



Infrastructure Challenges: How to fund and support current and future demand

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Water Infrastructure*



Division of Water Infrastructure

- Created in 2013 to consolidate critical need water infrastructure funding sources in NC
 - Community Development Block Grant - Infrastructure
 - Clean Water State Revolving Fund
 - Drinking Water State Revolving Fund
 - State Drinking Water and Wastewater Reserves
 - Project and planning grants
 - Project loans
- State Water Infrastructure Authority (SWIA)

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Overview

- Current needs
- Funding availability
- Challenges
- Addressing system viability
- Looking ahead

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3

Current needs

- 20-year NC Infrastructure needs based on surveys conducted by State Revolving Fund (SRF) programs
 - Water - \$10 Billion
 - Wastewater - \$5.3 Billion
- Limitations
 - Methodology requires needs to be well documented
 - Most needs are based on 10-yr CIP
 - Wastewater survey is less intensive than drinking water
 - Only covers SRF eligible activities
 - Replacement schedules are less than expected life

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4

Funding availability

- Revenue bonds (80% of counties and 15% of municipalities have a bond rating)
- Private banks
- Subsidized loan programs
 - USDA-RD - \$50 million (loans and grants)
 - CWSRF - \$140 million
 - DWSRF - \$50 million
- Targeted grant programs
 - CDBG - \$25 million
 - State grants - \$10-15 million

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5

Challenges

- Declining condition of existing infrastructure
 - Deferring rehabilitation and replacement
 - Pressure to keep rates low
- Long term impacts
 - Reduced availability and reliability of service
 - Increased overall cost to customers
 - Economic strain on local government units
- Ability of local government units to afford financing and successfully operate as an enterprise with limited grant funds available

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6

System viability

State Water Infrastructure Authority Master Plan:

- “The State will best be able to meet its water infrastructure needs by ensuring utilities are, or are on a path to be, viable systems.”
- “A viable system is one that functions as a business enterprise, establishes organizational excellence, and provides appropriate levels of infrastructure maintenance, operation, and reinvestment – including reserves for unexpected events – and that allows the utility to provide reliable water services now and in the future.”

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7

Addressing system viability

- Affordability Criteria
- Asset Inventory and Assessment Grants
- Merger / Regionalization Feasibility Grants
- Troubled Systems Protocol

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8

Affordability

- Move from significant grant funding to mostly loan funding
 - Approximately 30% of water/wastewater utilities have no current debt
- Developing affordability criteria to determine grant eligibility and grant loan mix
 - S.L. 2013-360: *“to better facilitate the dissemination of funds and meet the project needs of rural, economically stressed local governments”*
 - NCGS 158G-71.(8) - maximizing the use of state funding resources

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9

Draft Affordability Criteria

- Population (residential connections < 20,000)
- LGU Indicators
 - MHI, poverty rate, unemployment, property value per capita, population change
 - 3 of 5 worse than state benchmark
- Existing Revenue
 - Operating Ratio < 1.3 with financing project debt
- Current Rates and Future Debt Service
 - Current rates and debt service with project at state median to receive a grant
- Very few will qualify for 100% grant

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10

Asset Inventory and Assessment Grants

- Limited to \$150,000 over three years
- To inventory existing water and/or sewer system and to document the condition of inventoried infrastructure
- Eligible activities
 - Identifying system components and where they are located
 - Performing a risk analysis to establish which components are critical
 - Determining the condition of critical components
 - Establishing costs for replacement/repairs/upgrades and continuous operations and maintenance
 - Creating a prioritized list of projects to be completed
 - Preparing a realistic Capital Improvement Plan

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11

Merger/Regionalization Feasibility Grants

- Limited to \$50,000 over three years
- To determine the feasibility of consolidating the management of multiple utilities into a single utility operation or to provide regional treatment (and evaluate the best way of carrying out the merger or regionalization)
- 100% grant

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12

State Reserve Program - Public Review

- Accepting public comments until February 19th
 - Project grant limits based on affordability criteria
 - Priority systems for state reserve programs
- Looking for both supporting comments and suggestions for changes
 - Specific recommendations

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

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13

Looking Ahead

- Next application deadline April 29, 2016
 - Clean Water State Revolving Fund - \$70 million
 - State Project Grants - \$12.4 million
 - Asset Inventory and Assessment Grants
 - Merger / Consolidation Feasibility Studies
 - Priority systems for state reserve programs
- Training
 - Week of March 14th, Mooresville and Valdese
 - Week of March 28th, Washington and Fayetteville
 - March 31 at the NC Rural Center (Raleigh)

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14

Connect NC Bonds

- \$2 billion bond package
- \$309.5 million for state reserve programs
 - \$100 million in grants
 - \$209.5 million in revolving loans - permanent resource
- Split evenly between Drinking Water Reserve and Wastewater Reserve
- Requires voter approval March 15th

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15

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16