Infrastructure Funding Programs*

- One application for all programs
  - Same application for consideration across all programs
  - Considered at same time
  - Indicate if willing to take a loan when applying for grants
- Two funding rounds per year
  - Spring – limited (April 28<sup>th</sup> deadline)
  - Fall – all programs
- Meet to discuss projects / applications
- Training for all programs
  - How to apply
    - Notices via NC Water Listserv
    - Asheville 2/27, Salisbury 2/28, Kinston 3/3, Raleigh 3/6
  - Funded – now what?

# *Water Infrastructure Funding Programs*

- Fees
  - 2% loans
  - 1.5% grants
  - None for CDBG
- Applicants
  - Local government units – all programs except CDBG
  - Non-profit water corporations – all programs except CDBG
  - CDBG-I – Units of General Local Government (non-entitlement)
  - DWSRF – Public utilities

# *Water Infrastructure Funding Programs*

- Two years to proceed to construction (maximum)
  - Some exceptions
  - Can accelerate – discuss with us
- Terms of loans
  - ½ market rate (20-Bond Index)
  - Targeted rates (current is 0%) available if qualify for grant
  - No interest during construction
  - Highest rate established at application
  - Usually 20-year maturity or useful life which ever is less

# State Revolving Fund Programs

- Two state revolving funds (SRF)
  - Annual appropriations by congress
  - Some principal forgiveness available
- Clean Water SRF
  - Wastewater
  - Stormwater
  - Nonpoint source projects
  - Reclaimed water
- Drinking Water SRF
  - Public water supply systems
  - Set aside for PWSS administration
  - 100% principal forgiveness to consolidate failing systems



# *State Revolving Fund Programs*

- CWSRF capitalization (started in 1989)
  - Federal investment in NC: \$762,270,383
  - State investment: \$138,308,250
  - Commitments: \$1,856,202,111
  - 2016 capitalization grant \$25 million
  - \$150 million / year
- DWSRF capitalization (started in 1997)
  - Federal investment in NC: \$499,043,389
  - State investment: \$86,686,265
  - Commitments: \$638,095,561
  - 2016 capitalization grant \$20 million
  - \$55 million / year



- Federal funds are split between direct appropriations to metropolitan areas, called “entitlement communities”
  - Asheville, Burlington, Cary, Chapel Hill, Charlotte, Concord, Durham, Fayetteville, Gastonia, Goldsboro, Greensboro, Greenville, Hickory, High Point, Jacksonville, Kannapolis, Lenoir, Morganton, New Bern, Raleigh, Rocky Mount, Salisbury, Wilmington, and Winston-Salem
  - Wake, Mecklenburg, Cumberland, and Union Counties
- Funds appropriated to the states for distribution into less populated areas, “non-entitlement communities”
- In NC, Infrastructure projects under State CDBG are administered by DEQ

# *CDBG-Infrastructure*

- Units of General Local Government (non-entitlement)
  - Does not include districts, authorities, etc.
  - Units of General Local Government can apply on their behalf
- Must serve an area of low- to moderate-income (LMI)
  - 51% or greater
  - Service area may be entire town or part of town
- Approx. \$27 million per year (allocation by NC General Assembly)
- Grants up to \$2 million
- Only program that can fund service laterals (LMI household only)



# *State Reserve Programs*

- State reserve
  - Loans and grants
  - Drinking water and wastewater
- Changes for state reserve programs
  - New affordability criteria
  - New Asset Inventory & Assessment grants
  - New Merger / Regionalization Feasibility grants
- State program grant appropriations
  - \$10 M (recurring) + \$5 M (nonrecurring) for SFY 2016-17
  - SWIA determines the distribution of funds



# *Connect NC Bond*

- \$309.5 million for state project programs
  - \$100 million in grants
  - \$209.5 million in loans (revolving) – permanent resource
- Split evenly between drinking water and wastewater
- EPA AO prioritization in wastewater
- Available over 3 funding rounds
  - Sept 2016 – Awarded January SWIA meeting
    - DW: \$14.6 M grants; \$34.5 M loans
    - WW: \$36.7 M grants; \$42.5 M loans
  - April 2017
  - Sept 2017

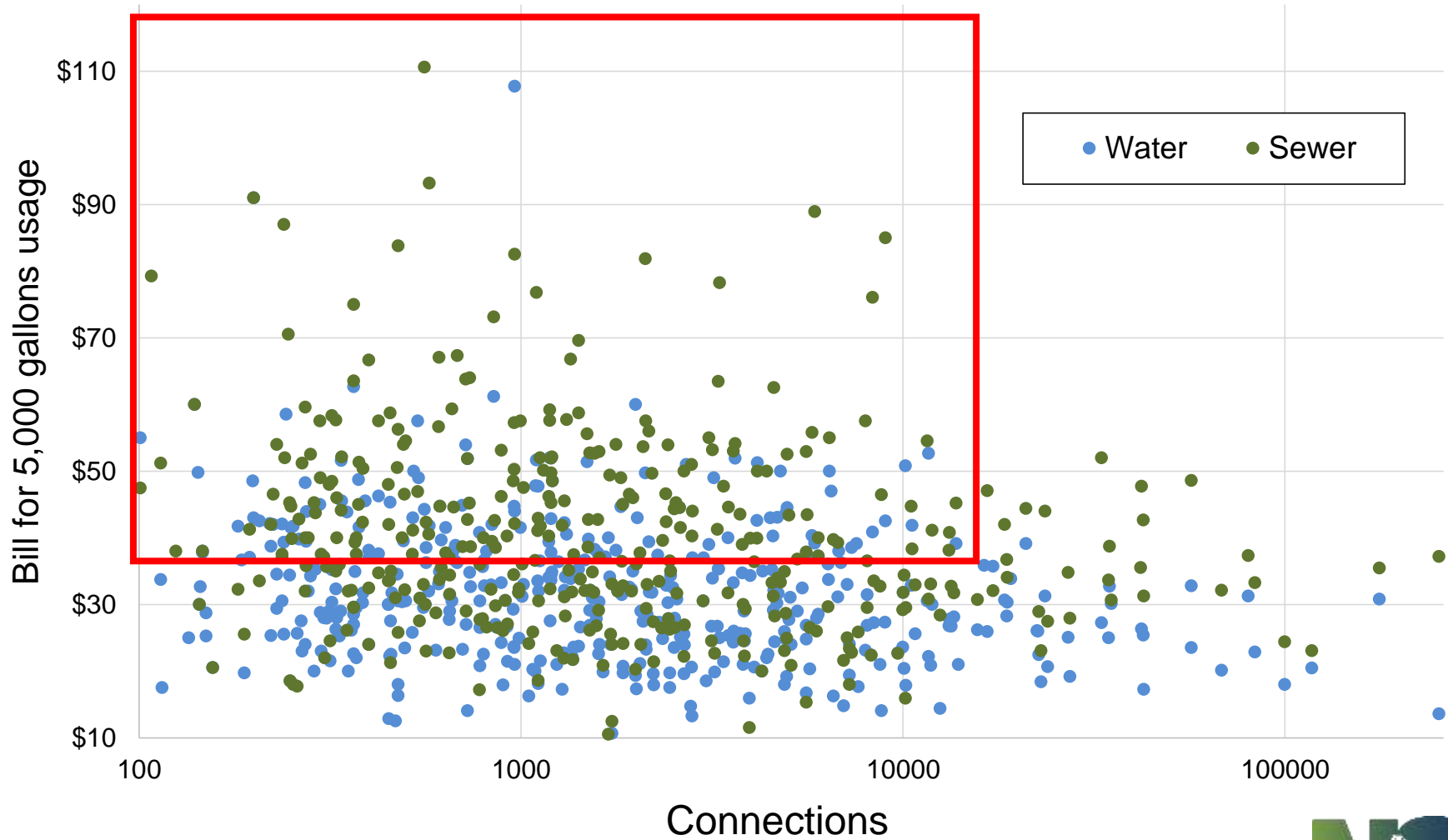


# *State Project Grants & Loans*

- Project grants and loans (construction projects)
- Project loan limits
  - \$3 million / year for standard interest rates (i.e., ½ market rate)
  - \$3 million over 3 years for targeted interest rates
- Project grant limits
  - \$3 million over 3 years
  - Subject to affordability limitations
- Changes in program related to “affordability”
  - Replaces High-unit Cost Threshold (rates/MHI > 1.5%)
  - No more county tier restrictions
  - Better target “rural, economically distressed local governments”
  - More focus on rates



# State Grants Focus on Rates



# State Grants – Affordability

- Population < 20,000 connections
  - >20,000 connections, \$3 million grant = +/- 60¢ / connection / month
  - 1,000 connections, \$3 million grant = +/- \$12 / connection / month
- LGU Indicators
  - MHI, poverty, unemployment, property / capita, population change
  - 3 of 5 worse than state benchmark
- Revenue
  - OR < 1.3 with financing debt for project
  - Varies with project costs
- Rates / Debt
  - Debt includes portion of project financed



# State Grants Percentages

Monthly Bill  
for 5,000  
Gallons

Lower-than-Median Debt  
Service per Connection

Higher-than-Median Debt Service per Connection

|                 |         |                    |                    |                    |                    |          |
|-----------------|---------|--------------------|--------------------|--------------------|--------------------|----------|
| >\$58           | 100%    | 100%               | 100%               | 100%               | 100%               | 100%     |
| >\$47 to ≤ \$58 | 75%     | 75%                | 75%                | 75%                | 100%               | 100%     |
| >\$40 to ≤ \$47 | 50%     | 50%                | 50%                | 50%                | 75%                | 75%      |
| >\$33 to ≤ \$40 | 25%     | 25%                | 25%                | 25%                | 50%                | 50%      |
| >\$26 to ≤ \$33 | 0%      | 0%                 | 25%                | 25%                | 25%                | 25%      |
| ≤ \$26          | 0%      | 0%                 | 25%                | 25%                | 25%                | 25%      |
|                 | ≤ \$110 | > \$110 to ≤ \$210 | > \$210 to ≤ \$350 | > \$350 to ≤ \$550 | \$550 to ≤ \$1,000 | >\$1,000 |

Higher-than-Median Bill for 5,000 Gallons

Lower-than-Median Bill for 5,000 Gallons

Debt Service per Connection





# *Asset Inventory and Assessment Grants (AIA)*

- AIA purpose
  - Inventory existing water or sewer system
  - Document the condition of inventoried infrastructure
  - Enhance development of CIPs
  - Eventually asset management plans
- Separate applications for water or sewer
- Limited to \$150,000 over 3 years
  - Same applicant can receive \$150,000 for sewer and \$150,000 for water
- Match required (based on economic indicators)
- Priorities
  - Ability to use data collected
  - Financial situation

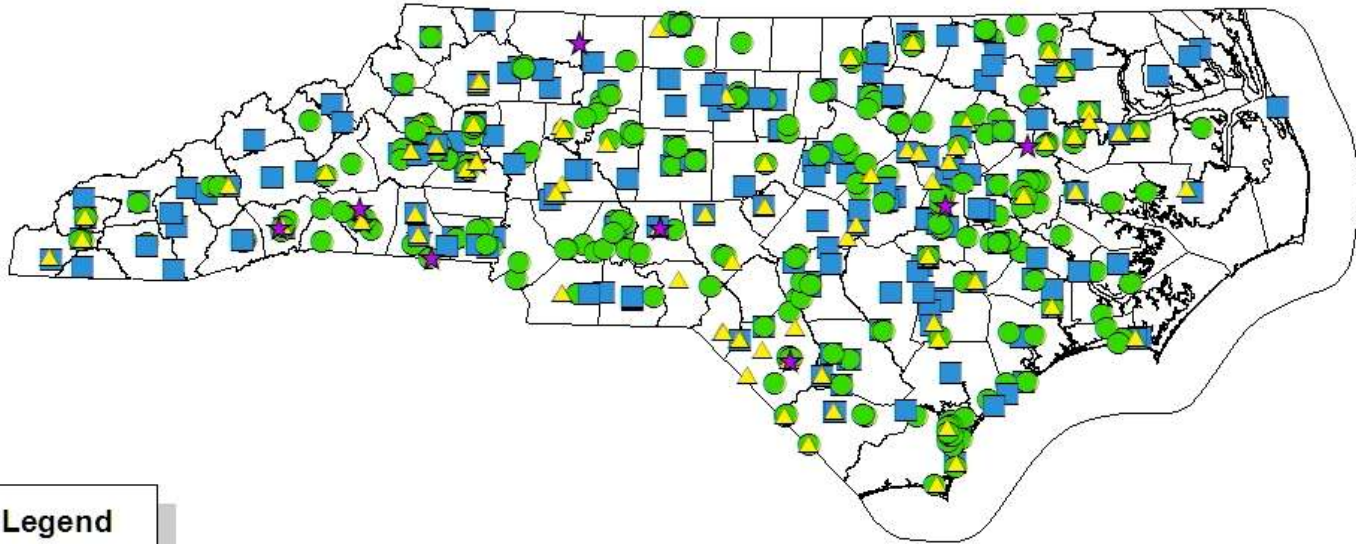


# *Merger/Regionalization Feasibility Grants (MRF)*

- MRF provides opportunity to look at options for the consolidation or regionalization
  - Flexibility on options
  - Must evaluate status quo
- Limited to \$50,000 over 3 years
- Separate applications for water or sewer
- Letter(s) from potential partners
  - Acknowledging applicant has applied for feasibility study funding and committing to cooperate in study
  - Does not commit partnering utility to act on recommendations
- Priorities
  - Benefits
  - Financial situation



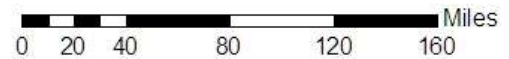
# Drinking Water and Wastewater Projects Funded by the Division of Water Infrastructure Since 2010



**Legend**

WW\_DW

- ★ MRF
- ▲ AIA
- DW
- WW
- Counties



## Division of Water Infrastructure

<http://portal.ncdenr.org/web/wi/>

Kim Colson – Director

Julie Cubeta – CDBG Manager

Seth Robertson – SRF and State Reserve Manager