

Assessment Criteria Summary 2024 Assessment

Parameter	Total Possible Points	Description	Other Notes	Data Source
Service Population	1	Identifies smaller systems. Point scored for systems serving less than 10,000 people.	This is a statutorily required criterion.	Varied
Debt Service Coverage Ratio (DSCR)	1	Measures unit's ability to cover loan payments after paying for day to day operations. Measured by looking at revenue, expenses, and loan payments (principal and interest). Calculated as (Operating revenues-operating expenses excluding depreciation) / (principal + interest payments) Point scored if value is less than 1.1.	Over 70% of utilities have a DSCR greater than 1.1. This is a statutorily required criterion.	Calculated from 2021 Audit data
Transfers Out	1	May indicate that revenue generated by the utilities is not being used for utility expenses. Point scored when money is transferred out of the system's dedicated utility fund in 2 or more of the last 5 fiscal years if the system also has a negative surplus in the fiscal year of the transfer, or if the system has no debt and there is a negative surplus with debt service for a \$1 million "test" project.	This is a statutorily required criterion.	Calculated from 2021 Audit data
Transfers In	1	Indicates that the system is not generating enough money to cover expenditures. Point scored when money is transferred into the primary water/sewer fund from other sources in 2 or more of the last 5 years.	This is a statutorily required criterion.	Calculated from 2021 Audit data
Affordability	1	Recognizes a service area's population change rate, poverty rate, median household income (MHI), unemployment rate, and property valuation per capita to established state benchmarks. Note that the benchmark values are updated every year. <u>Current Benchmarks:</u> Population change: 4.42% Poverty rate: 14.0% MHI: \$52,413 Unemployment rate: 4.0% Property valuation per capita: \$107,620 Point scored if 4 or 5 of these indicators are worse than the state benchmark.		American Community Survey, Employment Security Commission, and Dept. of Revenue
UAL Control Issues	3	The UAL identifies units whose audits indicate that they may have accounting issues contributing to financial risk. Points scored for systems that have been identified by the LGC as medium risk (2) or high risk (1) of accounting control issues		LGC

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DW Compliance	1	Identifies units with DW system compliance issues. Point scored if system has more than 5 MCL violations and/or Action Level Exceedances in a 5-year period or has ongoing treatment technique violations.		NC DEQ-DWR
WW / CS Compliance	1	Identifies units with wastewater treatment or collection system compliance issues. <ul style="list-style-type: none"> • WW: Point scored if either in the top 10% for number of violations in a 5-year period, or a combination of in the top 20% for number of violations in a 5-year period and more than 50% of inspections document violations for wastewater treatment operations. • CS: Point scored if either the following occur: <ul style="list-style-type: none"> ○ The system is in the top 10% of systems for the number of SSO violations in a 5-year period and the top 20% for the number of SSOs per mile of collection system, or ○ The system is in the top 20% of systems for the number of SSO violations in a 5-year period and the top 10% for the number of SSOs per mile of collection system. 		NC DEQ-DWR
Flow Moratorium	4	Points scored when the system is under a moratorium preventing service expansion due to inability to treat wastewater or because the system has reached 90% of permitted capacity.		NC DEQ-DWR
Rates	1	High rates indicate that a system is unlikely to be able to increase rates to improve revenue. The scoring threshold is based on the 85 th percentile of monthly bill for inside customers for 5,000 gallons for the corresponding type of system (combined water and wastewater, water only, wastewater) For 2024, point scored when inside rates for 5,000 gallons are higher than \$127/month for combined water and sewer service; \$61/month for water service only; and \$69/month for wastewater service only.		EFC
Revenue Outlook	4	Reflects unit's ability to generate income in the future while recognizing affordability issues. Points scored when the system has high rates (see above) AND declining population.		EFC rates; source of population varies
Surplus (deficit) w/ Debt	2	Identifies systems that are not generating enough revenue to cover expenditures including debt payments. Points scored when number is less than or equal to \$0, indicating insufficient funds to cover expenses. Calculated as Operating Revenues-((Operating Expenses - Depreciation) + Long-term Debt Service)	Approximately 75% of utilities have revenue exceed expenditures.	Calculated from 2021 Audit data

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No Debt DSCR Test	1	Similar to the DSCR calculated above but includes \$1 million "test" project if system has no debt to evaluate the unit's ability to finance a simple project with a loan. Point scored if less than 1.1.		Calculated from 2021 Audit data
% Depreciated	1	Evaluates the financial impact of wear and tear on water and sewer assets as they age and how much service life is left. Point scored if greater than 50%.	Approximately 70% of utilities have depreciation less than 50%.	Calculated from 2021 Audit data
Operating Margin	1	Indicates the system's ability to generate enough revenue to cover operating expenses including depreciation. Point scored if the operating margin is less than 0. Calculated as (Operating Revenue - Operating Expenses) / Operating Revenue	Approximately 50% of utilities have an operating margin greater than 0.	Calculated from 2021 Audit data
Quick Ratio	1	Indicates whether a system is able to meet short-term financial obligations with cash or easily accessible funds by comparing current assets to liabilities. Point scored if less than 1.1.	Approximately 95% of utilities have a quick ratio greater than 1.1.	Calculated from 2021 Audit data
Receivables Ratio	1	Measures how well the system is collecting money from customers. Point scored for 3-year average greater than or equal to 2.3 or if there is an increase of greater than or equal to 0.2 in each of the last two years which demonstrates a declining trend in bill payment.	Over 85% of utilities have a receivables ratio less than 2.3 or less than a 0.2 increase in each of the last two years.	Calculated from 2021 Audit data

List of Acronyms		
CS = Collection System	DWR = Division of Water Resources	SSO = Sanitary Sewer Overflow
DEQ = Dept. of Environmental Quality	EFC = Environmental Finance Center	SWIA = State Water Infrastructure Authority
DSCR = Debt Service Coverage Ratio	LGC = Local Government Commission	WW = Wastewater (sewer)
DW = Drinking Water	LWSR = Local Water Supply Plan	UAL = Unit Assistant List generated by LGC to identify communities that may have problems with accounting procedures identified through audits
DWI = Division of Water Infrastructure	MCL = Maximum Contaminant Level	

Distressed Unit Identification Criteria

The State Water Infrastructure Authority and Local Government Commission adopted the following Identification Criteria to be used to identify distressed units:

1. A unit whose fiscal affairs are under the control of the Commission pursuant to its authority granted by G.S. 159-181 (“under Commission fiscal control”), or
2. A unit that has not submitted its annual audits for the last two (2) fiscal years to the Commission as required by G.S. 159-34, or
3. A unit with a total Assessment Criteria (see Attachment 1) score that:
 - a) Equals or exceeds 9 for units providing both drinking water and wastewater services, or
 - b) Equals or exceeds 8 for units providing only one service, either drinking water or wastewater, or
4. A unit for which other information is available to or known by the Authority or Commission that reflects and is consistent with, but does not expressly appear in, the Assessment Criteria to account for situations in which the Assessment Criteria score does not wholly or accurately reflect a system’s level of risk due to the limitations of available data.