

**North Carolina  
Drinking Water State Revolving Fund  
Intended Use Plan  
Fiscal Year 2020-2021**

**(Draft)**

**Division of Water Infrastructure**

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## 1. Introduction

The Division of Water Infrastructure (Division) is part of the North Carolina Department of Environmental Quality (NCDEQ). The Division administers financial assistance programs to assist eligible public water supply systems in constructing projects that both benefit public health and improve the human environment. Most of these public water supply systems are owned by local government units across North Carolina.

In 2013 the North Carolina General Assembly created the State Water Infrastructure Authority (Authority) to determine projects eligible for certain water infrastructure funding programs, including the Drinking Water State Revolving Fund (DWSRF), consistent with federal law. The priorities reflected in this document have been approved by the Authority.

Specific to this document, the Division administers the DWSRF program as established by the 1996 Amendments to the Safe Drinking Water Act (SDWA), (P.L. 104-182), Section 1452. The DWSRF program offers loans to public water supply systems at interest rates lower than market rates for drinking water infrastructure. As a public water supply system repays the loan, the monies are again loaned out, hence the revolving nature of the program. All loan repayments must go back into the DWSRF. The Intended Use Plan (IUP) explains how the capitalization grant will be used and how the DWSRF will operate in accordance with Section 1452(b) of the SDWA.

The IUP is incorporated into the capitalization grant agreement and becomes the grant work plan. Combined, the operating agreement, grant agreement, IUP, SDWA, and state statutes set the program requirements for the DWSRF. The IUP identifies anticipated projects scheduled for loan commitments from the DWSRF. It also explains how the DWSRF will utilize a priority rating system to identify those projects that will address the greatest need and/or provide the greatest positive public health impact on the water resources in North Carolina.

## 2. Financial History

Congress appropriates an overall DWSRF funding level that is allocated to states based on an allocation method established in the SDWA. The allocation is updated every four years based on a needs survey for eligible projects applicable to DWSRF. The North Carolina allocation for FY 2020 is \$33,792,000 (3.07 percent of the national appropriation). Capitalization grants, including the required state match, have provided \$684,569,239 for investment in the DWSRF since the inception of the program. However, since the DWSRF is a revolving program, these government funds have enabled \$825,649,104 in loan commitments through June 30, 2019. This is due to loan repayments being loaned again, thereby providing public benefits repeatedly through time. As allowed by the SDWA; \$86,796,637 has been designated for set-aside uses. While providing substantial support, this infrastructure financing has only met a small percentage of the drinking water infrastructure needs for public water supply systems in North Carolina. However, if capitalization grants continue (or are increased), the program will better be able to meet infrastructure financing needs for public water supply systems.

### 3. Programmatic Goals

Pursuant to the SDWA, the state must identify the goals and objectives of the state loan fund (i.e., the DWSRF). The state has the following goals for its DWSRF program:

#### 3.1. Overall DWSRF Program Goal

Provide funding for drinking water infrastructure while advancing the NCDEQ's mission and advance the public health goals of SDWA while targeting the neediest systems.

#### 3.2. Short-Term Goal

Continue efforts to inform local government units of the availability of funds, benefits of the DWSRF program, and funding process improvements.

#### 3.3. Long -Term Goals

- Goal #1: Support the North Carolina goal of assuring safe and healthy drinking water for state residents and visitors with special emphasis on two subcategories of this goal:
- Provide loans to eligible public water supply systems to address acute health risks as a priority.
  - Provide loans to eligible public water supply systems to allow consolidation of non-viable water systems with systems having adequate capacity.
- Goal #2: Continue efforts to streamline the funding process to ensure the funds are used in an expeditious and timely manner in accordance with the SDWA and applicable state laws as required by Section 1452(g)(3)(A) of the SDWA.
- Goal #3: Ensure the technical integrity of DWSRF projects through diligent and effective planning, design, and construction management.
- Goal #4: Ensure the long-term viability of the DWSRF program through effective financial practices.
- Goal #5: Ensure the priority system reflects the NCDEQ's and the Authority's goals.
- Goal #6: Provide technical and financial assistance to public water supply systems in adapting to changing drinking water quality standards and maintaining the health objectives of the SDWA.
- Goal #7: Implement a capacity development strategy that may use innovative strategies and solutions to help public water supply systems improve compliance.

#### 4. Information on Activities to be Supported

North Carolina's program will continue to be one of low-interest loans, supplemented with principal forgiveness as allowed by federal law. The state intends to access four percent of the capitalization grant for the administrative costs associated with running the program. The Division administers the DWSRF. These activities include application review, engineering report and environmental document review, design review, loan processing, construction inspection, and repayment processing and accounting for funded projects.

In addition to funding water infrastructure projects, the SDWA also allows the use of capitalization grant funds for non-project purposes. The 1996 SDWA added significant new program responsibilities for states and provided for their funding through the set-asides from the DWSRF for non-project activities. Set-asides are uses of DWSRF money which are allowed by the SDWA to further the objectives of the Act, but are not construction related. These activities include the following:

- Program administration
- Technical assistance to small systems
- Administration of the Public Water Supply Supervision Program (State Program Management)
- Local assistance and other state programs

Non-project activities may be carried out directly by the Public Water Supply (PWS) Section of the Division of Water Resources in the Department of Environment Quality and through contracts with other agencies and organizations. Please see Appendix A for more information about set-aside activities. The Administrative Set-aside is administered by the Division of Water Infrastructure.

The following table provides a summary of the projected funds available as a result of the Federal capitalization grant:

### Sources and Uses For the Life of the Program

Historic Sources and Uses		(From DW/NIMS)				Expenditures		Net For FY	Cumulative Net
Revenues									
FY	Federal Cap	State Match	Repayments Principle	Repayments Interes	Interest Earned	Project Disbursements	Set Asides		
1997	\$ 46,114,100	\$9,222,820					\$ 68,769	\$ 55,268,151	\$ 55,268,151
1998	\$ 12,859,400	\$2,571,880			\$ 69,818		\$ -	\$ 15,501,098	\$ 70,769,249
1999	\$ 13,477,900	\$2,695,580			\$ 586,959	\$ 2,890,560	\$ 227,671	\$ 13,642,208	\$ 84,411,457
2000	\$ 14,007,400	\$2,801,480	\$ 40,000	\$ 13,905	\$ 608,276	\$ 19,057,539	\$ 60,327	\$ (1,646,805)	\$ 82,764,652
2001	\$ 14,065,400	\$2,813,080	\$ 587,679	\$ 334,022	\$ 258,752	\$ 19,315,049	\$ 1,364,887	\$ (2,621,003)	\$ 80,143,649
2002	\$ 14,139,900	\$2,827,980	\$ 1,857,907	\$ 941,153	\$ 217,248	\$ 10,709,361	\$ 2,685,949	\$ 6,588,878	\$ 86,732,527
2003	\$ 14,054,900	\$2,810,980	\$ 2,813,351	\$ 1,813,069	\$ 278,383	\$ 10,532,591	\$ 2,624,738	\$ 8,613,354	\$ 95,345,881
2004	\$ 14,579,900	\$2,915,980	\$ 3,365,856	\$ 1,804,035	\$ 354,820	\$ 12,422,756	\$ 2,416,501	\$ 8,181,334	\$ 103,527,215
2005	\$ 14,549,900	\$2,909,820	\$ 3,685,215	\$ 1,551,588	\$ 439,722	\$ 18,129,295	\$ 2,297,637	\$ 2,709,313	\$ 106,236,528
2006	\$ 27,694,900	\$5,538,980	\$ 4,035,387	\$ 1,625,535	\$ 632,462	\$ 28,926,461	\$ 2,707,617	\$ 7,893,186	\$ 114,129,714
2007	\$ 27,695,000	\$5,539,000	\$ 5,672,644	\$ 3,212,341	\$ 1,050,313	\$ 35,286,029	\$ 3,874,151	\$ 4,009,118	\$ 118,138,832
2008*	\$ 93,039,000	\$5,482,800	\$ 5,750,737	\$ 2,452,052	\$ 1,466,071	\$ 21,651,882	\$ 4,012,022	\$ 82,526,756	\$ 200,665,588
2009	\$ 27,414,000	\$5,482,800	\$ 7,243,289	\$ 2,571,458	\$ 1,177,245	\$ 44,190,462	\$ 9,073,880	\$ (9,375,550)	\$ 191,290,038
2010	\$ 35,593,000	\$7,118,600	\$ 7,582,863	\$ 3,136,216	\$ 534,577	\$ 44,970,254	\$ 4,894,214	\$ 4,100,788	\$ 195,390,826
ARRA						\$ -	\$ 1,565,000	\$ (1,565,000)	\$ 193,825,826
2011	\$ 24,698,000	\$4,939,600	\$ 12,948,194	\$ 4,555,083	\$ 398,693	\$ 61,697,071	\$ 4,869,229	\$ (19,026,730)	\$ 174,799,096
2012	\$ 17,467,080	\$3,493,416	\$ 13,892,422	\$ 5,731,451	\$ 412,375	\$ 28,272,589	\$ 5,185,910	\$ 7,538,245	\$ 182,337,341
2013	\$ 22,084,000	\$4,416,800	\$ 18,689,369	\$ 5,317,608	\$ 329,895	\$ 34,714,618	\$ 5,312,482	\$ 10,810,572	\$ 193,147,913
2014	\$ 20,695,000	\$4,139,000	\$ 22,863,929	\$ 4,684,687	\$ 367,832	\$ 39,613,194	\$ 5,043,749	\$ 8,093,505	\$ 201,241,418
2015	\$ 20,546,063	\$4,111,800	\$ 19,111,676	\$ 4,342,780	\$ 438,944	\$ 64,055,993	\$ 6,023,794	\$ (21,528,524)	\$ 179,712,894
2016	\$ 19,449,000	\$3,889,800	\$ 21,844,353	\$ 3,573,581	\$ 526,149	\$ 71,278,197	\$ 5,743,882	\$ (27,739,196)	\$ 151,973,698
2017	\$ 19,283,000	\$3,856,600	\$ 21,102,258	\$ 3,222,958	\$ 728,965	\$ 54,000,307	\$ 8,153,283	\$ (13,959,809)	\$ 138,013,889
2018	\$ 34,111,000	\$6,822,200	\$ 27,260,826	\$ 2,969,514	\$ 1,071,029	\$ 31,989,038	\$ 4,484,109	\$ 35,761,422	\$ 173,775,311
2019	\$ 33,792,000	\$6,758,400	\$ 25,631,573	\$ 2,755,014	\$ 2,065,733	\$ 31,161,867	\$ 6,380,022	\$ 33,460,831	\$ 207,236,142
2020	\$ 33,792,000	\$6,758,400							
<b>Totals</b>	<b>\$ 615,201,843</b>	<b>\$109,917,796</b>	<b>\$ 225,979,528</b>	<b>\$ 56,608,050</b>	<b>\$ 14,014,261</b>	<b>\$ 684,865,113</b>	<b>\$89,069,823</b>	<b>\$ 207,236,142</b>	
<b>Projected Sources and Uses for FY 2020</b>		<b>(Based on Availability Model)</b>							
			<b>\$ 31,000,000</b>	<b>\$ 3,000,000</b>		<b>\$ 68,000,000</b>	<b>\$ 5,000,000</b>	<b>\$ (39,000,000)</b>	
								<b>\$ 168,236,142</b>	
<b>Projected Uses for Active Projects beyond FY 2020</b>									
<b>(Does not take into account future funding rounds or revenues)</b>						<b>\$ 190,000,000</b>			
								<b>\$ (21,763,858)</b>	

\*Includes ARRA Appropriation

Values in RED are approximate values.

## 5. Criteria and Methods for Distributing Funds

### 5.1. Project List and Prioritization

The Intended Use Plan Project List may be supplemented or replaced based on applications received as a part of future funding cycles (see 5.2., below). The state's priority rating criteria for categorizing and ranking projects for construction loans will be based on the Integrated Priority Rating System (see Appendix D).

The prioritization system considers four elements of a project: (1) project purpose, (2) project benefit, (3) system management, and (4) affordability.

For project purpose, the Division places higher priority on projects that will resolve issues associated with failed infrastructure or that will rehabilitate or replace infrastructure.

In terms of project benefits, priority is given to implementing public water supply regulations, addressing source water issues, interconnections between public water supply systems, projects that extend water lines to areas with contamination of private water sources, and projects that improve the resiliency of a public water supply system by creating operational redundancy or adding backup power.

In addition to addressing public health issues, the Division desires to support those public water supply systems that seek to be proactive in their system management, including prioritization points for source water protection programs, water conservation, water loss reduction, asset management plans, and appropriate operating ratios.

The Division also considers the ability of the applicant to afford projects. For example, applicants with a high poverty rate, high utility bills, lower population growth, lower median household incomes, and higher unemployment receive higher priority.

### 5.2. Application and Project Deadlines

The DWSRF program operates on a priority basis and accepts funding applications semi-annually. Projects are allocated funding in priority order (as noted above) until available funds are exhausted and within special reserve requirements (e.g. Principal Forgiveness Reserve, etc. as described herein). Funding availability is determined based on the 2020 capitalization grant and associated state match. Results will be posted on the program's website. Project funding is contingent on adherence to the schedule below in accordance with § 159G-41 (**times listed are measured from Letter of Intent to Fund except as noted otherwise**):

- 5.2.1. Funding application and supporting information must be received by the application deadline to be considered for any given funding cycle.
- 5.2.2. After the Authority provides final project rank eligibilities, the DWSRF program will issue Letters of Intent to Fund (LOIF) based on the projects' prioritization and the amount of funds being made available in the cycle.
- 5.2.3. Within four months of the issuance of the LOIF, a complete Engineering Report / Environmental Information Document must be submitted to the DWSRF program.
- 5.2.4. Within nine months, the Engineering Report / Environmental Information Document must be approved.
- 5.2.5. Within 15 months, complete plans and specifications must be submitted with copies of all required permits, encroachments, etc., or evidence that applications for remaining required permits have been submitted to the respective permitting agency.
- 5.2.6. Within 19 months, the plans/specifications and all required permits must be approved/issued.
- 5.2.7. Within 23 months, the following events/items must be completed/received:
  - 5.2.7.1. Advertisement of the project for bids
  - 5.2.7.2. Receipt of bids
  - 5.2.7.3. Submission of bid information to DWSRF staff
  - 5.2.7.4. Obtainment of the Division's Authority to Award Construction Contracts.
- 5.2.8. Within 24 months, construction contracts must be executed.

**Notes:**

- 1) **The milestones in the timeline above are absolute for all projects in a cycle and will not be extended except based upon a demonstrated need for extension by the LGU. Projects may be able to meet these milestones ahead of schedule. However, if any milestone noted above is not met, work by the DWSRF staff may be suspended and all documents returned to the Applicant until the proposed project is resubmitted for consideration during a future cycle.**
- 2) **If an Applicant desires DWSRF funding and the Applicant's project requires an Environmental Impact Statement (EIS), Division staff will manage the environmental review process. However, a funding application for the project will not be accepted in any funding cycle until a draft EIS has been sent to the State Clearinghouse (SCH). In the event that a fundable project is in process and the environmental review completed within the timeline results in the conclusion that an EIS is required, then the milestone deadlines for the project will be suspended until a draft EIS has been sent to the SCH. After the draft EIS is sent to the SCH, the project must adhere to the same time frames specified above.**

### 5.3. Detailed Loan and Project Funding Criteria

#### 5.3.1. General:

- 5.3.1.1. To be eligible for DWSRF funding, a project must be on the Intended Use Plan Project List.
- 5.3.1.2. Funding can be provided for any eligible projects as provided for in the Safe Drinking Water Act and NCGS 159G, including water treatment facilities, distribution systems, tanks, etc. that improve drinking water quality.
- 5.3.1.3. Funding will be provided in priority order based on project score, Authority determination, and the amount of funds made available with consideration of principal forgiveness reserve detailed below. Projects cannot be substantively changed once funding is allocated.
- 5.3.1.4. The maximum DWSRF loan amount will be established at \$20 million per applicant for each funding round.
- 5.3.1.5. The maximum DWSRF loan availability per applicant is not more than \$100,000,000 in outstanding debt to the DWSRF program.
- 5.3.1.6. Notwithstanding the limits in Items 5.3.1.4., and 5.3.1.5., if availability of funds exceeds project demand, these limits may be exceeded to ensure all available funds are utilized. Exceeding the maximum provided in Item 5.3.1.4. will be considered prior to Item 5.3.1.5.
- 5.3.1.7. A project may be funded with a targeted interest rate if the project is eligible for principal forgiveness as described in 5.3.2 below. For projects that are eligible for 75 percent or more principal forgiveness, the targeted interest rate will be zero percent. For projects that are eligible for 50 percent or 25 percent grant funding, the targeted interest rate will be one percent lower than the Division's base interest rate.

#### 5.3.2. Principal Forgiveness

- 5.3.2.1. Communities that are eligible to receive principal forgiveness are defined as disadvantaged. Based on the current proposed appropriation, approximately 20 percent of the federal capitalization grant will be used to provide additional subsidization in the form of principal forgiveness to disadvantaged communities.

- 5.3.2.2. The Division will provide additional subsidization to projects in the categories provided in 5.3.2.2.1 – 5.3.2.2.2 in project priority order:
  - 5.3.2.2.1. Non-viable rescue: Projects that eliminate a non-viable system to benefit a disadvantaged community with a financial need consistent with the criteria in 5.3.2.2.2 and served by a public drinking water system will receive principal forgiveness for the full amount of the loan up to \$3,000,000. The disadvantaged community either meets the affordability criteria listed in 5.3.2.2.2 or is representative of the criteria.
  - 5.3.2.2.2. Affordability: Projects that receive project purpose points when the applicant has less than 20,000 residential drinking water connections, at least three of five LGU indicators worse than the state benchmark, an operating ratio (future) of less than 1.3, utility rates greater than the state median, and/or project cost per connection greater than \$1,150 per connection. Principal forgiveness amounts are limited to \$500,000 maximum per applicant per round. Principal forgiveness percentages will follow the affordability criteria grant percentage matrix found in Appendix E and will range from 25 percent to 100 percent in increments of 25 percent with the targeted interest rate as described under 5.3.1.7 applied to the remaining portion of the loan.
- 5.3.2.3. Notwithstanding the above limits in Items 5.3.2.2.2, if availability of principal forgiveness funds exceeds project demand, the limits may be exceeded in the following order to ensure all available funds are utilized in the following order:
  - 5.3.2.3.1. Affordability limit of \$500,000 in item 5.3.2.2.2 may be exceeded up to the grant percentage determined in the affordability grant percentage matrix found in Appendix E.
  - 5.3.2.3.2. Affordability percentages determined in 5.3.2.2.2 may be exceeded by 10 percent not to exceed 100 percent for eligible projects in priority order. If funds remain after all eligible projects receive the percent increase, principal forgiveness percentages can be increased by additional 10 percent increments (not to exceed 100 percent) to eligible projects until principal forgiveness funds are utilized.

5.3.3. Small System Reserve:

- 5.3.3.1. 40 CFR 35.3525(a)(5) requires that a minimum of 15 percent of the loan assistance be awarded to small systems.
- 5.3.3.2. Funding may bypass a higher priority project to satisfy the Small System Reserve. Any such bypassing will be shown in the Intended Use Plan Project Priority List.

5.3.4. Capacity Development Reviews:

- 5.3.4.1. All public water supply systems receiving funding from the DWSRF must be reviewed to ensure that they can demonstrate adequate technical, financial, and managerial capacity [per NCAC 15A 18C .0307(c)] to operate the water system in compliance with the SDWA. A regulatory process was developed and has been approved by EPA as adequate to ensure technical, financial, and managerial capacity is demonstrated. This is measured by the issuance of an Authorization to Construct for the process occurring after capacity development criteria are reviewed and satisfied. A water system that lacks adequate capacity in one or more of these categories might remain eligible for funding if a strategy that would resolve the problem or issue can be developed and attached as a condition of the loan approval

5.3.5. Miscellaneous Criteria/Provisions:

- 5.3.5.1. Davis-Bacon prevailing wage rates apply to all loans as required by grant agreements/conditions.
- 5.3.5.2. American Iron and Steel provisions will apply to all loans as required by Federal mandates.
- 5.3.5.3. The DWSRF loan interest rate is based on one-half of The Bond Buyer's 20-Bond Index except as specifically allowed herein. The maximum interest rate for each loan will be set at the time of application with a lower interest rate, if available, set at the time of the award offer.
- 5.3.5.4. Approval of a DWSRF loan is contingent on approval by the Local Government Commission (LGC).
- 5.3.5.5. DWSRF loan terms are set by the LGC.
- 5.3.5.6. The maximum DWSRF loan term is determined by state statute and federal requirements.

- 5.3.5.7. A two percent loan fee is required. The loan fee cannot be financed by the DWSRF fund.
- 5.3.5.8. Loan repayments are due in May (principal and interest) and November (interest only) of each year.
- 5.3.5.9. Interest begins accruing on date of completion in the Notice to Proceed.
- 5.3.5.10. The first loan repayment is due no sooner than six months after the completion date as established in the Notice to Proceed.

## **6. Programmatic Conditions**

### **6.1. Assurances and Specific Proposals**

Pursuant to SDWA, the State of North Carolina certifies that:

- 6.1.1. The state will enter into binding commitments for 120 percent of the amount of each payment received under the capitalization grant within one year after receipt of each payment.
- 6.1.2. The state will expend all funds in the DWSRF in an expeditious and timely manner.
- 6.1.3. The state will conduct environmental reviews of treatment works projects according to procedures set forth in its Operating Agreement between the state and US Environmental Protection Agency.

### **6.2. Federal Requirements**

- 6.2.1. The state will ensure that all federal requirements are met as noted in the DWSRF Operating Agreement between the state and US Environmental Protection Agency and the Grant Agreement, including Single Audit, Disadvantaged Business Enterprise compliance, federal environmental crosscutters, and Federal Funding Accountability and Transparency Act (FFATA) reporting requirements.
- 6.2.2. The state will enter all required reporting information into respective federal databases including FFATA, DWSRF National Information Management System (NIMS), and the DWSRF Benefits Reporting (CBR) system.
- 6.2.3. The state will ensure that all applicants to the DWSRF program certify that they meet the fiscal sustainability planning requirements. Such certifications will be received by the time of loan offer.

### 6.3. Transfer between DWSRF and Clean Water State Revolving Fund

Transfer of funds between the DWSRF and the Clean Water State Revolving Fund are authorized by federal statutes. This IUP does not propose any such transfer of funds. However, the Division reserves the ability to make transfers in managing cash flow. If such transfer takes place, a subsequent transfer will be made by transferring that amount back from the receiving fund to the providing fund (i.e., no permanent transfers) as soon as possible.

## 7. Public Review and Comment

*Note: This section will be updated after completion of the public comment period.*

## 8. Budget and Project Periods

- 8.1. The budget and project periods being requested for the capitalization grants is shown in Appendix B and on EPA Form SF 424.
- 8.2. The anticipated cash draw ratio will be 100 percent state and, after all state matching funds are withdrawn, 100 percent federal for disbursements made from the capitalization grant. Alternatively, the state may elect a cash draw ratio of 83.3 percent federal and 16.7 percent state for all withdrawals.
- 8.3. The source of state match funds is from appropriations. State match funds will be deposited into the DWSRF before drawing any federal funds.
- 8.4. Loan fees (two percent of loan) on loans from the grant and fees from loans from repayment funds will be deposited into separate account centers. Fees will be used to administer the program. In addition, fees considered non-program income will also be used for other water quality purposes within the Divisions of Water Resources and Water Infrastructure, including funding for positions.

## **Appendix A**

### **Set-Aside Activity Description**

#### **A. Program Administration**

Up to four percent of the capitalization grant will be used for program administration. Administration includes management of the program; financial management; development of yearly comprehensive project priority lists; engineering report and environmental document review; construction inspections for funded projects; conducting the DWSRF needs survey every four years; data management; reporting; and records keeping; etc. These funds will also be used to procure all equipment and training necessary for the adequate performance of staff on related duties.

#### **B. Technical Assistance to Small Systems**

The state will allocate up to two percent of the Capitalization Grant to provide technical assistance to small water systems. The PWS Section will provide funding support for staff in regional offices. In addition, the PWS Section provides a contract to the North Carolina Rural Water Association (NCRWA). The NCRWA contract will continue the support of one circuit rider. Assistance provided with these funds must be directed to public water supply systems serving a population of less than 10,000. A list of some of the general activities to be performed and assistance to be provided using this money is as follows:

- Investigate MCL violations and identify corrective actions.
- Investigate and evaluate systems malfunctions or operational problems and advise regarding corrective actions.
- Inspect systems for compliance with required design standards and advise regarding needed modifications.
- Interpret sample results and advise regarding health risk.
- Interpret and advise concerning regulatory or monitoring requirements.
- Assist with sample siting plans.
- Provide emergency response to water outages and other serious conditions.
- Train operators and provide hands-on assistance when needed.
- Investigate and advise concerning source water contamination and water source selection.
- Assist in setting up pilot studies.
- Assist with capacity development and source water protection activities.
- Provide water system security assistance.
- Provide water systems with public notice assistance.

#### **C. Administration of the Public Water Supply Supervision Program (State Program Management)**

Up to 10 percent of the Capitalization Grant will be used for this set-aside primarily to supplement the Public Water System Supervision Grant from EPA for salary and support for basic program implementation of the SDWA. The set-aside provides funding for staff

plus any additional permanent, time-limited, or temporary positions, as resources allow, or contracts, as well as additional staff to cover additional resources needs due to new tasks or reduced state budgets. Local Assistance and Other State Programs

D. Local Assistance and Other State Programs

Up to 15 percent of the Capitalization Grant will be used for Local Assistance and Other State Programs. Activities include wellhead protection and capacity development.

a. Wellhead Protection

The state will allocate a portion of this set-aside from the Capitalization Grant for the Wellhead Protection (WHP) Program and to implement efforts to protect source water, as per revisions to Section 1452(k) of the Safe Drinking Water Act. Valuable information, tools and interest for protecting public water supplies have been generated by the Source Water Assessment Program (SWAP), which was developed and implemented with funding from the FY 97 grant. Funding will be used for contracts, purchase of equipment and supplies, and to fund and support positions.

This set-aside also includes a contract for technical assistance for local wellhead protection efforts with NCRWA that supports one or more technicians to assist in the preparation of wellhead protection plans and to implement efforts to protect source water. Included also is funding for contractors, equipment and supplies to: (1) identify public water supply sources and potential contaminant source locations within source water protection areas, (2) update the system inventory, (3) computerize records, (4) conduct well inspections, and (5) protect source water in delineated areas. These funds will also provide for maintenance and necessary upgrade of the computer applications used to complete source water assessments. This includes software and hardware upgrades to allow for efficient operation of the applications and data conversions to allow expanded use of Global Positioning System (GPS) and Geographic Information System (GIS) data in analytical work. It also may include enhanced data management and internet access to system data through SDWIS State, or its subsequent replacement, such as SDWIS NextGen.

b. Capacity Development

Support for capacity development will be continued through allocation of a portion of the Capitalization Grant for these activities. Funding will be used for contracts, purchase of equipment and supplies, and to fund and support positions.

## Appendix B

### Intended Use Plan Project List

#### North Carolina Drinking Water State Revolving Fund State Project List\*

*Note: Project List will be updated after funding review of applications and fund allocation by the Authority*

#### North Carolina Drinking Water State Revolving Fund State Project List

Applicant Name	Project Name	County	DWSRF Funding Request	Principal Forgiveness	Base DWSRF	Priority Points	Estimated Binding Commitment
<b>April 2020 Application Round Funded Projects (To be updated after fund allocation by the Authority)</b>							

Applicant Name	Project Name	County	DWSRF Funding Request	Principal Forgiveness	Base DWSRF	Priority Points	Estimated Binding Commitment
<b>October 2019 Application Round Funded Projects</b>							
Bethel, Town of	2019 Water System Improvements	Pitt	\$1,367,000	\$1,367,000		85	2/1/21
Scotland Neck, Town of	N. Church St. Water Improvements	Halifax	\$612,000	\$459,000	\$153,000	52	2/1/21

<b>Applicant Name</b>	<b>Project Name</b>	<b>County</b>	<b>DWSRF Funding Request</b>	<b>Principal Forgiveness</b>	<b>Base DWSRF</b>	<b>Priority Points</b>	<b>Estimated Binding Commitment</b>
Fountain, Town of	2019 Water Line Replacement	Pitt	\$496,000	\$372,000	\$124,000	48	2/1/21
Greenville Utilities Commission	Water Main Replacement Phase II	Pitt	\$1,000,000		\$1,000,000	35	2/1/21
Louisburg, Town of	Water Line Improvements	Franklin	\$1,528,000	\$764,000	\$764,000	34	2/1/21
Cape Fear Public Utility Authority	Rehabilitate or Replace Twin 24-inch Raw Water Mains	New Hanover	\$13,785,950		\$13,785,950	29	2/1/21
Greenville Utilities Commission	Water Treatment Plan Upgrade Phase I (Reconsideration)	Pitt	\$34,575,000		\$20,000,000	18	2/1/21
Walnut Creek, Village of	Water Meter Replacement w/AMR Meters	Wayne	\$350,000		\$350,000	17	2/1/21
City of Charlotte / Charlotte Water	North South Water Transmission Main	Mecklenburg	\$20,000,000		\$11,000,000	13	2/1/21
Hickory, City of	Lenoir Rhyne Waterline Project	Catawba	\$3,622,000			12	
Aqua Carolina, Inc.	Fayetteville Meter Project	Wake	\$1,175,000			0	
Brevard, City of	King Street Water Line Replacement	Transylvania	\$1,086,918			0	

<b>Applicant Name</b>	<b>Project Name</b>	<b>County</b>	<b>DWSRF Funding Request</b>	<b>Principal Forgiveness</b>	<b>Base DWSRF</b>	<b>Priority Points</b>	<b>Estimated Binding Commitment</b>
<b>April 2019 Application Round Funded Projects</b>							
Louisburg, Town of	N. Main Street Water Line Improvements	Franklin	\$1,700,000	\$425,000	\$1,275,000	30	7/1/20
Goldsboro, City of	2019 Water System Improvements	Wayne	\$2,998,100		\$2,998,100	27	7/1/20
Orange Water and Sewer Authority	Water Treatment Plant Belt Filter Press #1 Replacement	Orange	\$3,730,400		\$3,730,400	27	6/1/20
Orange Water and Sewer Authority	West Cameron Avenue Water Main Replacement	Orange	\$2,963,000		\$2,963,000	27	6/1/20
Morehead City, City of	2019 AMI System	Carteret	\$3,000,000		\$3,000,000	20	7/1/20
Orange Water and Sewer Authority	University Lake Permanganate Facility	Orange	\$2,170,800		\$2,170,800	19	3/25/20
Greenville Utilities Commission	Water Treatment Plant Upgrade Phase I	Pitt	\$54,575,000		\$20,000,000	18	7/1/20
Henderson, City of	Skenes Avenue Water Extension	Vance	\$487,910			14	
Henderson, City of	Eileen Ct & Weybossett Water Extensions	Vance	\$1,010,210			14	
Hickory, City of	Lenoir Rhyne Waterline Project	Catawba	\$3,622,000			12	

<b>Applicant Name</b>	<b>Project Name</b>	<b>County</b>	<b>DWSRF Funding Request</b>	<b>Principal Forgiveness</b>	<b>Base DWSRF</b>	<b>Priority Points</b>	<b>Estimated Binding Commitment</b>
Brunswick County	Northwest Water Treatment Plant Improvements	Brunswick	\$20,000,000			10	
Cape Fear Public Utility Authority	Post-Filter Granular Activated Carbon Treatment at the Sweeney WTP	New Hanover	\$46,855,725			9	
Pender County	Surface WTP expansion	Pender	\$3,240,962			14	

**Appendix C**  
**2020 DWSRF Proposed Payment Schedule**  
(Dependent on timing of state match and award of federal grant)

<u>Payment Quarter</u>	<u>2020 DW Payment Amount</u>
April 1, 2020 – June 30, 2020	
July 1, 2020 - September 30, 2020	\$33,792,000
October 1, 2020 - December 31, 2020	
January 1, 2021 - March 31, 2021	
April 1, 2021 - June 30, 2021	
July 1, 2021 - September 30, 2021	
October 1, 2021 - December 31, 2021	
January 1, 2022 - March 31, 2022	
April 1, 2022 - June 30, 2022	
Total	\$33,792,000

## Appendix D

<b>PRIORITY RATING SYSTEM for 2020 Drinking Water Projects</b>			
<p><b>Instructions:</b> For each line item, mark “X” to claim the points for that line item. Be sure that your narrative includes justification for every line item claimed. At the end of each Category, provide the total points claimed for each program in the subtotal row for that category. Then add the subtotals from each category and enter the Project Total in the last line. Note that some categories have a maximum allowed points that may be less than the total of individual line items.</p>			
Line Item #	Category 1 – Project Purpose	Claimed Yes/No	Points
1.A	Project will consolidate a nonviable drinking water or wastewater utility		25
1.B	Project will resolve failed infrastructure issues		25
1.C	Project will rehabilitate or replace infrastructure		12
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, <b>OR water/sewer</b> lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		8
1.D	Project will expand infrastructure		2
1.D.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, <b>OR</b> lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		8
1.E – 1.H	Reserved for Other Programs		
	<b>Maximum Points for Category 1 – Project Purpose</b>		25
	<b>Subtotal claimed for Category 1 – Project Purpose</b>		
Line Item #	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A – 2.A1.	Reserved for Other Programs		
2.B	Project provides a specific public health benefit to a public water supply system by replacement, repair,		20

<b>PRIORITY RATING SYSTEM for 2020 Drinking Water Projects</b>			
	or merger; includes replacing dry wells, addressing contamination of a drinking water source by replacing or additional treatment; or resolves managerial, technical & financial issues		
<b>2.C</b>	Reserved for Other Programs		
<b>2.D</b>	Project addresses promulgated but not yet effective regulations		10
<b>2.E</b>	Project directly addresses enforcement documents		
2.E.1	Project directly addresses an EPA Administrative Order for a local government Applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DENR Administrative Order, <b>OR</b>		5
2.E.2	Project directly resolves a Notice of Violation or Notice of Deficiency		3
<b>2.F</b>	Project includes system merger		10
<b>2.G</b>	Project addresses documented low pressure		10
<b>2.H</b>	Project addresses contamination		
2.H.1	Project addresses acute contamination of a water supply source <b>OR</b>		15
2.H.2	Project addresses contamination of a water supply source other than acute <b>OR</b>		10
2.H.3	Project addresses an emerging compound without an MCL but above a health advisory level		7
<b>2.I</b>	Project improves treated water quality by adding or upgrading a unit process		3
<b>2.J</b>	Water loss in system to be rehabilitated or replaced is 30 percent or greater		3
<b>2.K</b>	Project provides a public water system interconnection		
2.K.1	Project creates a new interconnection between systems not previously interconnected <b>OR</b>		10
2.K.2	Project creates an additional or larger interconnection between two systems already interconnected which allows one system's public health water needs to be met during an		10

<b>PRIORITY RATING SYSTEM for 2020 Drinking Water Projects</b>			
	emergency <b>OR</b>		
2.K.3	Project creates any other type of interconnection between systems		5
<b>2.L – 2.M</b>	Reserved for Other Programs		
<b>2.N</b>	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including backup electrical power source.		
<u>2.N.1</u>	Project moves infrastructure out of floodplain, <b>OR</b>		5
<u>2.N.2</u>	Project fortifies or elevates infrastructure within floodplain, <b>OR</b> Project improves ability to assure continued operation during flood events, <b>OR</b>		4
<u>2.N.3</u>	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including backup electrical power source.		3
<b>2.O – 2R</b>	Reserved for Other Programs		
	<b>Maximum Points for Category 2 – Project Benefits</b>		35
	<b>Subtotal claimed for Category 2 – Project Benefits</b>		
<b>Line Item #</b>	<b>Category 3 – System Management</b>	<b>Claimed Yes/No</b>	<b>Points</b>
<b>3.A</b>	Capital Planning Activities		
3.A.1	Applicant has implemented an Asset Management Plan as of the date of application <b>OR</b>		10
3.A.2	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10-years and proposed project is included in the plan		2
<b>3.B</b>	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5 percent		5
<b>3.C</b>	Applicant has an approved Source Water Protection Plan and/or a Wellhead Protection Plan		5
<b>3.D</b>	Applicant has implemented a water loss reduction program		5

<b>PRIORITY RATING SYSTEM for 2020 Drinking Water Projects</b>			
<b>3.E</b>	Applicant has implemented a water conservation incentive rate structure		3
	<b>Maximum Points for Category 3 – System Management</b>		15
	<b>Subtotal claimed for Category 3 – System Management</b>		
<b>Line Item #</b>	<b>Category 4 – Affordability</b>	<b>Claimed Yes/No</b>	<b>Points</b>
<b>4.A</b>	Residential Connections		
4.A.1	Less than 10,000 residential connections <b>OR</b>		2
4.A.2	Less than 5,000 residential connections <b>OR</b>		4
4.A.3	Less than 1,000 residential connections		8
<b>4.B</b>	Current Monthly Utility Rates at 5,000 Usage		
4.B.1	Greater than \$33 <b>OR</b>		4
4.B.2	Greater than \$40 <b>OR</b>		6
4.B.3	Greater than \$47		8
4.B.4	Greater than \$58		10
<b>4.C</b>	Local Government Unit (LGU) Indicators		
4.C.1	3 out of 5 LGU indicators worse than state benchmark <b>OR</b>		3
4.C.2	4 out of 5 LGU indicators worse than state benchmark <b>OR</b>		5
4.C.3	5 out of 5 LGU indicators worse than state benchmark		7
<b>4.D</b>	Reserved for the CDBG Program		
<b>4.E</b>	Reserved for the CDBG Program		
	<b>Maximum Points for Category 4 – Affordability</b>		25
	<b>Subtotal claimed for Category 4 – Affordability</b>		
<b>Total of Points for All Categories</b>			

## Appendix E Grant Percentage Matrix

