

State Water Infrastructure Authority
Meeting Date: December 12, 2023
Agenda Item E – Funding Scenario and Funding Decisions for
Lead Service Line Replacement Program

Division of Water Infrastructure Staff Report

This report presents a *preliminary* funding scenario for the consideration of the State Water Infrastructure Authority (Authority). Subsequent updates and corrections to the application information and funding scenario (including application scores, ranking, potential funding amount, etc.) may occur and will be presented to the Authority during the meeting on December 12. This staff report represents submitted information as of November 30, 2023. Applications are selected for funding by the Authority during the meeting, and the Authority's selections are final.

Background

Congress appropriated funds to the Drinking Water State Revolving Fund (DWSRF) in the Infrastructure Investment and Jobs Act of 2021, commonly referred to as the Bipartisan Infrastructure Law (BIL). The BIL appropriated additional funds for five fiscal years (FY2022-FY2026) specifically for the purpose of inventorying and replacing lead service lines (LSLs). These funds are referred to as the BIL DWSRF Lead Service Line Replacement Funds (BIL DWSRF-LSLR Funds). North Carolina's FY 2022 allotment is \$87,062,000, a portion of which will be used for set-asides. As of this staff report, the USEPA has provided a conditional grant to the State of North Carolina for the FY2022 BIL DWSRF LSLR funds.

At its April 2023 meeting, the Authority approved a Priority Rating System (PRS) for DWSRF LSLR Funds. At the July 2023 meeting, Division staff summarized the BIL DWSRF-LSLR program Intended Use Plan (IUP) and provided updates on final funding caps, project milestones, and application requirements. At the September 2023 meeting, the Division presented the first funding scenario for this program and the Authority awarded funding to all 39 applications recommended by the Division, contingent upon the Division's receipt of BIL DWSRF-LSLR funding from the USEPA.

Table 1 summarizes the intended funding schedule for the FY 2022 allotment of BIL DWSRF-LSLR funds. The funding scenario presented in this report is limited to those drinking water systems that filed a complete LSLR funding application by a November 1, 2023 deadline.

All December awards from the DWSRF LSLR Funds are contingent on the Division's receipt of the DWSRF LSLR Funds from the USEPA.

Table 1. Expected Funding Rounds for the FY 2022 BIL DWSRF-LSLR funds			
Application due date	SWIA Meeting Award date	Estimated min. 2022 LSLR Funds Available (includes Principal Forgiveness)	Estimated min. 2022 Principal Forgiveness Available
August 18, 2023	September 19, 2023	\$34,364,423 ¹	\$21,719,363 ¹
November 1, 2023	December 12, 2023	\$22,345,913	\$14,220,127
January 5, 2023	February 20, 2024	\$10,327,404 ²	\$6,720,890 ²
March 2024	April 2024	TBD ²	TBD ²
Totals		\$67,037,740	\$42,660,380

¹Actual amounts awarded.

²Allotments for 2024 SWIA meetings may be recommended for award if funds remain available from FY 2022 BIL DWSRF-LSLR allotment funds. It is anticipated that FY2023 BIL DWSRF LSLR funds can be made available for 2024 if project demand exceeds available funds. The Division will apply for FY2023 BIL DWSRF-LSLR Funds in 2024.

Funding Caps

The following maximum BIL DWSRF-LSLR funding loan amounts (including principal forgiveness) apply per applicant for each funding round:

- \$5 million for projects replacing known LSLs.
- \$2 million for projects finding and replacing LSLs in areas suspected of having LSLs. These projects must result in service lines within the project area being categorized as “known lead” or “known not lead” using methods approved for completion of the LSL inventory as required in the Lead and Copper Rule Revisions (LCRR). The budget must limit service line material verification to \$1 million.
- \$1 million for projects to conduct an LSL inventory.

Summary of Applications Received

Table 2 shows the number of new applications received, number of applications reconsidered because they were not funded or were partially funded in the previous round, and funding requested as of November 1, 2023, divided by project type.

Table 2. Summary of Project Applications Received by Nov. 1, 2023				
	Replace Known LSL	Find & Replace	Inventory	Total
Applications Received	0	3	19	22
Applications Reconsidered from Previous Round	0	1	2	3
Funding Requested (including Reconsiderations)	\$0	\$6.8M	\$12.6M	\$19.4M

Example Funding Scenario for BIL DWSRF LSLR Programs

The Authority may consider multiple funding scenarios. In the example funding scenario presented, applications are shown as receiving the best available funding for project applications in priority order until available funds are exhausted as follows:

- Apply BIL DWSRF-LSLR principal forgiveness (up to initial cap of \$500,000) and BIL DWSRF-LSLR loan funds to eligible projects.
 - According to the Intended Use Plan, to apply BIL DWSRF-LSLR funds to support LCRR requirements for water systems to inventory LSLs by October 2024, a minimum of 50 percent of funds made available for each funding round will be reserved for inventory projects. Funds reserved for inventory projects will be made available to all projects in priority order if there are not sufficient applications to meet the 50 percent minimum funding reserve.
- Apply BIL DWSRF-LSLR repayable loan funds to fully fund the project or to applicable funding caps.
- Apply any additional available principal forgiveness to eligible projects as described in the BIL DWSRF-LSLR Intended Use Plan, up to principal forgiveness eligibility, starting with the highest scoring application receiving BIL DWSRF-LSLR funds.
- Adjust funding scenario to assure that greater than 50 percent of the awarded funds are to support inventory projects if there is sufficient project demand to meet the 50 percent reserve.
- Adjust funding scenario to remove funding recommendations to projects where the minimum principal forgiveness requirements for the project could not be met.

In the example funding scenario presented, 18 LSLR projects would receive a total of approximately \$13.2 million of BIL DWSRF-LSLR funds. Table 3 summarizes the example funding scenario.

Table 3. Example Funding Scenario for BIL DWSRF-LSLR Funds¹					
Application Projects	Eligible Applications Considered	Funded Applications in Scenario	Potential Principal Forgiveness	Potential Loans	Potential Total LSLR Funding
Replacement Projects ¹	0	0	\$0	\$0	\$0
Find and Replace Projects	2	2	\$3,398,600	\$599,400	\$3,998,000
Inventory only Projects	18	16 ²	\$4,648,750	\$4,516,000	\$9,164,750
Total	20	18	\$8,047,350	\$5,115,400	\$13,162,750

¹ Example scenario includes no data for Replacement projects as no applications were received for this type of project.

² Two applications requested a minimum amount of principal forgiveness that exceeded their eligibility.

Project-Specific Notes for Applications in the Example Funding Scenario

- Seven out of 25 project applications (28 percent) were from LGUs designated as distressed (\$5.1 million requested), and all are included in the funding range in this scenario.
- The Aqua North Carolina Disadvantaged Communities (DAC) LSL Inventory project application is included as partially funded. The project application requested \$1.6M, which is above the \$1M funding cap per funding round for Inventory projects. The remainder will be reconsidered in the next round for funding.
- Two projects, the Aqua North Carolina Statewide LSL Inventory project and the City of Newton Find and Replace project, that were awarded only partial funding in the previous round due to the amounts requested exceeding the respective funding caps per project type, were reconsidered, and both receive funding to cover the requested amounts that remained unfunded.
- Jason Water Corporation submitted a project application for LSL Inventory that consisted exclusively of a duplicate of the project application submitted by the Town of Snow Hill. Only the application from Snow Hill was considered.
- After identifying all applications that qualify for BIL DWSRF-LSLR loan assistance and receiving the initial \$500,000 principal forgiveness cap, additional principal forgiveness funding was available. In accordance with the IUP, additional principal forgiveness can be awarded in \$500,000 increments, up to the lesser of the percent principal forgiveness eligibility of projects or the total funds requested. Additional principal forgiveness was awarded to all eligible projects to the maximum allowed by this provision in the IUP.
- After all projects were awarded principal forgiveness up to the percent principal forgiveness eligibility, additional principal forgiveness funding was available. In

accordance with the Intended Use Plan, additional principal forgiveness can be awarded above the percent principal forgiveness eligibility in ten percent increments, up to 100 percent of the funding requested. All eligible projects were provided an additional 10 percent principal forgiveness. The City of Newton’s Find and Replace project was the last project in priority order to receive the second ten percent increase in principal forgiveness.

- Two project applications that were reconsidered from the previous funding round, one from a local government unit designated as distressed (Town of Elizabethtown) and one other local government unit (Town of Roseboro), are not awarded funding in this example scenario because of insufficient principal forgiveness funds available to meet the minimum principal forgiveness amount requested by the towns as indicated in the applications.
- Four project applications were received incomplete and therefore considered ineligible for funding.

The example funding scenario includes a recommendation to fund projects short of the estimated available funds shown in Table 1 for the December awards. Staff recommends funding all eligible project applications, maintaining the February 2024 funding estimates, and adding the unused funds from the December 2023 funding estimates to the February 2024 and April 2024 funding estimates to make use of all remaining FY 2022 funds. It remains the Division’s intent to request FY 2023 funds from EPA as soon as the Division can document demand for the allocated funds. Table 4 shows the funds available from the FY 2022 BIL DWSRF-LSLR funds, the example December Funding Scenario, and how the recommendation will likely impact future funding rounds for LSLR projects.

Table 4. Potential BIL DWSRF-LSLR funds available for future funding rounds.			
	Principal Forgiveness	Repayable Loan	Total
Estimated FY 2022 LSLR Funds available for projects	\$42,660,380	\$24,377,360	\$67,037,740
September 2023 Awards	\$21,719,363	\$12,645,060	\$34,364,423
Example December 2023 Funding Scenario	\$8,047,350	\$5,115,400	\$13,162,750
FY 2022 BIL DWSRF LSLR funds remaining	\$12,893,667	\$6,616,900	\$19,510,567
Est. February 2024 Awards	\$6,720,890	\$3,840,509	\$10,561,399
Est. April 2024 Awards	\$6,172,777	\$2,776,391	\$8,949,168

This example funding scenario is detailed in Table 5 below. The table identifies the projects that would potentially be funded under the example funding scenario. A full list of applications, including those that would not be funded under this scenario, are shown in the Attachment G-1 (LSLR spreadsheets). The SWIA Sheet Application Number in the first column in the table below references Application Number in Attachment G-1.

Other Funding Scenarios

Note that there are other funding scenarios which could be constructed, and staff can assist the Authority with other scenarios during the meeting.

All December awards from the BIL DWSRF-LSLR Funds are contingent on the Division's receipt of the LSLR funds from the USEPA.

Table 5. December 2023 BII DWSRF-LSLR Example Funding Scenario^a

SWIA Sheet Appl. No.	Applicant Name	County	Project Name	Project Type	Amount of Funding Requested	Potential Principal Forgiveness	Potential Repayable Loan	Potential Unfunded
1	Elm City, Town of	Wilson	Elm City Lead Service Line Inventory	Inventory Only	\$942,000	\$942,000	\$0	
2	Hobgood, Town of	Halifax	Hobgood Lead Service Line Inventory	Inventory Only	\$521,000	\$494,950	\$26,050	
3	Aqua North Carolina, Inc.	Multiple	DAC Lead Service Line Inventory	Inventory Only	\$1,602,180	\$500,000	\$500,000	\$602,180
4	Nashville, Town of	Nash	Nashville Lead Service Line Inventory	Inventory Only	\$892,500	\$624,750	\$267,750	
5	Norwood, Town of	Stanly	Norwood LSL Locate & Replacement Project	Find and Replace	\$2,000,000	\$2,000,000	\$0	
6	Williamston, Town of	Martin	Lead Service Line Inventory	Inventory Only	\$490,000	\$465,500	\$24,500	
7	Woodland, Town of	Northampton	Woodland Lead Service Line Inventory	Inventory Only	\$200,000	\$140,000	\$60,000	
8	Newton, City of	Catawba	Lead and Copper Service Replacement	Find and Replace	\$3,998,000 ^b	\$1,398,600 ^b	\$599,400 ^b	
9	Aqua North Carolina, Inc.	Fayetteville Region	AQUA Statewide Lead Service Line Inventory	Inventory Only	\$1,603,300 ^c	\$361,980 ^c	\$241,320 ^c	
10	Hookerton, Town of	Greene	Hookerton Lead Service Line Inventory	Inventory Only	\$420,000	\$252,000	\$168,000	
11	Rose Hill, Town of	Duplin	Lead Service Line Inventory	Inventory Only	\$200,000	\$120,000	\$80,000	
12	Snow Hill, Town of	Greene	Lead Line Investigation Study	Inventory Only	\$482,000	\$289,200	\$192,800	
13	Burgaw, Town of	Pender	Burgaw Service Line Inventory with 120Water	Inventory Only	\$53,950	\$32,370	\$21,580	
14	Burnsville, Town of	Yancey	Burnsville Lead Service Line Inventory	Inventory Only	\$360,000	\$126,000	\$234,000	

Table 5. December 2023 BIL DWSRF-LSLR Example Funding Scenario^a

SWIA Sheet Appl. No.	Applicant Name	County	Project Name	Project Type	Amount of Funding Requested	Potential Principal Forgiveness	Potential Repayable Loan	Potential Unfunded
15	Valdese, Town of	Burke	Lead Service Line Inventory	Inventory Only	\$500,000	\$300,000	\$200,000	
16	Orange Water and Sewer Authority	Orange	LCRR Inventory Field Verifications	Inventory Only	\$1,000,000	\$0	\$1,000,000	
17	Maiden, Town of	Catawba	Lead Service Line Inventory	Inventory Only	\$500,000	\$0	\$500,000	
18	Asheboro, City of	Randolph	Asheboro LSLR Inventory project	Inventory Only	\$1,000,000	\$0	\$1,000,000	
Totals for Lead Service Line Replacement Applications in Funding Scenario						\$8,047,350	\$5,115,400	

^a All December awards from the BIL DWSRF-LSLR Funds are contingent on the Division's receipt of the LSLR Funds from the USEPA.

^b Reconsideration. Previously awarded \$2,000,000.

^c Reconsideration. Previously awarded \$1,000,000.

Agenda Item E-1. Complete and Eligible Lead Service Line Replacement Applications: Preliminary Funding Scenario

Application Number	Application Number	Application Number	Application Number	Application Number	Application Number	Application Number	Application Number	Application Number	Application Number	Application Number	Application Number	Application Number	Application Number	Application Number	Application Number	Application Number	Application Number	Application Number	Application Number	Application Number
1	Elm City, Town of	X	Wilson	Elm City - LSLR Inventory	Inventory	Mack Gay Associates, PA	35	10	0	25	\$942,000	\$0	100%	100%	\$942,000	\$0	\$942,000	\$0		
2	Hobgood, Town of	X	Halifax	Hobgood-Lead Service Line Inventory	Inventory	Mack Gay Associates, PA	33	10	0	23	\$521,000	\$0	75%	95%	\$494,950	\$26,050	\$521,000	\$0		
3	Aqua North Carolina, Inc		Multiple	DAC LSL Inventory - Phase 1	Inventory	WK Dickson & Co., Inc.	31	10	0	21	\$1,602,180	\$0	50%	70%	\$500,000	\$500,000	\$1,000,000	\$602,180	Award capped at \$1,000,000	
4	Nashville, Town of		Nash	Nashville-Lead Service Line Inventory	Inventory	Mack Gay Associates, PA	31	10	0	21	\$892,500	\$0	50%	70%	\$624,750	\$267,750	\$892,500	\$0		
5	Norwood, Town of	X	Stanly	Norwood LSL Locate & Replacement Project	Find And Replace	Chambers Engineering PA	29	15	0	14	\$2,000,000	\$0	100%	100%	\$2,000,000	\$0	\$2,000,000	\$0		
6	Williamston, Town of	X	Martin	Lead Service Line Inventory	Inventory	Rivers & Associates, Inc.	29	10	0	19	\$490,000	\$0	75%	95%	\$465,500	\$24,500	\$490,000	\$0		
7	Woodland, Town of		Northampton	Woodland Lead Service Lines Inventory	Inventory	Rivers & Associates, Inc.	29	10	0	19	\$200,000	\$75,000	50%	70%	\$140,000	\$60,000	\$200,000	\$0		
8	Newton, City of		Catawba	Lead and Copper Service Replacement	Find & Replace	The Wooten Company	28	15	0	13	\$3,998,000	\$0	50%	70%	\$1,398,600	\$599,400	\$1,998,000	\$0	Reconsideration - Previously funded as project #SRF-D-LSL-0007 \$2,000,000	
9	Aqua North Carolina, Inc		Fayetteville Region	AQUA Statewide Lead Service Line Inventory	Inventory	Environmental Resources Management, NC. (ERM)	27	10	0	17	\$1,603,300	\$0	50%	60%	\$361,980	\$241,320	\$603,300	\$0	Reconsideration - Previously funded as project SRF-D-LSL-0010 \$1,000,000	
10	Hookerton, Town of	X	Greene	Hookerton - Lead Service Line Inventory	Inventory	Mack Gay Associates	27	10	0	17	\$420,000	\$0	50%	60%	\$252,000	\$168,000	\$420,000	\$0		
11	Rose Hill, Town of		Duplin	Lead Service Line Inventory	Inventory	McGill Associates	27	10	0	17	\$200,000	\$0	50%	60%	\$120,000	\$80,000	\$200,000	\$0		
12	Snow Hill, Town of	X	Greene	Lead Line Investigation Study	Inventory	Green Engineering, PLLC	25	10	0	15	\$482,000	\$0	50%	60%	\$289,200	\$192,800	\$482,000	\$0		
13	Burgaw, Town of		Pender	Burgaw Service Line Inventory with 120Wa	Inventory	Town of Burgaw	23	10	0	13	\$53,950	\$13,488	50%	60%	\$32,370	\$21,580	\$53,950	\$0		
14	Burnsville, Town of		Yancey	Burnsville Lead Service Line Inventory	Inventory	High Country Council of Governments	23	10	0	13	\$360,000	\$0	25%	35%	\$126,000	\$234,000	\$360,000	\$0		
not included	Roseboro, Town of		Sampson	The Town of Roseboro's Lead and Copper Service Assessment	Inventory	The Wooten Company	23	10	0	13	\$100,000	\$100,000	50%	60%	\$0	\$0	\$0	\$100,000	Reconsideration - Bypassed: insufficient PF eligibility to meet requested PF amount	
not included	Elizabethtown, Town of	X	Bladen	Elizabethtown Service Line Inventory	Inventory	E.L. Robinson Engineering	21	10	0	11	\$278,920	\$278,920	50%	60%	\$0	\$0	\$0	\$278,920	Bypassed: insufficient PF eligibility to meet requested PF amount	
15	Valdese, Town of		Burke	Lead Service Line Inventory	Inventory	McGill Associates, P.A.	19	10	0	9	\$500,000	\$0	50%	60%	\$300,000	\$200,000	\$500,000	\$0		
16	Orange Water and Sewer Authority		Orange	LCRR Inventory Field Verifications	Inventory	CDM Smith	18	10	0	8	\$1,000,000	\$0	0%	0%	\$0	\$1,000,000	\$1,000,000	\$0		
17	Maiden, Town of		Catawba	Lead Service Line Inventory	Inventory	McGill Associates	14	10	0	4	\$500,000	\$0	0%	0%	\$0	\$500,000	\$500,000	\$0		
18	Asheboro, City of		Randolph	Asheboro LSLR Inventory Project	Inventory	Freese & Nichols, Inc.	13	10	0	3	\$1,000,000	\$0	0%	0%	\$0	\$1,000,000	\$1,000,000	\$0		

Ineligible or Incomplete Applications

Application Number	Applicant Name	Designated Distressed	County	Project Name	Project Type	Engineer	Priority Points	Project Purpose	Project Benefit	Affordability	Funds Requested	Minimal PF Required	Verified %PF	Notes						
0	Conover, City of		Catawba	Lead Service Line Inventory	Inventory		12	10	0	2	\$500,000	\$0	50%	Ineligible - Date of adoption on resolution different than on certification						
	Harnett County		Haywood	Harnett County LCRR Compliance Program	Inventory		0	0	0	0	\$1,000,000	\$600,000	50%	Ineligible - Application not signed						
	Jason Water Corporation		Greene	Lead Line Investigation Study	Inventory		0	0	0	0	\$0	\$0	0%	Application material is for the Snow Hill Project in funding consideration.						
	Jefferson, Town of		Ashe	Town of Jefferson LSL Find and Replace	Find And Replace		0	0	0	0	\$1,809,047	\$0	50%	Ineligible - Project in resolution does not include replacement						
	Wadesboro, Town of		Anson	Lead Service Line Inventory & Replace	Find And Replace		0	0	0	0	\$1,997,000	\$1,997,000	50%	Ineligible - Resolution certified prior to adoption of resolution.						