

**North Carolina  
Drinking Water State Revolving Fund  
Intended Use Plan  
Fiscal Year 2021-2022**

**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) serves to explain how the capitalization grant will be used and 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. Capitalization grants, including the required State match, enable increasing amounts of loan commitments. This is due to loan repayments being loaned again, thereby providing public benefits repeatedly through time. While providing substantial support, this infrastructure financing has only met a small percentage of the drinking water infrastructure need 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 most needy 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 4% 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), and
- 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						Expenditures		Net For FY	Cumulative Net
(From DWNIMS)									
Revenues						Project Disbursements		Set Asides	
FY	Federal Cap	State Match	Repayments Principle	Repayments Interest	Interest Earned				
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	\$ 33,793,000	\$6,758,600	\$ 29,610,022	\$ 2,638,437	\$ 4,136,230	\$ 23,498,587	\$ 4,512,071	\$ 48,925,631	\$ 256,161,773
2021	\$ 33,000,000	\$6,700,000							
Totals	\$ 648,202,843	\$ 116,617,996	\$ 255,589,550	\$ 59,246,487	\$ 18,150,491	\$ 708,363,700	\$ 93,581,894	\$ 256,161,773	
<b>Projected Sources and Uses for FY 2021</b>						(Based on Availability Model)			
			\$ 35,000,000	\$ 2,000,000		\$ 50,000,000	\$ 5,000,000	\$ (18,000,000)	
								\$ 238,161,773	
<b>Projected Uses for Active Projects beyond FY 2021</b>									
(Does not take into account future funding rounds or revenues)						\$ 280,000,000			
								\$ (41,838,227)	

\*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 ranking for construction loan projects will be based on the Priority Rating System (see Appendix D).

The Priority Rating 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 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 takes into account the ability of the applicant to afford projects. For example, those applicants who have 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 2021 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 particular 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, in the event that 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% or more principal forgiveness, the targeted interest rate will be 0%. For projects that are eligible for 50% or 25% grant funding, the targeted interest rate will be 1% lower than the Division's base interest rate (but no less than zero percent).

#### 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% 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 wastewater connections, at least three (3) of five (5) 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 that project to increase the utility rates above the 70<sup>th</sup> percentile of state-wide utility rates will receive principal forgiveness following the affordability criteria grant percentage matrix found in Appendix E .

Projects that receive project purpose points when the benefiting system has been designated as distressed per § 159G-45, has utility rates greater than the state median, and/or project cost per connection that project to increase the utility rates above the 70<sup>th</sup> percentile of state-wide utility rates will receive principal forgiveness percentages following the affordability criteria grant percentage matrix found in Appendix E.

Principal forgiveness will range from 25% to 100% in increments of 25% up to \$500,000 per applicant per round 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% not to exceed 100% 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% increments (not to exceed 100%) 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% 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 ½ 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 2% 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% 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

### **DWSRF & CWSRF Intended Use Plans, including SRF/SRP Priority Rating Systems**

Comment: From Aqua North Carolina: Regulated utilities can and should be part of the solution to address aging infrastructure across North Carolina.

Response: *Regulated utilities should be part of the solution to address aging infrastructure. Regulated utilities (for profit water and water & sewer) corporations are eligible for DWSRF funds. However, regulated utilities are not eligible for CWSRF or Viable Utility Reserve funds under NCGS §159G-31(a) and (d) respectively. **No change to the IUP is recommended.***

Comment: From Aqua North Carolina: Existing federal financing assistance programs for critical water infrastructure, such as SRF, should benefit all taxpayers, including those who are customers of regulated water companies. Having access to drinking water DWSRF programs benefit customers of regulated water systems in the same way as customers of public systems since our companies are required by the North Carolina Utilities Commission to pass any savings directly on to our customers. The DWSRF is a tool for all service providers, regardless of who owns the system that they rely upon for drinking water.

Response: *Eligibility for funding through the SRF program is established in State Statute and is not part of the IUP. **No change to the IUP is recommended.***

### **Affordability Criteria**

Comment: From Carolina Water Service: It appears, per the Affordability Calculator template available on the North Carolina Department of Environmental Quality (DEQ) website, that the median customer bill population does not include privately-owned water utilities and may also exclude non-profit water providers. CWSNC recommends including all DWSRF-eligible entities in the customer bill population to accurately represent the availability of the application to its eligible population.

Response: *Division staff utilized utility rate information generated by surveys conducted annually by the UNC Environmental Finance Center (EFC) for calculating updated rate data. This data mostly consisted of local government utilities with combined water & sewer rates but did also include three regulated for-profit utilities with combined*

*rates (Carolina Water Service was included).*

*Single water providers and single water providers were also analyzed and compared to the combined utility data set. The single utilities analyzed did include both for-profit and non-profit regulated utilities. In general, the single utilities had rates higher than the individual rates for combined utilities. **No changes to the Affordability Criteria are recommended.***

**Comment:** From Carolina Water Service: It is recommended that DWI update the customer bill database every two years to capture what could be material changes in that timeframe.

**Response:** *The Division supports the recommendation of a two year evaluation frequency as being a reasonable expectation on staff. It is not recommended that a frequency for evaluating the affordability criteria is set as part of the criteria. **No changes to the Affordability Criteria are recommended.***

**Comment:** From Carolina Water Service: CWSNC also recommends DWI solicit water and sewer bill rates that accurately reflect the full cost of service. That is, utilities should normalize their customer rates for purposes of SFR applications to include cross-subsidizing that occurs through taxes (e.g., Water Tax), surcharges, pass-throughs, or other measures, including subsidization between water and sewer services. It is likely that this type of crosssubsidization is performed to varying degrees (or in some cases not at all) across the population of utilities. This step will be the most consistent and comprehensive way to level the playing field for all DWSRF or Clean Water SRF (CWSRF) applicants by creating a true “apples-to-apples” dataset to support the application criteria. It also would remove the incentive for utilities to mask the true cost of service and best represent the potential affordability pressures the utility’s customers face. This method would also identify otherwise hidden distressed systems. Such adjustments should be calculated as a charge per connection and added to the existing approved water or sewer rates.

**Response:** *The Division acknowledges that LGUs may subsidize water & sewer rates for various reasons, such that the true cost of providing the utility service is not reflected in the user rates. The affordability criteria methodology is predicated on encouraging LGU’s to set appropriate rates which reflect the true cost of the utility service. **No changes to the Affordability Criteria are recommended.***

**Comment:** From Carolina Water Service: CWSNC would recommend separate matrices for water and sewer to allow like-for-like service comparisons across the eligible utilities. DWI would therefore avoid the statistical gymnastics it performs in Item I in an attempt to balance the scales for the variety of utility providers. As stated above, crosssubsidization may be masking the true variances between single and dual-service providers. **No changes to the Affordability Criteria are recommended.**

**Response:** *Division staff considered a combined matrix as well as separate matrices for single-service providers. Since there is a tendency for single-providers to have higher rates (especially for water providers), a combined matrix should heighten their competitiveness toward higher grant awards and principal forgiveness. The methodology does not attempt to correct for any “cross-subsidization” effect, the net effect of this will be to favor the LGU which does NOT practice any cross-*

*subsidization, as their rates will be comparatively higher, again heightening their competitiveness toward higher grant awards and principal forgiveness. **No changes to the Affordability Criteria are recommended at this time, but staff do recommend this continue to be evaluated as part of future updates.***

Comment: From Carolina Water Service: Additionally, to the extent single-service providers do indeed tend to have higher customer bills than dual-service providers, this difference should not be overridden, but instead should remain to reflect the different cost of service realities of these utilities' operations and affordability status. Any resulting differences in eligibility for funds could provide incentive to pursue a merger, interconnection, or consolidation with a nearby utility, consistent with the goals of the DWI funding offerings.

Response: *Division staff agrees that the proposed affordability criteria recognize the higher cost of single-service providers and provides more opportunity for these single-service providers to receive grants / principal forgiveness due to higher rates. **No changes to the Affordability Criteria are recommended at this time, but staff do recommend this continue to be evaluated as part of future updates.***

Comment: From Carolina Water Service: DWI notes that it continues to recommend using project cost per connection as the preferred metric to evaluate the scope of the project in conjunction with other affordability criteria. CWSNC would agree that project cost per connection is the best metric in this context, as it is a uniform and easily understood figure that can be applied to all eligible utilities. However, there is no discussion in Item I of revisiting the project cost per connection scale (i.e., the x-axis of the affordability matrix), despite a significant trend of rising construction costs the past several years for infrastructure projects, notwithstanding additional supply chain pressures due to the COVID economic crisis.

Response: *The Division does not attempt to apply any type of construction cost inflation factor to the affordability matrix X-axis (project cost per connection). The grant eligibility thresholds are set based on potential rate increases. The Division recognizes that increasing costs can have direct impacts on user rates and encourages applicants to include increase cost consideration as part of the project application budget. **No changes to the Affordability Criteria are recommended.***

Comment: From Carolina Water Service: DWI concludes that an applicant would be eligible based on either the existing monthly bill or estimated monthly bill inclusive of project cost, and such flexibility would incentivize utilities to take a proactive approach to setting rates. CWSNC disagrees with this conclusion. There are far too many counterincentives and, as noted above, methods available to avoid reflecting full cost of service in water and sewer utility rates for publicly owned systems, keeping rates artificially low and leading to lower application submissions. CWSNC recommends broadening the bands of grant percentages for monthly bill plus project cost to ensure that both existing high bill utilities (as depicted in Table 4 of Item I) and those who would become high bill utilities due to the proposed project will be treated comparably and are eligible for similar funding.

Response: *Step 4 of the affordability criteria was created partly to incentivize LGU's toward*

*taking a proactive approach establishing rates to reflect the true cost of the service. The affordability calculation incentivizes proactive self-funding by providing more benefit for current rates than for future / hypothetical high rates. The changes to the Step 4 matrix shown in Table 4 and Figure 5 is based on the similar approach used in past years and the Division believes it continues to meet the intent to incentivize proactive rate setting. **No changes to the Affordability Criteria are recommended.***

**Comment:** From WithersRavenel: It appears the proposed affordability criteria which uses combined rates is not included as a part of the proposed SRF or SRP Priority Rating Systems. This creates a conflict in priority and eligibility for grant funding in the affordability criteria.

**Response:** *The proposed revisions to the affordability criteria will be applied all programs in which affordability plays a role, CWSRF, DWSRF, CDBG-I, SRP, AIA, MRF, VUR. **No changes to the Affordability Criteria are recommended, however recommendations to the Authority will updated to ensure that it is clear which programs the affordability criteria are applicable to.***

## 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% State and, after all state matching funds are withdrawn, 100% federal for disbursements made from the capitalization grant. Alternatively, the State may elect a cash draw ratio of 83.3% federal and 16.7% 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 (2% 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 4% 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 2% 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.
- Assist with asset management.

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

Up to 10% 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.

D. Local Assistance and Other State Programs

Up to 15% 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**

<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 2021 Application Round Funded Projects</b>							
Jamesville, Town of	Water Treatment Plant Replacement	Martin	\$1,847,934	\$500,000	\$1,347,934	60	8/1/2022
Enfield, Town of	2021 Water Improvements Project Phase 7	Halifax	\$859,685			60	NA
Davie County Public Utilities	Water Supply Improvements Project	Davie	\$28,050,000		\$6,926,193	55	8/1/2022
Stovall, Town of	Water Tank, Water Main, and Associated Improvements	Granville	\$1,757,360			55	NA
Peachland, Town of	Phase I Water Improvements	Anson	\$1,719,105			48	NA
Burnsville, Town of	Burnsville Water Treatment Plant Improvement Project	Yancey	\$1,337,350	\$334,337	\$1,003,013	46	8/1/2022
Beech Mountain, Town of	2022 Water System Rehabilitation Project	Watauga	\$2,913,265		\$2,913,265	45	8/1/2022
Laurinburg, City of	Distribution System Improvement Phase 2	Scotland	\$4,515,000		\$4,515,000	44	8/1/2022
Sanford, City of	Sanford WTP Expansion	Lee	\$68,450,000	\$500,000	\$19,500,000	44	8/1/2022
Brevard, City of	Brevard WTP Improvements	Transylvania	\$4,929,000	\$500,000	\$4,429,000	43	8/1/2022

<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>
Grifton, Town of	2021 Water System Improvements	Pitt	\$980,400	\$490,200	\$490,200	40	8/1/2022
Winston-Salem, City of	Neilson WTP Modernization	Forsyth	\$41,870,000		\$20,000,000	39	8/1/2022
Franklin, Town of	Phase II Water Treatment Plant Improvements	Macon	\$8,889,000	\$500,000	\$8,389,000	36	8/1/2022
Edgecombe County	2021 Kingsboro Industrial Park Water System Improvements	Edgecombe	\$1,533,200	\$500,000	\$1,033,200	36	8/1/2022
Lucama, Town of	2021 Water System Improvements Phase 3	Wilson	\$500,000			36	NA
Craven County	Craven County Water Telemetry/SCADA	Craven	\$5,499,221			35	NA
Lumberton, City of	2021 WTP Sludge Removal and Lagoon Modifications	Robeson	\$519,750			34	NA
Junaluska Sanitary District	Oak Park Water Line Replacement	Haywood	\$4,573,518			32	NA
Dunn, City of	Highway 301 South Elevated Tank	Harnett	\$2,950,000			31	NA
Walstonburg, Town of	Water Line Improvement	Greene	\$216,954	\$54,238	\$162,716	30	8/1/2022
Rocky Point Topsail Water & Sewer District	RO Water Treatment Plant and Associated Improvements	Pender	\$43,120,000			29	NA
Cherryville, City of	Critical Water Mains Replacement	Gaston	\$2,713,200			28	NA
Robbinsville, Town of	Tallulah Creek Water Treatment Plant Upgrades	Graham	\$2,118,750			28	NA

<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>
Fuquay-Varina, Town of	Sanford WTP Expansion	Wake	\$63,495,000			27	NA
Lenoir, City of	Finley Area Water System Improvements	Caldwell	\$5,100,000			26	NA
Stokes Water & Sewer Authority	Hinsdale Road Water Main Extension Project	Stokes	\$1,130,300			26	NA
Cape Fear Public Utility Authority	5th Avenue Water Replacement	New Hanover	\$1,758,300			24	NA
Elkin, Town of	West Zone Improvements	Surry / Wilkes	\$4,079,874			23	NA
Sampson County	Keener Ground Water Supply Well	Sampson	\$2,283,000			23	NA
Henderson, City of	Kerr Lake Regional Water Treatment Plant Upgrades	Vance	\$11,107,000			22	NA
Tuckaseegee Water & Sewer Authority	Water Treatment Plant - Clearwell and High Service Pump Replacement	Jackson	\$2,900,925			20	NA
Clayton, Town of	Elevated Storage Improvements Project	Johnston	\$2,987,500			20	NA
Sampson County	Town of Harrells Interconnection	Sampson	\$3,321,000			20	NA
Sampson County	Water Main Extensions	Sampson	\$987,000			20	NA
Clarkton, Town of	Clarkton Water Meter Replacement	Bladen	\$88,254			18	NA

<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>Fall 2020 Application Round Funded Projects</b>							
Brunswick County	2020 City of Navassa Water Distribution System Rehabilitation	Brunswick	\$2,218,967	\$2,218,967		80	± 2/2/2022
Davie County Public Utilities	Water Supply Improvements Project	Davie	\$28,050,000	\$2,000,000	\$18,000,000	58	± 2/2/2022
Stovall, Town of	Water Tank, Water Main, and Associated Improvements	Granville	\$1,757,360			52	NA
Oxford, City of	Kerr Lake Regional Water Treatment Plant Upgrades	Granville	\$6,000,000	\$500,000	\$5,500,000	46	± 2/2/2022
Grifton, Town of	2020 Water System Improvements	Pitt	\$1,042,725			40	NA
Winston-Salem, City of	Neilson WTP Modernization	Forsythe	\$41,870,000		\$20,000,000	39	actual 12/18/2018
Peachland, Town of	Phase 1 Water Improvements	Anson	\$1,564,494			38	NA
Cleveland County Water	Flocculation and Sedimentation Improvements	Cleveland	\$2,750,000		\$2,750,000	37	± 2/2/2022
Edgecombe County	2021 Kingsboro Industrial Park Water System Improvements	Edgecombe	\$1,523,200			36	NA
Rocky Point Topsail Water and Sewer District	RO Water Treatment Plant and Associated Improvements	Pender	\$66,870,000		\$3,750,000	36	± 2/2/2022
Dunn, City of	Raw Water Electrical Relocation and 24" Line Replacement	Harnett	\$3,515,000			35	ASADRA

<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>
Beech Mountain, Town of	2022 Water System Rehab Project	Watauga	\$2,855,000			35	NA
Lumberton, City of	2020 Well Replacement	Robeson	\$2,316,900			34	ASADRA
Sanford, City of	Sanford WTP Expansion	Lee	\$63,495,000			34	NA
Fuquay-Varina, Town of	Sanford WTP Expansion	Wake	\$63,495,000			32	NA
Lenoir, City of	Finley Area Water System Improvements	Caldwell	\$4,950,000			29	NA
Cherryville, City of	Critical Water Mains Replacement	Gaston	\$2,713,200			28	NA
Walstonburg, Town of	Water Line Improvement	Greene	\$216,954			28	NA
Johnston County	2022 AC Water Main Replacement	Johnston	\$5,242,800			27	ASADRA
Troy, Town of	NC 24-27 Water Main Replacement - Phase 1	Montgomery	\$1,538,400			26	NA
Surf City, Town of	Water System Resiliency Projects	Pender	\$2,805,000			26	ASADRA
Elm City, Town of	Water Filtration and Emergency Backup Generation	Wilson	\$1,989,086			24	ASADRA
Reidsville, City of	Redundant Water Supply Line	Rockingham	\$4,654,000			23	ASADRA
Lucama, Town of	Water System Improvements - 2020 Phase 3	Wilson	\$680,000			23	NA

<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>
Tuckasegee Water and Sewer Authority	Water Treatment Plant - Clearwell and High Service Pump Replacement	Jackson	\$2,900,925			22	NA
Winterville, Town of	NC HWY 11 and Church Street Water Main Loops	Pitt	\$570,900			22	NA
Franklin, Town of	Phase II Water Treatment Plant Improvements	Macon	\$8,239,000			20	NA
Clayton, Town of	Elevated Storage Improvements Project	Johnston	\$2,987,500			20	NA
Clarkton, Town of	Clarkton Water Meter Replacement	Bladen	\$88,254			20	NA
Sampson County	Keener Ground Water Supply Well	Sampson	\$2,024,000			20	NA
Sampson County	Town of Harrells Interconnection	Sampson	\$3,321,000			20	NA
Sampson County	Water Main Extensions	Sampson	\$987,000			20	NA
Dunn, City of	Highway 301 South Elevated Tank	Harnett	\$2,950,000			19	NA
Junaluska Sanitary District	Oak Park Water Line Replacement	Haywood	\$2,101,011			17	NA
Lincoln County	St. James Water Line	Lincoln	\$3,070,581			14	ASADRA

<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>
Baton Water Corporation	Baton Water Corporation Meter Replacement	Caldwell	\$1,180,740			14	NA

<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 2020 Application Round Funded Projects</b>							
Enfield, Town of	Phase 7 Water Improvements	Halifax	\$859,685	\$644,764	\$214,921	49	declined
Whitakers, Town of	Water Line Replacement	Edgecombe	\$750,000	\$750,000	\$0	48	±7/1/2021
Belhaven, Town of	Water Line Replacement	Beaufort	\$277,520	\$208,140	\$69,380	46	±7/1/2021
Rockingham County	Water Booster PS Relocate	Rockingham	\$1,791,500	\$1,791,500	\$0	45	delayed
Fayetteville PWC	WTP Reliability Improvements	Cumberland	\$10,719,300	\$0	10,719,300	43	delayed
Scotts Hill WSD	Elevated Water Tank, 3 Wells, Transmission Line	Pender	\$7,940,000	\$0	\$0	47	ASADRA
Winston-Salem, City of	Nielson WTP Modernization	Forsyth	\$41,870,000	\$0	20,000,000	43	Actual 12/18/2018
Brevard, City of	King Street Waterline Replacement	Transylvania	\$1,086,918	\$815,189	\$271,729	40	±7/1/2021
Brevard, City of	Finish Water Storage Tank	Transylvania	\$2,858,050	\$2,143,538	\$714,512	40	±7/1/2021

<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>
Seaboard, Town of	Small Diameter Waterline Replacement	Northampton	\$1,429,500	\$1,429,500	\$0	40	±7/1/2021
Kinston, City of	NC GTP Terminal Water Line Replacement Project	Lenoir	\$716,300	\$358,150	\$358,150	40	±7/1/2021
Rocky Point Topsail Water and Sewer District	RO Water Treatment Plant and Associated Improvements	Pender	\$66,870,000	-	-	35	ASADRA
Washington, City of	WTP Emergency Generator	Beaufort	\$409,160	-	-	31	ASADRA
Sampson County	Johnston County Interconnection Phase II	Sampson	\$3,148,000	\$0	\$3,148,000	30	±7/1/2021
Stokes County	Stokes-Danbury / Meadows Area Interconnection	Stokes	\$5,208,600	\$3,906,450	\$1,302,150	29	±7/1/2021
Pamlico County	Grantsboro-Kershaw WTP Treatment Improvements	Pamlico	\$2,977,100	\$744,275	\$2,232,825	29	±7/1/2021
Johnston County	2022 AC Water Main Replacement	Johnston	\$5,242,800			27	See fall 2020
Tuckasegee Water and Sewer Authority	Water Treatment Plant Expansion - Phase I	Jackson	\$2,900,925			26	NA
Troy, Town of	NC 24-27 Water Main Replacement - Phase 1	Montgomery	\$1,538,400			26	NA
Dunn, City of	Raw Water Electrical Relocation and 24" Line Replacement	Harnett	\$3,515,000			24	NA

<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>
Elm City, Town of	Water Filtration and Emergency Backup Generation	Wilson	\$1,989,086			24	See fall 2020
Winterville, Town of	NC HWY 11 and Church Street Water Main Loops	Pitt	\$570,900			22	NA
Reidsville, City of	Redundant Water Supply Line	Rockingham	\$4,654,000			22	See fall 2020
River Bend, Town of	Water Meter Replacement - ASADRA	Craven	\$602,500			21	ASADRA
Davie County Public Utilities	Cooleemee WTP Improvements and Expansion	Davie	\$31,604,000			19	NA
Baton Water Corporation	Baton Water Corporation Meter Replacement	Caldwell	\$1,180,740			16	NA
Lincoln County	St. James Water Line	Lincoln	\$3,070,581			14	See fall 2020
City of Charlotte / Charlotte Water	North South Water Transmission Main	Mecklenburg	\$20,000,000			13	Paused for environmental review
Davie County Public Utilities	Cooleemee WTP Transmission Mains	Davie	\$3,877,000			11	NA
Surf City, Town of	Water System Resiliency Projects	Pender	\$2,805,000			11	See fall 2020
Aqua North Carolina, Inc.	Fayetteville Meter Project	Wake	\$1,175,000			0	NA

**Appendix C**  
**2021 DWSRF Proposed Payment Schedule**

(Dependent on timing of state match and award of federal grant)

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

## Appendix D

PRIORITY RATING SYSTEM for 2021 Drinking Water Projects			
<p><b>Instructions: 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.</b></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, or merger; includes replacing dry wells, addressing contamination of a drinking water source by replacing or additional treatment; or resolves managerial, technical & financial issues		20
2.C	Reserved for Other Programs		
2.D	Project addresses promulgated but not yet effective regulations		10
2.E	Project directly addresses enforcement documents		

<b>PRIORITY RATING SYSTEM for 2021 Drinking Water Projects</b>			
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 a 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% 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 emergency <b>OR</b>		10
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 resiliency for critical system functions		
2.N.1	Project relocates infrastructure from inside the 100-year floodplain to outside the 500-year floodplain <b>OR</b>		8
2.N.2	Project relocates infrastructure from inside the 100-year floodplain to outside the 100-year floodplain <b>OR</b>		5
2.N.3	Project relocates infrastructure from between the 100-year and 500-year floodplains to outside a 500-year floodplain <b>OR</b>		3
2.N.4	Project fortifies or elevates infrastructure within floodplain, <b>OR</b>		4
2.N.5	Project improves ability to assure continued operation during flood events <b>OR</b>		4

<b>PRIORITY RATING SYSTEM for 2021 Drinking Water Projects</b>			
2.N.6	Project downsizes infrastructure related to buyouts <b>OR</b>		4
2.N.7	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%		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>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 Combined Utility Rates at 5,000 Usage		
4.B.1	Greater than \$79 <b>OR</b>		4
4.B.2	Greater than \$90 <b>OR</b>		6
4.B.3	Greater than \$107		8
4.B.4	Greater than \$129		10

<b>PRIORITY RATING SYSTEM for 2021 Drinking Water Projects</b>			
<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

<b>Table 4. Proposed Step 4 (Affordability Matrix)</b>				
<b>Percentile Ranges for grant eligibility categories</b>	<b>Combined Monthly Bills<sup>1</sup> based on 2020 data (\$/5000 gallons)</b>	<b>% Grant or PF</b>	<b>Combined Monthly Bills + Project cost per customer per month<sup>2</sup> based on 2020 data (\$/5000 gallons)</b>	<b>% Grant or PF</b>
> 99 Percentile	> \$148	100%	> \$148	100%
95 - 99 Percentile	\$129 - \$148	100%	\$129 - \$148	75%
85 - 95 Percentile	\$107 - \$129	75%	\$107 - \$129	50%
70 - 85 Percentile	\$90 - \$107	50%	\$90 - \$107	25%
50 - 70 Percentile	\$79 - \$90	25%	\$79 - \$90	0%
0 - 50 Percentile	\$0 - \$79	0%	\$0 - \$79	0%
<p>1Single utility providers may divide by 0.4 for water or 0.6 for sewer applicant for calculating a combined monthly bill.</p> <p>2 Project cost per customer per month calculated assuming 0% interest financing for 20 years.</p>				