Application Workshop
Division of Water Infrastructure

Agenda

• Introductions
• Program overview
• Division application and additional forms
• Priority Rating Systems for study grants
• “At-Risk” projects
• Priority Rating Systems for construction applications
• American Rescue Plan Q&A
• Wrap-Up
Training Handout Packet

- Agenda
- NCDEQ Division application packet
  - Application
  - Project Financial Information
  - Fund Transfer Certification Form
  - Project resolutions
  - Supplemental guidance for additional consideration
- Priority Rating Systems and guidance
  - Study grants
    - Asset Inventory and Assessment Grants
    - Merger / Regionalization Feasibility Grants
  - Construction projects
- Evaluation form

Guidance and other documents can be found on our website at:
https://deq.nc.gov/about/divisions/water-infrastructure/i-need-funding/application-forms-and-additional-resources

New and Changing Items

- American Rescue Plan Act (ARPA)
- Availability of study grants
- Updated affordability calculator
- Environmental justice mapping (as needed)
- Absolute numbers for expenditures
- DW – Voluntary drinking water source water protection plan
Program Overviews

Funding Overview

- American Rescue Plan Act (ARPA)
  - State Reserve Program
  - Viable Utility Reserve
- State Revolving Fund (SRF)
  - Loan and Principal Forgiveness
  - Construction projects
Viable Utility Reserve – ARPA Important Facts

• Funding Available – $353 million
• Funds likely available next two rounds
• Funding limits
  • $15 million per applicant OR $30 million total for utilities merging
    • Construction grants
    • Study grants
    • Training grants
      • $2,000 per distressed utility (awarded on February 9)
      • Must be expended within 2 years of award
• Applications due on May 2, 2022
  • Funds must be expended by December 31, 2026

Viable Utility Reserve – ARPA – Eligibilities

• Utilities designated as distressed by State Water Infrastructure Authority (SWIA) and Local Government Commission (LGC) and partners
• SRF-Eligible
• Additional VUR eligibilities
  • Physical interconnection
  • Rehabilitation
  • Decentralization
  • Study grants
  • Other feasible options leading to viability
  • Training grants
State Reserve Program – ARPA – Important Facts

- Funding available
  - “At-Risk” utilities – $191.3 million (funds likely available next 2 rounds)
  - Other utilities – $54.1 million (all funds likely awarded in Spring)
  - Study and training grants – $77.6 million (funds likely available next 2 rounds)

- Funding limits
  - Construction projects
    - “At-Risk” utilities – $15 million per applicant
    - Other utilities – $5 million per applicant
  - Study and training grants –
    - $400,000 per recipient (including training grants) in the 2021-2023 biennium
    - Training grants – $2,000 per recipient – Must be used within 2 years of award

- Applications due on May 2, 2022
- Funds must be expended by December 31, 2026

State Reserve – ARPA – Eligibilities

- SRF-eligible projects
- “At-Risk” utilities
  - Eligibilities
    - Not designated as distressed
    - Systems eligible for “at risk” funds:
      - 6 or higher on Assessment Criteria score AND 3 of 5 LGU indicators worse than state benchmark OR
      - Serves ≤ 1,000 residential service connections AND 3 of 5 LGU indicators worse than state benchmark
**State Reserve – ARPA – Accessing “At-Risk” Funds**

- Other projects eligible for “At-Risk” ARPA funding
  - Requirements
    - 75% of project cost must connect existing disadvantaged, under-served areas within or adjacent to utilities
    - Replace on-site services
    - Connection is voluntary
    - Connection fees covered by grant (may not be charged to residents)
  - Demonstration of underserved areas
    - Determined by DEQ

**State Revolving Fund (SRF)**

- Clean Water State Revolving Fund (CWSRF)
- Drinking Water State Revolving Fund (DWSRF)
- Low-interest loan programs
  - Rate set at ½ market (20-Year Bond Index)
  - Current base interest rate is approximately 1.13% (will be set at application due date)
  - 20-year maximum term for base rate
  - 30-year maximum term possible for targeted interest rates
  - Debt approved by Local Government Commission
**SRF Funding Availability**

- CWSRF – Approximately $85 million available
- DWSRF – Approximately $50 million available
- Loan Maximums
  - CWSRF – $30 million per Applicant
  - DWSRF – $20 million per Applicant
  - Can exceed if funds are available

**Funding Hierarchy**

- ARPA grants (VUR or SRP)
- 100% PF-based (% based on affordability criteria)
- Less than 100% PF
- SRF loans
CWSRF & DWSRF Targeted Funding

- Principal forgiveness (PF)
  - Approximately $2 million total in Spring 2022 for CWSRF
  - Approximately $3 million total in Spring 2022 for DWSRF
  - PF percentage based on affordability criteria
  - Must receive priority points for Category 1 - Project Purpose
  - PF limits can be exceeded if funds are available
- Up to 100% PF for nonviable utility consolidation and failing drinking water and wastewater systems
- Targeted interest rates for PF-qualified applicants
  - PF eligibility ≥ 75% ⇒ 0%
  - PF eligibility < 75% ⇒ 1% less than base rate
- CWSRF only – 1% less than base rate for green projects

ARPA Spending Project Schedule
Questions?

Department of Environmental Quality

Application and Additional Forms
Application Packet

• Division application
• Project Financial Information Form
• Fund Transfer Certification Form
• Resolution
• Affordability calculator
• Environmental Justice (EJ) map, if applicable
• Rate sheets
• Priority points sheet and narrative
  • Wastewater
  • Drinking water
  • Study grants

Division Application
Division Application

- Revised in Winter 2022
- **This application must be used**
- One application for all programs
- Best funding fit
- All sections completed
- Note: Application comes with instructions
  - **Read the instructions**

Division Application

- Construction project applications not funded in previous round (Fall 2021) considered in Spring 2022 for the SRF only
- Reconsideration
  - No additional information allowed
  - Application reconsidered as-is
  - Adding information? ↩ Submit completely new application
- Each application viewed as stand-alone
- All copies of applications must contain all information and signatures
Final Check Tips

- All signatures present including electronic copies
- All forms present and complete
  - Application
  - Fund Transfer Certification
  - Rate sheet(s)
  - Resolution
  - Affordability calculations
  - EJ map (if applicable)
- E-copies
  - Same as hard copy (scan after everything complete, including signatures)
  - Comments removed from PDF
  - Complete narratives

Division Application – Section 1

<table>
<thead>
<tr>
<th>1. General Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant Name</td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td>Project Name</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Applicant Type</th>
<th>Total Project Cost</th>
<th>Funding Amount Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>County</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water and Sewer District</td>
<td>Sanitary District</td>
<td>Total Project Cost</td>
</tr>
</tbody>
</table>
Division Application – Section 1

Funding Type(s) Requested

- Asset Inventory and Assessment (AIA) Grant
- Mergers-Regionalization Feasibility (MRF) Grant
- Pre-Construction Planning Grant (without construction)
- Other: [Blank]

- Construction Project
- Drinking Water
- Wastewater
- CWSRF Green Project: stream restoration, stormwater BMP, reclaim water

Acceptance of Funding Offer (for Construction Projects only)

These questions will be used to identify the best funding fit. Funding from the American Rescue Plan Act (ARPA) is available as grants, and principal forgiveness is available from the State Revolving Funds.

1. I am willing to accept funding that includes federal conditions. [ ] Yes [ ] No
2. I will only accept a funding offer (loan and/or grant) if a minimum of $____ is offered as a grant or principal forgiveness. Enter $0 if you are willing to accept a loan offer with no grant or principal forgiveness.
3. Because of the potential hardship related to a State Revolving Fund and/or State Reserve Program loan, this application seeks to replace the $____ loan awarded to the Insert Project Name (Insert project number) with grant funding. Note: loans that have already received disbursements are not eligible.
# Division Application – Section 2

## 2. System Parameters

<table>
<thead>
<tr>
<th></th>
<th>Residential Sewer Connections</th>
<th>Residential Water Connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Residential Sewer Connections</td>
<td>Non-Residential Water Connections</td>
<td></td>
</tr>
<tr>
<td>Monthly Sewer Bill per 5,000 gallons</td>
<td>Monthly Water Bill per 5,000 gallons</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentage of Utility Bills Collected and Rate Increase Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
</tr>
</tbody>
</table>

# Division Application – Sections 3, 4, and 5

## 3. Applicant Contact Information

- Applicant Representative Name
- Applicant Representative Title
- Applicant Address Line 1
- Applicant Address City
- Applicant Address State
- Applicant Address Zip Code
- Phone Number

## 4. Applicant Property Contact Information

- Tax Name
- Crown Name
- Reporting Address Line 1
- Reporting Address City
- Reporting Address State
- Reporting Address Zip Code
- Phone Number

## 5. Engineer Contact Information

- Engineering Firm Name
- Engineer Name
- Engineer Address Line 1
- Engineer Address City
- Engineer Address State
- Engineer Address Zip Code
- Phone Number

[DEQ Logo]
Division Application – Section 6

6. Project Description (see instructions)

Estimated number of new connections served by project (if applicable): ☐ ☐ ☐

For Construction Projects and Pre-Construction Planning Grants only:

☐ The proposed project is a result of an Asset Inventory and Assessment Grant previously awarded by the Division?
☐ The proposed project is a result of a Merger / Regionalization Feasibility Grant previously awarded by the Division?
☐ None of the above.

Division Application – Section 7

• For use with information to add beyond the priority points system
• Use supplementary guidance
• Must fit into the space provided
### Division Application – Section 8

<table>
<thead>
<tr>
<th>Item</th>
<th>Division Funding Requested</th>
<th>Other Federal Funding Requested</th>
<th>Total Cost Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL COST</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Division Application – Section 8a – Construction

<table>
<thead>
<tr>
<th>Item</th>
<th>Division Funding Requested</th>
<th>Other Federal Funding Requested</th>
<th>Total Cost Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL COST</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3 Professional Engineer signatures must be provided in the space to the right for the application to be considered complete.

TOTAL RETURN STAMP REQUIRED.
### Budget examples – Old Infrastructure

- **10,000 l.f. 8-inch pipe (60% old)**

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Division Funding Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>OLD 6,000 l.f. 8-inch pipe</td>
<td>AAAAAAAA</td>
</tr>
<tr>
<td>4,000 l.f. 8-inch pipe</td>
<td>BBBBBBB</td>
</tr>
</tbody>
</table>

### Budget Example – Disadvantaged / Underserved Communities – $4.7M Project

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Division Funding Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construction Costs</strong></td>
<td></td>
</tr>
<tr>
<td>10-inch gravity sewer d/u comm.</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>10-inch gravity sewer</td>
<td>$750,000</td>
</tr>
<tr>
<td>8-inch gravity sewer d/u comm.</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>50 sewer laterals d/u comm.</td>
<td>$100,000</td>
</tr>
<tr>
<td>Subtotal:</td>
<td>$3,850,000 ($3.1M=80.51% d/u)</td>
</tr>
<tr>
<td>Contingency (10%)</td>
<td>$385,000 (80.51% d/u=$309,964 of cont.)</td>
</tr>
<tr>
<td>Total Construction – D/U comm.</td>
<td>$3,409,964</td>
</tr>
<tr>
<td>Total Construction – Other</td>
<td>$825,036</td>
</tr>
<tr>
<td>Total Construction</td>
<td>$4,235,000</td>
</tr>
</tbody>
</table>

| **Engineering Costs**                 | $100,000                                                        |
| **Admin Costs**                       | $100,000                                                        |
| **Connection Fees**                   | $250,000                                                        |

**Total Project Cost**                  = $4,685,000 (d/u=$3,859,964)
Division Application – Section 8b – Planning-Type Grants

- For use only with AIA, MRF, rate study, and training grants
- AIA and MRF applications must be separate from each other and construction applications
- Can add rate studies or training grants to construction, AIA, and MRF applications
- No PE seal is required for this budget

Certifications

- 9 items
- Read each
- Initial each
- Not applicable? N/A
Application – Completeness Checklist

- Initial to show complete package
- Submit 1 original and 1 copy
- Copy must be electronic (USB/CD/DVD)
- Bind applications
- Strongly recommend that you either hand deliver or send via FedEx or UPS to physical address

Application – Signature

- Application must be signed
- Authorized Representative
Additional Forms

Financial Information Form

North Carolina Department of Environmental Quality
Division of Water Infrastructure
Water & Sewer Financial Information Form
(Rev. March 2021)

Complete the following information related to your utility’s system under GSPA 10B-1. The information provided is for administrative purposes only and may be shared with the appropriate state agencies. The information may be used in the preparation of the Financial Information Form.

1. Supply the required information below:

   Name: __________________________
   Date: __________________________

2. Provide the following information for the past three fiscal years (or which an audit has been completed and submitted to the Local Government Auditor):

   **Operating Revenues**
   - Current Charges
   - Contractual Fees
   - Other Revenues
   - Total Operating Revenues

   **Expenditures**
   - Administration
   - Wastewater
   - Other
   - Other Operating Expenditures
   - Total Expenditures

   **Other**
   - Capital Costs
   - Outside Funds
   - Other revenues
   - Other Costs
   - Total Other
   - Total Revenue (Note: See notes for definitions of terms)

3. Certification: Please read and sign below. I certify that the financial information provided in this form, to the best of our knowledge, is accurate, complete, and timely and applies for the past three years. I further certify to the best of my knowledge, if the form is not completed, that there are no transfer items for the past three years. These transfers are subject to item 41 of the Form.

   SIGNATURE OF FINANCIAL OFFICER: __________________________
   DATE: __________________________

   **FUND NAME**
   **FUNDS TITLE**

   (Note: See notes for definitions of terms)
Additional Forms – Financial Information Form

• Three years of information
• Absolute values for expenditures (New!)
• Remember transfers
• Do not modify form

Additional Forms – Fund Transfer Certification

• Must be completed and signed
• Go back to FY 2014
• Payment in lieu of taxes (PILOT) are not automatically considered reasonably allocable to operation of the utility.
Additional Forms – Resolutions and Rate Sheets

• Resolution
  • Types of resolutions
    • Project resolution – Complete for all applications
    • Resolution for distressed utilities – Complete if a distressed utility or partnering with a distressed utility
    • Consolidation of a non-viable utility – Complete non-viable resolution
  • Template available
  • List Authorized Representative
  • Due at time of application
• Rate sheets – Be sure to include utility rate sheets
  • Affordability calculator
  • Disadvantaged / underserved map (if applicable)

Questions?
Study Grant Limits

- Distressed utilities
  - No limit to study grants, only $15 million limit per applicant
  - Training grants – $2,000 per distressed utility for 2 years
- State Reserve – $400,000 per recipient for fiscal biennium (2021-2023)
  - Asset Inventory and Assessment grants
  - Merger / Regionalization Feasibility grants
  - Pre-construction grants
  - Rate studies (as part of other projects)
  - Training grants (as part of other projects)
Asset Inventory and Assessment Grants

• To inventory existing water and/or sewer system and document the condition of inventoried infrastructure

• Eligible activities can include:
  • Identifying and locating system components
  • Performing a risk analysis to determine critical components
  • Determining the condition of critical components
  • Establishing capital and O&M costs
  • Creating a prioritized list of projects
  • Preparing a realistic Capital Improvement Plan (CIP)

Asset Inventory and Assessment Grants

• Distressed System AIA’s scope must include:
  • Identifying and locating system components
  • Performing a risk analysis to determine critical components
  • Determining the condition of critical components
  • Establishing capital and O&M costs
  • Creating a prioritized list of projects
  • Preparing a realistic Capital Improvement Plan (CIP)
  • Conducting a rate study

• Unless already completed in the last 5 years.
Application Components

- Application forms
- Financial Information Form
- Fund Transfer Certification Form
- Resolution
- Applicable rate sheets
- Narrative question responses

Priority Rating System (AIA)

<table>
<thead>
<tr>
<th>Line Item #</th>
<th>Category</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Project Benefits</td>
<td>The LGU has been designated as “distressed” by the Authority and Commission, has initiated fulfilling the requirements outlined in §155(b), and continues to make adequate progress fulfilling the requirements outlined in §155(b) as determined by the Division. If it receives an AIA grant, the LGU commits to completing the grant in accordance with the requirements of the VU program.</td>
<td>2</td>
</tr>
<tr>
<td>2. System Management</td>
<td>Knowledge base of utility’s internal asset management team</td>
<td>0 - 4</td>
</tr>
<tr>
<td>2.A</td>
<td>Current and past rate setting practices, CIPs, etc.</td>
<td>0, 1, or 2</td>
</tr>
<tr>
<td>2.C</td>
<td>Management of asset inventory data</td>
<td>0 - 4</td>
</tr>
<tr>
<td>2.D</td>
<td>Operating Ratio (OR) is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and water/sewer rates are greater than $47/month</td>
<td>0, 1, or 2</td>
</tr>
<tr>
<td>3. Affordability</td>
<td>Current Monthly Utility rate at 5,000 gallons usage</td>
<td>0, 1, or 2</td>
</tr>
<tr>
<td>3.A</td>
<td>Local Government Unit (LGU) Indicators</td>
<td></td>
</tr>
<tr>
<td>3.B.1</td>
<td>3 out of 5 LGU Indicators are worse than the state benchmark OR</td>
<td>0</td>
</tr>
<tr>
<td>3.B.2</td>
<td>4 out of 5 LGU Indicators are worse than the state benchmark OR</td>
<td>1</td>
</tr>
<tr>
<td>3.B.3</td>
<td>5 out of 5 LGU Indicators are worse than the state benchmark</td>
<td>2</td>
</tr>
</tbody>
</table>

Total Points 24 Max
Category 1 – Project Benefits

• Narrative discussion, Questions 1-8
• Top 3 challenges in next 5 years
• How will this AIA grant address the challenges?

• Line Item 1.A → 2 points
  • Only for systems designated as distressed per §159G-45(b)
  • Provide a copy of the designation letter
  • Discuss steps already taken

Narrative Question No. 1

• Discuss the top 3 challenges your system faces in the next 5 years.

• Challenges must directly relate to benefits of an AIA
• Consider (provide documentation as applicable)
  • NOVs
  • SSO Reports
  • Approved Supply Plans (voluntary and mandatory)
  • Current Discharge/Supply Limits
  • Water Audits
  • I/I evaluations

• See Scoring Rationale
Narrative Question No. 2

- Discuss completed or ongoing asset management or capital planning work by the utility.

- Discuss examples of any changes in practices (previously or desired)
- Realized benefits by having this information
- Provide a copy (hard copy or USB/CD) of any completed efforts

- See Scoring Rationale

Narrative Question No. 3 (Line Item 2.A)

- Identify (by title) the utility's internal asset management team, and
- Describe the role of each team member both during AND after completion of the project

- Consider
  - Experience and professional training
  - External partners during the project (permanent and temporary)
  - Long-term partners after completion of the project (e.g., for data storage)

- See Scoring Rationale
**Narrative Question No. 4 (Line Item 2.B)**

- Describe the process used to set rates.
- Consider
  - Capital planning
  - Rate history and process changes
  - Rate studies
- Provide a copy of the CIP, if utilized
- Provide a copy of rate study recommendations, if applicable
- See Scoring Rationale

**Narrative Question No. 5 (Line Item 2.C)**

- Discuss how the utility will use the information developed through this project to develop and prioritize future infrastructure.
- Discuss how will these projects be incorporated into the CIP planning process in the future, and how funding sources will be determined
- Consider
  - Your level of service required to maintain/achieve viability
  - Coordination among your internal AIA team members
- Avoid discussing general condition assessment methods
- See Scoring Rationale
**Narrative Question No. 6 (Line Item 2.C)**

- Discuss the anticipated ongoing efforts to maintain and build upon the results of this project.

- Consider
  - External partnerships (e.g., COGs)
  - Costs, frequency, procedures, milestones, etc
  - Your ideal level of service required to maintain/achieve viability
  - Coordination between external and internal AIA team members

- See Scoring Rationale

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**Narrative Question No. 7 (Line Item 2.D)**

- Provide the System Operating Ratio each year for the past three (3) years

- Same calculation as other funding programs

- **Explain any discrepancies in the Operating Ratio from year to year**

- Show calculations with all values

- Calculate to the hundredths

- See scoring rationale
Category 2 – System Management

Line Item 2.D – Past 3 Years’ Operating Ratios

\[ \text{OR} = \frac{\text{Operating Revenues}}{\text{Total Expenditures} + \text{Debt Principal} + \text{Interest} + \text{Capital Outlay}} \]

- All values are same as those entered on Financial Information form
- “Capital Outlay” = funded from enterprise fund
- Do not use “non-operating” revenues or future revenues
- Calculate to hundredths

Narrative Question No. 8

- Describe any additional benefits to the utility of receiving this Asset Inventory & Assessment grant that have not been previously mentioned
  - Distressed status (beyond statutory obligations)
  - Flood/storm vulnerability
- See Scoring Rationale
**Category 3 – Affordability**

**Line Item 3.A - Current Monthly Utility Rate at 5,000 Gallons**

- Only claim ONE sub-category based on the current monthly utility combined bill for 5,000 gallons.
  - Greater than $79, or
  - Greater than $90, or
  - Greater than $107, or
  - Greater than $129, or
- Rates must match those on rate sheet(s) submitted
- Use sewer rates and drinking water rates
- Use conversion factor for single-system utilities
  - 0.4 for water-only systems
  - 0.6 for sewer-only systems
- Use lowest residential rate, “in-town rate”
- Provide rate sheets
- Show calculations

**Category 3 – Affordability**

**Line Item 3.B – Local Government Unit (LGU) Indicators**

**same criteria as with all other funding programs**

- Only receive points for ONE sub-category
  - 3 out of 5 LGU indicators worse than state benchmark
  - 4 out of 5 LGU indicators worse than state benchmark
  - 5 out of 5 LGU indicators worse than state benchmark
- LGU Indicators are:
  - Property Valuation per Capita is less than $119,594
  - Percent Population Change is less than 4.26%
  - Poverty Rate is greater than 14.7%
  - Median Household Income is less than $54,602
  - Unemployment rate is greater than 3.9%
Funded Projects

- Milestones
  - Letter of Intent to Fund (LOIF)
  - Preliminary Scope and Budget
  - Grant Agreement
  - Reimbursements
  - Deliverable and Closeout
- Grant period → 2 years
- Requires inventory & assessment – likely other components
- Only a small percentage of funding can be used for software or equipment
- See DWI's Assessment Guidance for Consultants for more information on typical AIA tasks

Questions?
Merger / Regionalization Feasibility Study Grants

NCGS 159G-20

• Merger – partial or complete consolidation
  • Two or more utilities
  • Organizational, Financial, and/or Operational

• Regionalization – physical interconnection
  • Water supply or wastewater collection
  • Regional treatment

• Public and private, not-for-profit systems are eligible as applicants AND partners
Application Components

- Application forms
- Financial Information Form
- Fund Transfer Certification Form
- Resolution from Applicant
- Applicable rate sheets
- Narrative question responses
- Letter(s) from potential partners
  - Acknowledge the application
  - Commit to participating in study
  - Non-binding to act on the study’s recommendations

Priority Rating System (MRF)

<table>
<thead>
<tr>
<th>Line Item #</th>
<th>Category</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Merger/Regionalization Feasibility Priority Rating</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Project Benefits</td>
<td></td>
</tr>
<tr>
<td>1.A</td>
<td>Compliance History</td>
<td>0, 1, 2, or 3</td>
</tr>
<tr>
<td>1.B</td>
<td>Past Collaboration and/or Proximity</td>
<td>0, 1, 2, or 3</td>
</tr>
<tr>
<td>2</td>
<td>System Management</td>
<td></td>
</tr>
<tr>
<td>2.A</td>
<td>Size and Capabilities</td>
<td>0, 1, or 2</td>
</tr>
<tr>
<td>2.B</td>
<td>The LGU has been designated as “distressed” by the Authority and Commission, has initiated fulfilling the requirements outlined in 45(b), and continues to make adequate progress fulfilling the requirements outlined in 45(b) as determined by the Division. If it receives a MRF grant, the LGU commits to completing the grant in accordance with the requirements of the VU program.</td>
<td>3</td>
</tr>
<tr>
<td>2.C</td>
<td>Operating Ratio &lt; 1.00</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Affordability</td>
<td></td>
</tr>
<tr>
<td>3.A</td>
<td>Current Monthly Utility Bill for 5,000 gallons usage</td>
<td>0, 2, or 4</td>
</tr>
<tr>
<td>3.B</td>
<td>Local Government Unit (LGU) Indicators</td>
<td></td>
</tr>
<tr>
<td>3.B.1</td>
<td>3 out of 5 LGU indicators are worse than the state benchmark OR</td>
<td>0</td>
</tr>
<tr>
<td>3.B.2</td>
<td>4 out of 5 LGU indicators are worse than the state benchmark OR</td>
<td>2</td>
</tr>
<tr>
<td>3.B.3</td>
<td>5 out of 5 LGU indicators are worse than the state benchmark OR</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Total Points</td>
<td>20 Max</td>
</tr>
</tbody>
</table>
Narrative Questions – General Discussion

1. Has the feasibility of a merger or regionalization been studied before?
   • If so, how will this study differ?
     • What were previous findings/conclusions?
   • If not, was a similar study previously considered?
     • Why now/why not previously?

   • Discuss the top 3 challenges your system faces in the next 5 years
     • Consider technical, organizational, and financial

Narrative Questions – General Discussion

2. What does the system hope to benefit from receiving a MRF grant?

   • Discuss how the top 3 challenges will be addressed through receiving a MRF grant
     • Technical and operational obstacles
     • Organizational issues
     • Financial limitations
Category 1 – Project Benefits

Line Item 1.A - Compliance History

1. Describe any ongoing environmental protection and public health issues, such as impaired watersheds, contaminated sources, failing infrastructure, etc.

   • Discuss how the top 3 challenges affect the technical and operational goals of the utility
   • Provide copies of enforcement actions from past 5 years

   • Discuss whether any actions were addressed

Category 1 – Project Benefits

Line Item 1.B - Proximity and Past Collaboration

2. Discuss whether the applicant or potential partner(s) appears to have adequate unallocated capacity to accommodate the needs of the other systems in this study.

   Specifically confirm that one of the applying systems has adequate unallocated capacity to expand

   Provide a map showing
   • Geographic proximity of all applying systems
   • Locations of known collection/distribution lines, pump stations, storage, and treatment plants
Category 1 – Project Benefits

Line Item 1.B - Proximity and Past Collaboration (cont’d)

3. Discuss any previous or on-going collaborative efforts among the applicant and partner system(s).

- Consider
  - Current Inter Local Cooperation agreements
  - Staff/resource sharing agreements
  - Operation and management contracts
  - Projects/partnerships beyond the water/sewer utilities

Category 2 – System Management

Line Item 2.A - Size and Capabilities

1. Discuss the organizational and operational structure of the utility, including:

- Number of part- and full-time employees in the utility and across the LGU
- Utility staffs’ duties, experience, and professional certifications
- Internal operating procedures (i.e., billing, work orders)
- Management and/or operational contracts
- Human and financial resources of the utility
Category 2 – System Management

Line Item 2.A - Size and Capabilities (cont’d)

2. Discuss how each of the top 3 challenges affects the applicant’s desired level of service.

• Existing levels of asset management and capital project planning
• Short- and long-term trade-offs
• Enforcement of existing policies and internal controls
• Focus on Organizational and Financial

Category 2 – System Management

Line Item 2.B – Distressed Designation

3. Has the applying system received a distressed designation from the Authority and LGC per §159G-45(b)?

• Provide a copy of the letter
• Discuss the steps already taken to fulfill the VU requirements
Remaining Line Items

Line Item 2.C
Operating Ratio

Line Item 3.A
Current Monthly Utility Rate at 5,000 gallons

Line Item 3.B
Local Government Unit Indicators

Funded Projects

• Milestones
  • Letter of Intent to Fund (LOIF)
  • Preliminary Scope and Budget
  • Grant Agreement
  • Reimbursements
  • Deliverable and Closeout

• Grant period → 2 years

• Deliverable contents
  • Alternatives evaluation
  • Analysis of each alternative
  • Conclusions
Questions?

Viable Utility Reserve
Viable Utility Program – Background

Legislation signed into law on July 1, 2020 (Reform of Water and Wastewater Public Enterprises, S.L. 2020-79)

- Foster the viability of water and wastewater operations across the state by:
  - Identifying distressed LGUs, and
  - Providing a process to develop viable water/sewer utilities.
- Formalizes SWIA and LGC partnership
- Created Viable Utility Reserve (VUR) fund
  - Initial funding = $9 million non-recurring
  - $456M of ARPA funds in 2021 State budget

ARPA funds Available for Awards

- Viable Utility Reserve “Distressed” $353 M Available for Applications
- State Reserve “At Risk” $191.3 M Available for Applications
- State Reserve “All Other Systems” $54.1 M Available for Applications
- State Reserve Studies $77.6 M Available for Applications
- Local Assistance for Stormwater Infrastructure Investment $82 M Available for Applications
**ARPA funds in the Viable Utility Reserve**

- Viable Utility Reserve (VUR) Study Grant competitive funding applications first accepted Fall 2021
- VUR (ARPA) Construction competitive funding applications being accepted Spring 2022
- VUR funds limited to:
  - LGUs designated by SWIA and LGC as Distressed
    - Currently 95 LGUs designated as Distressed
    - April 2022: re-assessment of distressed criteria and recommendations to go to SWIA and LGC for designation
  - Non-Distressed partners addressing Distressed units (Study Grants only)

**Viable Utility Program – Distressed Criteria**

- Distressed criteria created to identify LGUs that could use assistance finding solutions that will help them to be financially sound and viable.
- Four approved criteria
  1. LGC has taken fiscal control of LGU (D1)
  2. No annual audit submitted in the past 2 years (D2)
  3. Total Assessment Criteria score (D3)
     - 20 separate parameters with values ranging from 1-4 points
     - Threshold of 9 pts for LGUs with both water & wastewater systems
     - Threshold of 8 pts for LGUs with only one service (DW or WW)
  4. Other available information (D4)
- Reassessment scheduled for April ‘22
**ARPA funds in the Viable Utility Reserve**

VUR funds limited to:

- **VUR eligible projects:**
  - Rehab and replacement
  - Regionalization
  - Decentralization
  - Studies
  - Other projects demonstrating long-term viability

- **$15 M per LGU (or $30 M regionalization).**
  - Automatic $2,000 Training Grants to Distressed LGUs
  - SRF Loan > ARPA Grant swaps for eligible projects
  - SRF loans (and PF) available to fully fund or supplement funding for applicants that indicate willingness to accept loan funding

---

**Spring 2022 funding round**

- Applications due May 2, 2022
- SRF/SRP/VUR priority rating systems are in place
- Single application for all construction projects
- Single application for all AIA and MRF projects
- Funding recommendations will consider quantity and quality of applications received
- Eligible projects not funded or partially funded will be automatically reconsidered in the Fall per NCGS.

**Fall 2022 funding round**

- Applications due September 30, 2022
- Anticipate 20% - 40% of ARPA funds will be available
Viable Utility Program – Designated Distressed

If your unit has been designated distressed, required process is established by legislation

- Conduct an asset assessment and rate study
- Participate in a training and education program
- Develop an action plan, taking into consideration the following:
  - A short-term and a long-term plan for infrastructure repair, maintenance, and management;
  - Continuing education; and
  - Long-term financial management to ensure sufficient revenue to fund:
    - Management and operations,
    - Personnel, and
    - Maintenance.

Viable Utility Program – Study Grants

Eligible Study Types
- Asset Inventory and Assessment (AIA)
  - Required of designated units
    - A new AIA is not required if a sufficient AIA has recently been conducted
    - An AIA Grant may be used to further the results of previous AIA activities (e.g., creating a CIP from condition assessment data)
  - Non-designated, partnering units can only apply for those parts of their system affected by potential MRF
    - Non-designated units should only apply for VUR-AIA funding if partnering with a distressed unit AND applying for a VUR-MRF for the partnership
    - Non-designated units can still apply for AIA grant funding from the State Reserve
Eligible Study Types

• **Merger and Regionalization Feasibility (MRF)**
  - Does NOT need to include physical infrastructure interconnection
  - Robust comparison of ALL reasonable alternatives
  - Expect regional cooperation (e.g., resource sharing)
  - Must identify MRF study lead (typically, a viable LGU with sufficient management and technical capacity)
  - Requires a resolution by the governing board of all LGUs committing to process and identifying all partners

**Viable Utility Program – Study Grants**

Prioritization based on:

1. Designation criterion
   - D1 = Unit under control of LGC = Highest Priority
   - D2-D4 = Other designated units (typically based on assessment score)

2. Assessment score
   - >13 = Highest Priority
   - 11-12
   - 8-10
   - If funding is limited and not all LGUs in the subgroup can be funded, priority further prioritized:
     - Revenue Outlook: 15 points
     - Moratorium: 15 points
     - Service Population <1,000: 10 points
     - Ability to address multiple distressed units: 5 points
Program Objectives

• Assist distressed units
• Local government engagement, commitment, and accountability
• Actionable efforts and projects to transition distressed unit into viable unit
  - MRF funding requests should address reasons for distressed designation
• Integrated MRF, AIA, and Rate Studies
  - Cost and communication efficiency
  - Leverage the results of previous studies

Viable Utility Program – Application Instructions

Designated LGU 1

- AIA → Rate Study

Designated LGU 2

- AIA → Rate Study

Designated LGU 3

- AIA → Rate Study

Non-Designated Partner

- AIA → Rate Study

MRF

Action Plan for Viability

• LGU 1 addresses AIA with appropriate rates and other support
• LGUs 2&3 study partnership alternatives with ND LGU under MRF
• Rate implications of MRF alternatives used to help chart plan
Viable Utility Program – Application Instructions

***The Resolution and Certification by Recording Officer MUST be included in the Application Package***

The following is required in the Application Package:

1. Resolution by Governing Body of Applicant
2. Resolution by Governing Body of the Unit of Government

**RESOLUTION BY GOVERNING BODY OF APPLICANT**

WHEREAS, the Governing Body of the City of [City Name], [State Name], has enacted the Water Resources Conservation and Development Act, 1968, and is a local government entity with the authority to adopt and administer rules and regulations for the conservation and development of its water resources within the City. The City has determined that the Viable Utility Program would be beneficial to the residents of the City and would help to achieve the goals of the Program. Therefore, the Governing Body hereby adopts the following Resolution:

... (details of the Resolution)

**RESOLUTION BY GOVERNING BODY OF THE UNIT OF GOVERNMENT**

WHEREAS, the Governing Body of the Unit of Government, [Unit Name], [State Name], has enacted the Water Resources Conservation and Development Act, 1968, and is a local government entity with the authority to adopt and administer rules and regulations for the conservation and development of its water resources within the Unit of Government. The Unit of Government has determined that the Viable Utility Program would be beneficial to the residents of the Unit of Government and would help to achieve the goals of the Program. Therefore, the Governing Body hereby adopts the following Resolution:

... (details of the Resolution)

**Questions?**

... (questions and answers)

***The Resolution and Certification by Recording Officer MUST be included in the Application Package***

The following is required in the Application Package:

1. Resolution by Governing Body of Applicant
2. Resolution by Governing Body of the Unit of Government

**RESOLUTION BY GOVERNING BODY OF APPLICANT**

... (details of the Resolution)

**RESOLUTION BY GOVERNING BODY OF THE UNIT OF GOVERNMENT**

... (details of the Resolution)
Question 1

I’m applying for an AIA grant and a training grant and need to submit the budget from Section 8b. I have to have a PE seal on the budget.

• True
• False
**Question 2**

I am or my client is “at-risk” if
a) I am distressed
b) I have an Assessment Criteria score of 6 or greater AND 3 of 5 LGU indicators worse than the state benchmark
c) I have less than or equal to 1,000 residential connections AND 3 of 5 LGU indicators worse than the state benchmark
d) b and c

**Question 3**

For pre-construction-only grants, I must
a) Complete the entire budget
b) Complete the engineering costs portion
c) Complete the administrative costs portion
d) Affix a PE SEAL
e) b, c, and d
**Question 4**

If I am an “Other” LGU, I can access the “At-Risk” funds if 75% of project costs go to serve disadvantaged / underserved communities.

- True
- False

**Question 5**

If I am distressed and will receive funding from the VUR portion of ARPA, I have a $400,000 grant limit for study grants.

- True
- False
"At-Risk" Projects

Determining If You’re "At-Risk"

- Use affordability calculator
- Result will tell you
- Demo of affordability calculator
**NCDEQ NC Community Mapping System**


**DEQ North Carolina Community Mapping System**

The N.C. Department of Environmental Quality (DEQ) has created a department community mapping system, which will be used to inform some department decisions, such as specific plans for local outreach and public participation. The department is currently on version 1.0, which the public can access below.

Note: The updated mapping system to version 1.0 has been released.

- Agree to Terms and Conditions
- Click on the Legend and turn off all but last button (potentially underserved block groups)
- Zoom into project location
Construction Project Funding

Project Priority Systems
Wastewater
Drinking Water

Priority Rating System

• Used to rank projects for funding
• Read guidance carefully – describes the required narratives, maps, and documentation
• Claim the points you can document
• Provide ALL the required documentation
• Additional information will NOT be requested
• Ask questions if unsure
Today's Discussion

- Categories
  - Category 1 – Project Purpose
  - Category 2 – Project Benefits
  - Category 3 – System Management
  - Category 4 – Affordability
- Scoring same regardless of program (one column only)
- Presentation focuses on problem areas and new line items

Priority Rating System

Category 1 – Project Purpose
1. A Consolidate Nonviable Systems

Two situations

- **Failing** or Nonviable
- Drinking Water or Wastewater

---


- Failing – DWR has determined the system is
  - An unapproved or “grandfathered” wastewater system that is not able to maintain compliance with current standards or limits
  - An approved system that is continuously out of compliance with the system owner demonstrating an inability to resolve the violation due to a lack of technical, financial, and/or managerial capacity.
- Document eligibility
- Document willingness of both failing and acquiring system
**1.A Consolidate Nonviable Systems – Other Nonviable Systems**

Nonviable system – A public water supply system or wastewater system owned by a local government unit (LGU) that the Division has determined is nonviable prior to the application deadline.

See guidance for more info

---

**1.A Consolidate Nonviable Systems – Benefits**

• Enhanced principal forgiveness (100% up to $3M regardless of affordability criteria eligibility)
• Other priority points
  • 2.B for drinking water / 2.C for wastewater
• Apply after-the-fact up to two years after urgent consolidation
• Can receive priority points based on either the rescuing system or the nonviable system on a line-by-line basis
1.B Resolve Failed Infrastructure

- Narrow definition of failed infrastructure:
  - Failed Septic Systems or DWR-permitted single-family spray/drip irrigation system
  - Failed non-discharge permitted disposal area, such as a failed spray/drip irrigation field or infiltration basin
  - Failed (dry or contaminated) well
- No other infrastructure failure counts
- Documentation depends on type of failure

1.B Resolve Failed Infrastructure – Disadvantaged / Underserved Communities

- Make clear project purpose is to connect disadvantaged / underserved communities that choose to voluntarily connect
- Justification
  - Provide map from DEQ Community Mapping System
  - Alternative discussion in Project Description
- Provide breakout in project budget
1.C Rehab/Replace Infrastructure

• Rehab or Replace cannot expand capacity
• New pump station / treatment plant with same capacity as old being decommissioned
• Like for like replacement
• Includes new unit operations that don’t increase capacity to treat
  • EQ basin, UV disinfection, solids handling, SCADA, VFD, generator
  • Applies to source (intakes, well fields)

1.C Rehab/Replace Infrastructure – Common Errors

• We are replacing existing 10-inch gravity sewer.
• We are increasing pumping capacity to meet current flows but not to provide any additional capacity.
• The 1 MGD unit we are replacing is under-sized, so we will replace it with a properly-sized 2 MGD unit.
• Missing supporting calculations when replacing a pump station with gravity sewer.
• Narrative does not clearly state what is getting rehab/replaced (size, linear footage, etc.).
• Support documentation is not clear.
• No connection between stated project and proposed project.
1.C.1 Old Infrastructure

- Can earn additional points for old infrastructure

<table>
<thead>
<tr>
<th>Unit</th>
<th>Age in Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treatment or Pumping Units &amp; SCADA (New!)</td>
<td>20</td>
</tr>
<tr>
<td>Distribution / Collection Lines</td>
<td>40</td>
</tr>
</tbody>
</table>

- At least 50% of the construction cost is associated with replacing old infrastructure
- Show clearly in budget
  - What is older than threshold?
  - What is younger than threshold

**Explain how you know the age**

---

Category 1 Points (CWSRF)

- 1.F Stream, Buffer, Wetland Restoration
- 1.G Stormwater BMP
- Green projects scored only for CWSRF
Priority Rating System

Category 2 – Project Benefits

2.B Specific Public Health Benefit (DW)

• Provides points for
  • Dry or contaminated wells
  • Specific project types that also earn other points
• For failed / nonviability claimed under Line Item 1.A.
• For Failed wells under Line Item 1B
2. C Specific Environmental Benefit

Projects include:

- Connecting homes with failing septic systems to public sewer service
  - Must include letter from a registered sanitarian, a licensed soil scientist, or County Health Department documenting existing failures
  - Includes failed single-family residence spray/drip irrigation system
- Repairing or replacing sewers with reported SSOs that
  - Reach bodies of water, or
  - Document backup into homes
- Automatic for nonviability claimed under Line Item 1.A.

2. C Specific Environmental Benefit (WW)

Common errors

- Center Avenue area soils are unsuitable and septic system failure is likely
- SSOs not resolved by project
- No map showing location of failing systems
- No map showing SSOs
2. E Addresses Enforcement Documents

- Project can only receive points for **ONE** of the following
  - 2.E.1 EPA Administrative Order (AO) in Tier 1 county, or an existing/pending SOC, or DEQ AO
  - 2.E.2 Notice Of Violation or Notice Of Deficiency

- Common errors
  - Enforcement document not provided
  - Project does not address enforcement document
  - Response on file that Applicant has already addressed the problem that caused enforcement action

2. G Address Low Pressure (DW)

- Compare pressure to T15A NCAC 18C .0901: (20/30 psi)
- See factsheet on website

- Common errors
  - Fireflow is 250 gpm or document requirement for higher flow
  - Long lengths of small lines do not earn points
  - Required documentation not provided
2. H Project Addresses Contamination (DW)

- 2.H.1 Acute Contamination
  - Refer to the guidance and separate sampling protocol
- 2.H.2 Other-Than-Acute Contamination
  - Refer to the guidance and separate sampling protocol
- 2.H.3 Health Advisory Level
  - Concerns emerging compounds
  - Drinking Water Health Advisory Level means
    - 140 ng/L Provisional Health Goal for GenX
    - EPA’s 2018 Edition of the Drinking Water Standards and Health Advisories Table
  - Note: Reference Dose (RfD) not a health advisory level

2. I Additional Treatment (DW/CW)

- Project improves the quality of treatment
- Common error
  - Does not improve water quality
  - Replaces existing unit process
2.J Water Loss Exceeds 30% Documentation (DW)

• Document the water loss exists; BOTH of following must exceed 30%
  • At least latest year water audit (detail in Line Item 3.E)
  • Water loss listed in latest Local Water Supply Plan
• Narrative must credibly describe how this project will address water loss
• Common errors
  • Failure to provide audit
  • LWSP shows low water loss

2.N.1. –2.N.3 Movement from the Floodplain

[Diagram showing floodplain movement with points A and B]
### 2.N.1 – 2.N.3 Movement from the Floodplain

- Describe infrastructure being located out of floodplain
- Provide a map that shows where existing and relocated infrastructure will be
  - Location of existing and proposed infrastructure
  - Clearly show floodplain boundaries
  - Clearly show existing infrastructure in higher-hazard floodplain
- Use FRIS or FEMA map as source of data layer or flood elevations ([www.fris.nc.gov](http://www.fris.nc.gov))
- Any alternative mapping source must be pre-approved

### 2.N.4. Fortification and / or Elevation of Infrastructure

- Must be within 100-year floodplain
- Includes
  - Fortifying such as physical barriers
  - Elevating such as placing electrical equipment on platforms
  - Replacing equipment with new equipment (including controls) not subject to being damaged by submersion
- Must be a minimum of 2 feet above Base Flood Elevation
- Provide mapping showing
  - Floodplain
  - Location of infrastructure
  - Use FRIS or FEMA ([www.fris.nc.gov](http://www.fris.nc.gov)) (see previous slide)
- Describe
  - Vulnerable components below BFE
  - How project will protect vulnerable components
  - How project will achieve 2 feet above BFE
2.N.5. Continuity of Operations During Flooding

• For infrastructure located within 100-year floodplain
• Explain how project improves ability to assure continued operation during flood events.
• Examples
  • Redundancy
  • New generators or additional generator capacity

2.N.6. Reducing Size of Infrastructure

Explain
• How and why the population declined
• How the smaller population is better served with reduced-size infrastructure
2. N. 7. Redundancy / Resiliency

- Historically only available for drinking water
- Expanded for Fall 2020 round to include wastewater
- Includes eligible cybersecurity
- Requirements
  - Include redundant or resilient items in the project description
  - New or increased redundancy / resiliency = points
  - Replacing / repairing existing generator ≠ points
  - Retrofitting with backup power = points
  - New equipment with backup power ≠ points

2. O. Impaired Waters (WW)

- Project will directly benefit impaired waters
- Provide:
  - Stream name and impairment(s) as documented in the Integrated Report
  - Discussion of impairment and connect the dots to show the project will directly benefit the impairment
  - Map(s) with project location, stream location and impaired segment

- Common errors
  - Project does not address impairment
  - Map does not adequately show location of project and impairment
2. R 20% Reduction in Energy Use GREEN (WW)

• Primary purpose of project (>50% of construction cost) is to:
  • Reduce energy usage of a specific process by 20%
  • Produce energy (e.g. digester gas to energy project, solar panels at treatment plant)
  • Eliminate a PS as long as it doesn’t increase the pumping demands of a downstream PS
• If project is not exclusively for energy reduction:
  • 1% reduction from base rate applied to the portion the loan for Green Project
  • Standard interest rate will be applied to rest of the loan
• Common errors
  • Lack of supporting calculations
  • Less than 50% of construction costs

Priority Rating System

Category 3 – System Management
3.A Capital Planning Activities

Can only receive points for ONE of the following:

• 3.A.1 – Asset Management Plan OR
• 3.A.2 – Capital Improvement Plan

3.A.1 Asset Management Plan

• Applicant has implemented AMP before application

• Common errors
  • No narrative provided
  • AMP has not been implemented
  • Does not meet CIP requirements
  • Does not have all assets for the utility seeking funding
  • None "poor" assets in project not explained.
  • Not adopted within 2 yrs from date of application deadline
3.A.2 Capital Improvement Plan

- Must **clearly** show the project applied-for
- Must span 10 years, be less than 2 years old
  - State years covered by the CIP
  - Years 1 through 5: show projects and their costs
  - Years 5 through 10:
    - Show projects - not necessarily their cost
    - Show some capital expenditure - not necessarily linked to specific projects
- Resolution or certified minutes showing adoption of CIP
  - A certification is inadequate

Common Errors
- More than 2 years old
- Spans less than 10 years
- Lacks minutes showing adoption (certification not sufficient)
- Project applied-for not obvious and unambiguous on CIP
- Includes only O&M expenses and/or a single project (project applied for)
- Large cost differentiation not clearly explained
- No explanation of change in CIP priority
- No application narrative
3.B System Operating Ratio

• System operating ratio DIFFERENT from OR$_{\text{Future}}$ in affordability criteria

• Contains
  • Revenues
  • Expenses
  • Debt principal
  • Debt interest
  • Capital outlay

• Does NOT include project cost
• Cannot include future debt

3.C. Voluntary Source Water Protection (DW)

• Voluntary Source Water Protection Plan or Wellhead Protection Plan approved by the Division of Water Resources
  (not the regulatorily mandated plan for large systems)

• Include copy of plan approval letter, no more than 5 years old

• PWSID Number in plan approval letter must match the applicant
3. E Water Conservation Incentive Rate Structure (DW)

- A rate structure that encourages typical users to reduce usage
- Incentive must operate in the range of reasonable household usage
- Increasing block rate
  - Rate per gallon must increase within first 5,000 gallons / month
  - Rate per gallon cannot decrease within first 20,000 gallons / month

Priority Rating System

Category 4 – Affordability
Affordability Steps

4 Elements of Affordability Criteria

Table 4. Proposed Step 4 (Affordability Matrix)

<table>
<thead>
<tr>
<th>Percentile Ranges for grant eligibility categories</th>
<th>Combined Monthly Bills* based on 2020 data ($/5000 gallons)</th>
<th>% Grant or PF</th>
<th>Combined Monthly Bills + Project cost per customer per month based on 2020 data ($/5000 gallons)</th>
<th>% Grant or PF</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 99 Percentile</td>
<td>&gt; $148</td>
<td>100%</td>
<td>&gt; $148</td>
<td>100%</td>
</tr>
<tr>
<td>95 - 99 Percentile</td>
<td>$129 - $148</td>
<td>100%</td>
<td>$129 - $148</td>
<td>75%</td>
</tr>
<tr>
<td>85 - 95 Percentile</td>
<td>$107 - $129</td>
<td>75%</td>
<td>$107 - $129</td>
<td>50%</td>
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<td>50%</td>
<td>$90 - $107</td>
<td>25%</td>
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<td>$0 - $79</td>
<td>0%</td>
<td>$0 - $79</td>
<td>0%</td>
</tr>
</tbody>
</table>

*Single utility providers may divide by 0.4 for water or 0.6 for sewer applicant for calculating a combined monthly bill.
**Affordability Distribution (2021 Method)**

Graphical Representation of the Proposed New Step 4
(8 Application rounds from Fall 2016 to Spring 2020)

**4.A Residential Connections**

- Only claim **ONE** sub-category based on the number of connections
  - Less than 10,000 residential connections, or
  - Less than 5,000 residential connections, or
  - Less than 1,000 residential connections
- Use only sewer connections or drinking water connections as of date of application
4.B Current Monthly Utility Rate at 5,000 Gallons

- Only claim **ONE** sub-category based on the current monthly utility combined bill for 5,000 gallons or for single-use utilities, use conversion factors.
  - Greater than $79, or
  - Greater than $90, or
  - Greater than $107, or
  - Greater than $129, or
- Rates must match those on rate sheet(s) submitted
- Use sewer rates **and** drinking water rates
- Use conversion factor for single-system utilities
  - 0.4 for water-only systems
  - 0.6 for sewer-only systems
- Use lowest residential rate, “in-town rate”
- Provide calculations

4.C Local Government Unit (LGU) Indicators

- Only claim **ONE** sub-category
  - 3 out of 5 LGU indicators worse than state benchmark, or
  - 4 out of 5 LGU indicators worse than state benchmark, or
  - 5 out of 5 LGU indicators worse than state benchmark, or
  - Note change in points for specific line items
- LGU Indicators are
  - Property Valuation per Capita is less than $119,594
  - Percent Population Change is less than 4.26%
  - Poverty Rate is greater than 14.7%
  - Median Household Income is less than $54,602
  - Unemployment rate is greater than 3.9%
## Contact Information

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