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

Department of Environmental Quality 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)
Overview

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

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
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

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
**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.”

**Addressing system viability**

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

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
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

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
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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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)
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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