

**North Carolina DWSRF Intended Use Plan – FY 2012 & FY 2013 Funds**

The PWS Section will fund those projects that documented being RTP by the RTP deadline in descending priority order. Within the limitations of 1N .0201(c) and the reserves for the Additional Subsidization and the Disadvantaged Community Program (DCP), the PWS Section will bypass projects that did not document being RTP by the RTP deadline in favor of other projects that did document being RTP by the RTP deadline. Projects that document RTP after the RTP deadline will be funded only as funding may become available and in the order in which the projects document RTP. Projects that document RTP on the same date will be funded in priority order. Applicants are strongly encouraged to communicate regularly with PWS Section staff regarding their RTP status to help ensure submitted documentation met minimum requirements before the submittal deadline of September 30.

Some projects on the CPPL are deemed “ineligible,” usually because too much of the project consists of ineligible components (e.g., dams or projects solely for future growth). These projects are considered to be “on the CPPL” but are not scored. After the RTP deadline, the applicant can correct all deficiencies that made the application ineligible (e.g., the applicant can split an eligible portion from the rest of an ineligible project). The applicant can then document ready-to-proceed status for the corrected application. However, the PWS Section shall prioritize such corrected application below fully funding all eligible projects including all bypassing. The corrected application shall not be eligible for “additional subsidization” until it has appeared on an EPA-approved CPPL as an eligible project. The PWS Section shall prioritize between corrected applications by RTP date, with population as a tiebreaker (lower population is higher priority).

The PWS Section will dispose of applications that are not made complete before the second year’s application deadline. The applicant must submit a new and complete application for further review.

The Public Water Supply Section implements the requirements of the 2008 Drought Bill for applications received by September 30 2012. [NCGS §143-355.4(b)] The implementation was more fully explained in a Procedures memo on May 22, 2012.

Applicants are strongly encouraged to submit applications well before the annual September 30 deadline if they want comments regarding missing documentation that might hurt eligibility or priority ranking. If requested, the PWS Section will provide comments by September 1, for all applications received by June 1.

6. Description of Criteria and Methods Used for Distribution of Funds
  - 6A. Set-Aside Accounts. Division of funds between the monies to be used for set-aside purposes and those to be used for construction loan/project purposes, including the required state match of 20 percent, are detailed in Attachment A.
  - 6B. Conduct of the Drinking Water State Revolving Fund. The provisions of 40 CFR Parts 9 and 35 Drinking Water State Revolving Funds, the Operating Agreement, and the North Carolina Drinking Water State Revolving Fund Rules, identified as 15A NCAC 1N,

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guide the administration of the DWSRF program on a day-to-day basis. These guides are available on the PWS Section website at <http://www.ncwater.org/pws/>.

- 6C. Capacity Development Reviews. All public water systems receiving funding from the DWSRF must be reviewed to ensure that they can demonstrate adequate technical, financial, and managerial capacity {Water System Management Plan, 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. The NC Local Government Commission (LGC) evaluates financial capacity. The LGC oversees annual financial auditing of local governments and must approve any DWSRF funding to ensure the applicant has adequate financial capacity to operate the system and pay off the debt. A water system that lacks adequate capacity in one or more 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.
- 6D. Determination of priority rating points. Each application, or independent eligible portion under 15A NCAC .01N .0502(d), is judged and receives priority category and points in accordance with Section II.S. of the Operating Agreement (OA). This OA and the Drinking Water State Revolving Fund Rules in 15A NCAC 01N can be found online at <http://www.ncwater.org/pws/srf/Rules/index.htm>. In accordance with the OA, the 1N rules, CFR, and the SDWA, the State reviews each project description to ensure eligibility and that the proposed project addresses the most serious risk to human health or is necessary to ensure compliance with the requirements of the amended SDWA. The tie breaker for projects with the same public health and compliance category and priority points total is system population, with the smaller population being granted higher priority.

SRF program engineers and at least one regional staff person familiar with the respective public water system review each application. Following these reviews, PWS Section personnel further refine scores and present them to a supervisory committee. This committee provides an oversight role as well as final score and eligibility determination based on the application content. Public review offers the applicants opportunities to present arguments and comments if they thought that the state misinterpreted the information presented in their application packages, however, no new documentation is accepted.

The PWS Section may add proposed projects to the IUP to address unanticipated emergency situations. The qualifying criterion is that the Secretary of DENR determines that a serious public health hazard or a drought emergency that was not reasonably foreseeable is present or imminent for a public water supply system. Such actions will be reported in the Annual Report. The state low interest emergency revolving loan account for such situations may lack sufficient funds.

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T15A NCAC 01N .0401 establishes the application deadline as September 30 of each year. Applications for projects may be submitted any time before the application deadline.

The Public Water Supply Section does not consider information or documentation submitted after the application deadline for that review cycle except as described in Section 5. Under T15A NCAC 01N .0502(e), the Public Water Supply Section will reconsider information received after the application deadline during the next year's review cycle.

- 6E. Withdrawal of applications. In accordance with T15A NCAC 01N .0402(e), an application that is withdrawn from consideration by request of the applicant must be resubmitted as a new application to be considered again.

An applicant that declines any offer of funding has withdrawn the application from consideration for funding. The applicant will have the option of resubmitting a new application for the same project during another application period.

- 6F. Funds dedicated to specific project. The Applicant can use the funds only for the eligible project as defined in the application and associated materials, and as clarified in the Offer and Acceptance documents (Part A and Part B). Applicants cannot re-direct funding from the eligible project. At the completion of the funded project the PWS Section will de-obligate all funds that are not spent on the eligible project to the DWSRF Fund to fund other applications.

7. Additional Subsidization - Twenty Percent Reserve

The PWS Section targets the required twenty percent “additional subsidization” toward disadvantaged communities and toward systems with high rates relative to median household income.

The first (disadvantaged communities) component of the additional subsidization program is projects initiated by the Public Water Supply Section to consolidate and eliminate non-viable water systems. In this context a Disadvantaged Community is a community served by a public water system that lacks capacity as defined in the Safe Drinking Water Act, Sections 1420 and 1452(a)(3). The PWS Section will make a principal forgiveness loan and/or reduced interest loan to the most appropriate public water system having capacity that is willing to take over and eliminate the non-viable system. In most cases this will consist of a project to run supply to and replace the distribution system in the Disadvantaged Community. Because these projects are initiated by the PWS Section no application cycle applies. These projects may not appear on the Comprehensive Project Priority List, but count toward the additional subsidization reserve and will be reported in the annual report and other periodic reports.

The second component of the additional subsidization program makes applications submitted for systems with high rates relative to median household income eligible to