

North Carolina Department of Environmental Quality

FY2023 Program Round – Fall 2023

CDBG-Infrastructure (CDBG-I)

Priority Rating System Guidance and Form for

Division of Water Infrastructure



This guidance aids the Applicant in understanding and implementing the Priority Rating System for the Community Development Block Grant – Infrastructure (CDBG-I) Fund program. **Use this guidance only for projects seeking funding through this program.** The Priority Rating System for the Clean Water State Revolving Fund (CWSRF), Drinking Water State Revolving Fund (DWSRF), State Wastewater Reserve (SWWR), and State Drinking Water Reserve (SDWR) is a separate guidance document.

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## SECTION 1 – BASIC INFORMATION

### 1.1 Total Funding Available

Approximately **\$18 million** will be available for the **FY2023** CDBG-I funding round.

### 1.2 Eligibility for Funding

The CDBG-I Fund Program is designed to help a non-entitlement municipality or county to create healthy living environments through financing public water and sewer infrastructure; and mitigate public and environmental health problems in areas where the percentage of low-to-moderate (LMI) income persons is at least 51% LMI. Thus, each project must meet the national objective of benefiting low-to-moderate income persons (at least 51%) to be eligible for funding.

**All municipalities and counties (Units of General Local Government (UGLG) are eligible to receive State CDBG funds except for entitlement communities and counties.**

- **Entitlement communities receive funds directly from HUD. North Carolina's 24 entitlement municipalities are: Asheville, Burlington, Cary, Chapel Hill, Charlotte, Concord, Durham, Fayetteville, Gastonia, Goldsboro, Greensboro, Greenville, Hickory, High Point, Jacksonville, Kannapolis, Lenoir, Morganton, New Bern, Raleigh, Rocky Mount, Salisbury, Wilmington, and Winston-Salem.**
- **Entitlement counties receive funds directly from HUD. In North Carolina all counties are eligible to receive State CDBG funds except Mecklenburg County, Wake County, Union, and Cumberland County, which have been designated by HUD as urban entitlement counties. As entitlement counties, neither the counties nor their municipalities are eligible for Small Cities funding, except for the towns of Holly Springs and Linden.**

**Eligible UGLG may submit applications to undertake eligible activities within their jurisdictions. The jurisdiction may be the corporate limits of the municipality, its extraterritorial jurisdiction (ETJ) or areas outside of the extraterritorial jurisdiction, depending on project activities.**

- **The CDBG-I program will measure an applicant's capacity to adequately implement and administer a CDBG program. Staff will review progress on CDBG programs currently underway in the locality and will consider all unresolved audit and monitoring findings on active CDBG grants in determining capacity to handle another CDBG grant.**

Single purpose units of government (i.e., water/sewer authorities) must work with UGLG on projects as a subrecipient. If a local government is served by a single purpose unit of government, they may apply for a grant to replace, repair, or up-grade or extend infrastructure owned by a single purpose unit of government.

### **1.3 Award Amounts, Match Requirements, and Grant Period**

The maximum CDBG-I award per applicant is \$3 million every three years (three-year period starts at SWIA award date). There is no minimum grant amount. There is not a matching fund requirement. All awarded applicants are held to a 36-40-month grant period to start and complete the project.

### **1.4 Pre-Award and Administration Costs**

NCDEQ will allow reimbursement of pre-award application preparation expenses may be reimbursed to awarded applicants. If awarded, the UGLG may request the use of a small portion of their grant administration funds to pay for their grant application preparation expenses. Awarded grantees may receive up to \$3,000 for grant application preparation expenses if they use census data to determine LMI and up to \$5,000 for grant application preparation expenses if they conduct an income survey to determine LMI. Costs incurred for CDBG-I grant application preparation are eligible for reimbursement only to successful applicants and when procurement of grant preparer/writer is done via a RFP according to the CDBG-I Program Procurement Policy procedures.

Pre-award and planning expenses are part of the total administration funds available for each grant. Total administration funds are limited to 10% of the awarded grant total.

### **1.5 Water/Sewer Tap and Connection Fees (“Access Fees”)**

The use of CDBG funds to pay access fees on behalf of LMI residents to tap/connect into public water and sewer lines is generally eligible under the provisions of §570.200(c), Special assessments under the CDBG program. CDBG funds may not be used to connect nonLMI residential, non-residential, or vacant units.

The definition of a special assessment in the regulations is "the recovery of the capital costs of a public improvement, such as streets, water or sewer lines..." This access fee is a one-time charge made as a condition of access to the public improvement. This section of the regulations state that if CDBG funds are used to pay such fees for LMI residents, the existing public improvement becomes an assisted activity which must have been built in compliance with all applicable CDBG requirements for assisted activities, including environmental, citizen participation, and Davis-Bacon requirements.

Therefore, CDBG funds may be used to pay water/sewer tap and/or connection costs only under limited circumstances if:

- The public improvement itself is being funded in whole with CDBG funds and thus meets a national objective and is fully compliant with all CDBG Program requirements. In this case, the grantee can only assess persons who are not LMI.

To ensure that LMI households receive the benefits of connecting to a public water or sewer system, the connection must be provided to LMI households at no cost to the LMI household as a direct beneficiary. CDBG funds may only be used for:

- Reasonable hookup or connection fee to connect to the public line (if the above is met for the public improvements),
- Service connection (private lateral) and appurtenances for the private property,
- Use of special equipment such as grinder pumps or vacuum pits to transport residential wastewater to the existing sewer lines, and
- Removal and/or crushing septic tanks or cap wells, as required by the health department.

**If the Project Application Budget included these types of fees, there must be evidence of meeting the federal and state statutes and regulations for a CDBG grant to pay the fees.**

For rental units occupied by LMI tenants, the investor (rental property owners), if above income, should pay for any connection, tap fee. However, CDBG funds may pay these costs if the rental property owner enters into an affordable rent agreement to maintain affordable rents and rent to LMI households for a reasonable period (one year after date of “closed pending final audit” letter for the project issued).

In the event the connection costs involve a mobile and/or manufactured home park, an affordable rent agreement and a no change of use statement (shall apply from the date of CDBG funds are first spent for the property until five years after final close-out of the grant from which assistance to the property was provided) must be obtained from the mobile home park owner prior to the provision of the assistance.

According to HUD, impact and/or capacity fees differ from special assessments in that they do not purport to be recovering the cost of a particular public improvement that benefits the assessed property, which is a defining feature of assessments. Nor do these fees usually represent a one-time charge for attaining access to a particular public improvement, another defining feature of special assessments in the CDBG program. Therefore, these fees are not eligible to be paid with CDBG funds, partly because they are providing funds for future, undefined public improvements and there is no way of telling whether the use of those CDBG funds would be for an improvement that would meet a national objective of the program. Thus, **impact or capacity fees for LMI residences to public water and sewer must be waived or paid with non-CDBG funds.**

#### **1.6 Income Surveys and Low-to-Moderate Income Information:**

To determine the Low-to-Moderate Income for the project area:

- **See the most current *Appendix A: Determining the LMI Percentage, for information on conducting various methods of income surveys.***
- Households on properties receiving a new direct benefit (a new connection) must be surveyed, with income verification of each direct beneficiary household required within 12 months of receiving the benefit.
- **If a project has multiple project areas, the U.S. Department of Housing and Urban Development (HUD) mandates that each project area must contain a population that is at least 51% low-to-moderate income to be eligible for CDBG funds.**

#### **1.7 Floodway Information:**

In the past, under HUD’s regulations and guidance for the CDBG program pursuant to 24 CFR 55.1(c) and 55 Subpart B, funding for projects (new, repair/rehab, or replacement – no ground disturbance is allowed) located within a floodway area or a coastal high hazard area (V Zone) was strictly prohibited. However, horizontal construction is now allowed in floodways; vertical construction is not allowed.

The construction, installation, or repair of linear infrastructure located entirely below ground level or entirely above base flood elevation may comply with 24 CFR Part 55. Underground pipelines may pass under a floodway if installed by construction technology such as directional drilling or any other technology that would not disturb the stream or floodway. Aboveground lines may pass over a floodway by being attached to an existing bridge or supported by existing construction spanning the channel such as a utility bridge, pipeline bridges, or pipe racks, as long as the pipeline is entirely above base flood level within the horizontal limits of the floodway, and there are no new supports for the bridge, such as pillars, posts, or bents, within the floodway.

HUD financial assistance may not be used to install an aboveground pipeline if any part of the pipeline would be located below base flood elevation at any point within the floodway or if the installation of the pipeline would require construction or installation of any supporting structures within the floodway. In addition, manhole repairs or replacement within a floodway will not receive assistance.

- If the project is awarded, the 8- Step Process must be followed to comply with 24 CFR Part 55.20, as well as the additional questions/information described in **HUD Notice CPD -17-013, pages 3 – 5**. Document your efforts to comply with the additional questions.
- For more information regarding the FRIS and Digital Flood Maps, please go to the [North Carolina Floodplain Mapping Program website](#).
- **Submit a flood map that clearly show that the proposed project site is not located within the regulatory floodway or V Zone by adding delineation of the project boundary** (hand drawn is acceptable) onto the downloaded flood map. Any proposed pipelines that include floodway crossing shall be hung under a bridge or directionally bored and noted as such on the map. **Insert this flood map in Tab 8.**

### **1.8 Build America, Buy America Act (BABA)**

Enacted in the Infrastructure Investment and Jobs Act, establishes the Buy America Preference (BAP). All iron, steel, manufactured products, and construction materials used in covered infrastructure projects must be produced in the United States. This applies to all expenditures by a federal agency (HUD) to a non-federal entity (State of North Carolina) for an infrastructure project, including construction, alteration, maintenance, or repair. All CDBG-I projects fall under compliance with BABA since CDBG is a federal grant that will fund utilities, water systems (drinking water and wastewater).

HUD Construction Materials Groups:

- Iron and Steel – include materials that are primarily composed of iron or steel.
- Specifically Listed Construction Materials include metals other than iron and steel (non-ferrous metals), plastic and polymer-based PCV pipe and tube (e.g., PVC pipe), lumber, and composite building materials. Does not include cement and aggregates (stone, sand, gravel).
- All Other Construction Materials include glass, drywall, and other construction materials.
- Manufactured Products. A definition is forthcoming pending a proposed Office of Management and Budget (OMB) rulemaking.

**Proposed HUD BABA rollout is a phased implementation. For this round of applications, Iron and Steel requirements will apply to projects awarded with FY2023 CDBG-I funds.** Going forward, Specifically Listed Construction Materials requirements will be added to FY2024 CDBG-I funds, and All Other Construction Materials and Manufactured Products requirements will be added to FY2025 CDBG-I funds.

BABA requirements flow with CDBG-I funding down to local governments (grant recipients) and contractors.

### **1.9 Local Government Roles and Responsibilities:**

The UGLG’s role and responsibilities are briefly summarized below and are outlined in 24 CFR Part 570 Subpart I, State Community Development Block Grant Program. As the applicant, the UGLG is responsible to ensure the following:

- Management and Oversight: The elected officials and authorized representative(s) are legally, financially, contractually, and programmatically responsible for the CDBG-I project and all third-

party contractors (e.g., grant administrator, project engineer, construction contractor(s), etc.). procuring and contracting with a third-party does not remove the responsibility of meeting the program requirements and milestones outlined in the grant agreement. The local government is responsible to the State of North Carolina and the Federal government in ensuring implementing the activities funded even if they have a grant administrator or a sub-recipient relationship with a single purpose unit of government.

- **Financial Management:** The local government and its staff must ensure proper accounting of all funds in the projects. This includes accurate identification of project costs, project balances, proper internal controls, inclusion of grant funds in annual audits, and timely expenditure of funds.
- **Statement of Assurances and Certifications:** The elected officials and/or authorized representative(s) should read and understand fully all documents related to this program and the implementation obligations.
- **Continuous Communication:** The local government must ensure continuous communication amongst all parties involved in the CDBG-I funded project (e.g., grant administrator, project engineer, CDBG-I staff, etc.).
- **Grant Agreement/Contract:** If awarded, the local government will receive a grant agreement and funding approval from the NCDEQ. These documents are contractually binding and cannot be changed without NCDEQ approval.
- **Training:** If awarded, the local government must attend mandatory training, which is discussed in section 1.9 below.

### **1.10 Mandatory Trainings:**

If awarded, local governments will be required to attend the following mandatory training workshops.

- **Procurement Training:** Procurement training is required once an award is made to a unit of local government. The mayor, manager, or administrator (authorized representatives and local compliance officer) are required to attend this virtual two-hour training. The training covers all the requirements for compliance with procurement of grant administrators and project engineers. This training assures that the local government authorities are aware of their responsibilities under the CDBG program, and that the local authorities understand the different procurement methods for these services. Training is free and conducted by the CDBG-I Unit Compliance Specialist.
- **Compliance Training:** Compliance training is required once an award is made to a unit of general local government. The mayor, manager, or administrator (authorized representatives and local compliance officer) are required to attend this day-long, in-person training. The training covers all the requirements for compliance to: Financial Management, Title VI Civil Rights Act, the Fair Housing Act, Equal Employment and Procurement, Section 3, Citizen Participation, Section 504, Language Access Plan, the Anti-Displacement and Relocation Assistance, Labor Standards and Related Act, and Performance and Recordkeeping.
  - This training assures that the local government authorities are aware of their responsibilities under the CDBG program, and that the local authorities understand the plans they are required to adopt for compliance. Training is free and conducted by the CDBG-I Unit Compliance Specialist. For the local government employees attending, travel costs (mileage) may be reimbursed from the grant's administrative funds; the local government per diem rates apply. Provide a copy of the local government per diem rates (Cost Allocation Plan) with the first financial requisition package.

- **Environmental Report Training:** Each local government must designate a *Responsible Entity* who will review and sign off on the environmental report. The designated responsible entity and the person who will prepare the environmental report must attend this half-day, in-person training. This training assures the proper report is prepared, and that the responsible entity understands what they are signing when the report is complete. Training is free and conducted by CDBG-I Unit Compliance Specialist. Travel costs (mileage) may be reimbursed from the grant’s administrative funds using the local government’s per diem rates apply. Provide a copy of the local government per diem rates (Cost Allocation Plan) with the first financial requisition package.
  - **The unit of local government’s responsible entity must be in a management position in the local government and must be able and willing to sign the environmental documents. It does NOT have to be the chief elected official.** *If the wrong person (i.e., anyone other than the designated responsible entity) signs your environmental document, construction may be delayed by four to six weeks.*

### **1.11 Procurement of Engineers and Grant Administrators:**

Per 2 Part 200.101(d)(1): “Except for 200.202 *Requirement to provide public notice of Federal financial assistance programs* and part 200.330 *Subrecipient and contractor determinations* through 200.332 *Fixed amount subawards* of Subpart D – *Post Federal Award Requirements* of this part, the requirements in Subpart C- *Pre-Federal Award Requirements and Contents of Federal Awards*, part and Subpart E – *Cost Principles* of this part do not apply to the following programs: (1) ...States’ Program of Community Development Block Grant Awards for Small Cities...”.

The Division of Water Infrastructure’s CDBG-Infrastructure Program has developed such a procurement policy, which combines the most stringent of requirements, state or federal into one procurement policy. The most recent version of the procurement policy may be found on the Division Website, under [CDBG-I Compliance and Reporting Information](#).

State and CDBG-I grant recipients are responsible for ensuring goods and services are procured competitively and in accordance with established rules and regulations. If a portion of a project activity is paid with local funds, or with any other State or federal loan and grant funds, the procurement process must still follow these regulations.

**What does this mean?** Firms that assist with CDBG-I application preparation DO NOT need to be procured prior to application submission to be eligible to submit qualification and/or proposals to do the work if applicant is awarded a CDBG-I grant.

- **Grant administrators** – The procurement of grant administrators occurs after an award is made, using the **Request for Proposal (RFP)** process. Refer to the on-line guidance on professional procurement requirements for steps in this process, for templates of “Request for Proposals”, and for a list of documents you are required to maintain in the procurement file for procuring a grant administrator. The contract for the grant administrator **cannot** be signed until you have a fully executed contract with the NC Department of Environmental Quality.
  - Under 2 C.F.R. §200.318(e), UGLGs may enter into intergovernmental agreements or inter-entity agreements where appropriate to foster greater economy and efficiency to promote cost-effective use of common or shared goods and services. Thus, UGLGs wanting to contract for grant preparation and/or grant administration with a regional or metropolitan planning commission (RPC/MPC) or councils of government (COG) may do so without regard to the federal procurement regulations provided that such services are billed on an actual cost basis. The primary function of RPC/MPCs and COGs is to provide assistance to units of

local government, under the direct supervision and control of elected officials from the local units of government served. The public purpose served by the RPC/MPCs and COGs, combined with their local control, tends to provide protection equal to those contemplated by the provisions of Subpart 318. However, nothing prevents any recipient from complying with the federal provisions when procuring grant preparation and/or administrative services if the recipient deems compliance to be equitable and in the best interest of the program.

- **Engineers** – The procurement of engineers occurs after an award is made, using the **Request for Qualifications (RFQ) process**. Refer to the on-line guidance on professional procurement requirements for steps in this process, for templates of “Request for Qualifications”, and for a list of documents you are required to maintain in the procurement file for procuring an engineering firm. The contract for the engineering firm **cannot** be signed until you have a fully executed contract with the NC Department of Environmental Quality.
- **Contracts** – We recommend the award to of grant administrator and engineering contracts are split into separate contracts for the different phases of the project: 1) a contract for the planning phase; 2) another contract for the remaining work once Release of Funds (Environmental Condition) is met.

### **1.12 CDBG-I Application Submittal Requirements:**

1. A signed and adopted Resolution to Apply to the CDBG-I Fund program must be submitted behind Tab 1.
2. The *Division Funding Application*, a completed *Priority Rating System Interactive Scorecard*, and the completed/signed/dated *Commitment of Other Funds Form* must be submitted behind Tab 2. **The budget in the Division Application must be sealed and dated by a professional engineer.** To claim points for a particular line item, mark “X” on the interactive scorecard.
  - **Combined Water and Sewer Applications**  
In cases where a single application includes both drinking water and wastewater work in the same footprint, staff will review the application and assign the lowest scoring Project Purpose. Each activity (water or sewer) must provide separate scorecards, budgets, and support documentation; in addition to a total budget combining all project types. For these projects, water and sewer line rehabilitation must be on the same street for the application to receive the “same footprint” points. This means existing water and sewer lines that are in the same street, and that need rehabilitation. The benefit accrues when the street is only dug up one time, instead of multiple times. “In the same footprint” does not mean on parallel streets. It does not mean in the same project area. “In the same footprint” does not apply to new construction.
  - **Multiple Applications (outside of Combined Water and Sewer Applications)**  
Multiple applications from one local government are allowed; however, if one of the applications scores within funding range, the local government cannot request switching it with a lower scoring application. If more than one application scores within funding range, the highest scoring application will be recommended for funding.
3. **Low- to -Moderate Income Documentation.**
  - Applicants **MUST** include their survey methodology, surveys, and the survey summary tabulation sheet, or census data, if used, behind Tab 3.
  - Refer to **Appendix A: Determining LMI Percentages** for additional information and requirements for Tab 3.

- Include a map of the project area behind Tab 3 that is:
  - At a readable scale;
  - With geographic coordinates;
  - Boundaries clearly marked;
  - If a subarea of a town or county, street names must be clearly visible;
  - All surveyed housing units, vacant, and non-responses marked; and
  - If there are direct beneficiaries, indicate houses with street numbers.
- **Applications without the above LMI documentation will be marked as ineligible.**

4. **A Priority Rating System narrative, along with supporting documentation as required by this guidance must be submitted behind Tabs 4 through 7.**

- These narratives are a **REQUIRED** part of the application.
- Follow the outline below; the categories correspond to the categories in the Rating System point sheet form.
- Address every applicable, claimed, line item.
- Please use the follow the table when assembling your hardcopy application.
- Your electronic upload documents should be clearly label for reviewers to find specific information.

CDBG-I Priority Rating System Application Assembly		
	Resolution to Apply	Tab 1
	Divisional Application with Sealed Budget, Interactive Scorecard, Commitment of Other Funds	Tab 2
	Low- to – Moderate Income Documentation (Methodology, Surveys, ACS, Summary Tabulation Spreadsheet, etc.) and Map of Project Area	Tab 3
<b>PRS Category I</b>	Project Purpose – Required Narratives, Documentation, and Maps	Tab 4
<b>PRS Category II</b>	Project Benefit – Required Narratives, Documentation, and Maps	Tab 5
<b>PRS Category III</b>	System Management – Required Narratives, Documentation, and Maps	Tab 6
<b>PRS Category IV</b>	Financial Situation – Required Narratives, Documentation, and Maps	Tab 7
	CDBG-Infrastructure Federal Compliance Documents	Tab 8

- The required narratives must be consistent with information in the Division of Water Infrastructure Application for Funding (DWI Application), CDBG-I Appendices A, B, and C, Financial Information Form, certified rates, and other supporting information.
- The required narratives must be complete to provide for accurate rating and concise such that critical information is not lost in unnecessary text. Text must include measurable outputs from the proposed project (e.g., feet of line rehabilitated, number of homes connected to sewer service, number of gallons of water recovered). The text should only provide information related to this Priority Rating System (e.g., do not describe other benefits that are not included in the Priority Rating System).



- The proposed project must serve the entire project area. The LMI percentage must represent the entire project area. If a project has multiple project areas, each project area must meet the national objective of 51% LMI. The project area should be described using streets, roads, natural topographic features, etc. A map is required of the project area, with the project area boundaries clearly labeled and marked. See **Appendix A: Determining LMI Percentages of the Project Area**.
  - If the required narrative varies in terms of linear feet of pipe (“approximately” is your friend) or other parameters, if the project area is not clearly delineated, if the street names are not included in the project description, the application may be disqualified due to inadequate detail regarding the project and/or a new public hearing will be required.
    - The project description for each application must be specific for all major components of water and or sewer items. For example, 1) the proposed project will replace approx. 3000 LF of 6 and 8” gravity sewer, 42 manholes, and 110 existing service laterals in the public ROW of Smith Street and Sundown Street; 2) The proposed project will replace 6,500 LF of 6” water lines, 20 fire hydrants, valves, 100 existing service laterals, 100 meters along Brown Avenue, Smith Street, and Maple Drive. Incidentals, such as backfill, rock, asphalt patching, etc., to the main construction items do not need to be spelled out in the project description, just the budget.
    - The project description for each application must be detailed with the specific of the work to be done and where said work will occur, so reviewers can easily find work areas without a map.
      - If proposed work will occur on a street or within a right-of-way, the street name must be listed and include identifiable landmarks, such as from intersection of x and z to intersection to x and y.
      - If proposed work will occur “off-road”, or outside of the right-of-way, a clear narrative description of this work location is needed. For instance, give a reference point where proposed work leaves the public ROW, a general direction, and a reference point where it goes back to a ROW. (e.g., “... improvements down Alpha St from intersection of Bravo and Alpha to intersection of Charlie and Alpha, then leaving Alpha ROW in a southeasterly direction in a recorded easement to the ROW of Delta Street, then continuing in the Delta ROW to...”).
  - The required description must match the description in the public hearing; your project name must match the project name on the application; any support documentation and the project name in the CIP. Make sure your project description matches the project map. If any of these documents fail to match, we will take the description from the public hearing.
  - If there are primary and alternative scopes of work within the project area, label the primary and alternative scope of work clearly throughout the application and in the public hearing.
  - If there are no applicable points in any given category, state that there are no applicable points under that heading.
  - When the narrative is supported with additional documentation, please reference a page number, section number, or other clear reference to the page location to aid staff in finding the specific part of the supporting documentation relevant to each line item in the narrative.
5. Maps are required to document the project area. Maps must include sufficient labels of geographical reference and be at a readable scale. Individual line items may require specific maps

as listed in the guidance; therefore, refer to additional instructions on mapping under the individual line items and include with the supporting documentation.

6. A public hearing must be held within the same calendar year as the grant application. If resubmitting an application, a new funding application, and a new public hearing must be held if the last public hearing was not in the same calendar year as the new application or if project and/or project area has changed.
  - The public hearing must discuss the CDBG program, as well as the specific project. See **Appendix B: Public Hearings** for guidance on the components of the public hearing, for noticing requirements, and a template for the public hearing. Place all public hearing information behind Tab 8.
7. CDBG-Infrastructure Compliance Documents must be inserted behind Tab 8. A list of the Compliance Documents to be submitted can be found under Section 2 of this guidance.

## SECTION 2 CDBG-INFRASTRUCTURE COMPLIANCE DOCUMENTS

The CDBG-Infrastructure compliance documents are inserted behind Tab 8. You may find the [under CDBG-I Additional Forms on the Application Forms and Additional Resource page of Division website](#). All documents must be signed in the same calendar year of application deadline. **The compliance documents that MUST be submitted in an application, to avoid being ineligible and/or incomplete, include:**

### **2.1 Citizen Participation Requirement:**

All local governments, to apply for CDBG assistance, must complete and document a citizen participations process that complies with the CDBG-I Fund Program and Citizen Participation Plan. The local government must show that all citizens were provided and encouraged to participate in the application phase public hearing.

This public hearing is to obtain citizens' comments on community development and housing needs, proposed activities to be carried out, including the total cost of the activities prior to its submission to NCDEQ. The public hearing information can be found in **Appendix B: Public Hearings**. The timing of the public hearing notice must follow CDBG regulatory requirements, notice of advertisement of the public hearing must **be published at least once in the non-legal section of a newspaper having general circulation in the area. The notice must be published at least ten (10) days prior to the public hearing (not including the day of the hearing) but no more than twenty-five (25) days prior to the public hearing.**

#### **Must include in application to be eligible:**

- An **CERTIFIED copy** of the public hearing meeting minutes, covering all required items outlined in **Appendix B: Public Hearings**.
  - NOTE: Public Hearing must be held in the same calendar year as the grant application deadline.
- A copy of the advertisement of the public hearing, and an affidavit of publication of the advertisement from a local newspaper OR a tear sheet from the newspaper showing the advertisement for public hearing/meeting and the date of the notice, as well as an enlargement of the advertisement.

### **2.2 Compliance Statements of Assurances and Certifications:**

The local government is responsible for conformity with all Federal and State regulations governing the CDBG program. CDBG-I Fund Program applicants must comply with federal regulations and certify that, if funded, they will comply with all applicable laws and requirements of the CDBG-I grant.

If a local government is reapplying to the CDBG-I program, new statements of assurances and certifications are required.

**Must include in application to be eligible:**

- *The Local Government Certification of Understanding of the Roles and Responsibilities Under the HUD State Community Development Block Grant Program.*
  - Signed and dated by the chief elected official or Authorized Representative (AR).
- *Certification Regarding Debarment, Suspension, and Other Responsibility Matters.*
  - Signed and dated by the chief elected official or AR.
- *The Conflict-of-Interest Certification.*
  - Signed and dated by the chief elected official.
- *Federal Performance and Procurement Requirements Certification.*
  - Signed and dated by the chief elected official AR.
- *Disclosure of Other Federal Income and Any Financial Interest by Persons Involved with the Project.*
  - Read the disclosure report instructions fill out and have the chief elected official or AR sign and date the disclosure form.

**2.3 HUD Required Forms:**

All applicants must complete and submit the required HUD forms mentioned below. Failure to complete these forms or completely them incorrectly will delay the issuance of grant agreements, if awarded. See **Appendix C: HUD Forms Instructions** for more information and instructions.

**Must include in application to be complete:**

- ***Economic Need - Infrastructure National Objective Form.***
  - Fill out applicable sections completely.
- ***Project Source and Use form***
  - Fill out completely with all funds involved in project.
- ***IDIS Accomplishments and Beneficiaries Forms***
  - Fill out completely for all activities in the project [i.e., water improvements, sewer improvements, housing rehabilitation (connections) – water, housing rehabilitation (connections) – sewer].
  - Complete two (2) IDIS forms if you are connecting homes to public utilities for the first time.

**2.4 SAM.Gov Documentation:**

All applicants MUST provide a screen shot of their Unique Identifier Number (UIN), from sam.gov, at time of application and registration status MUST be Active, without exclusions to be awarded a federal CDBG grant. **Without evidence of an active SAM registration, the application is ineligible to receive HUD funds and will be disqualified.**

### **Must include in application to be eligible for federal funds:**

- All applicants MUST have an active registration in SAM and a UIN to do business with the Federal Government. Units of General Local Government (UGLG) must be registered at SAM.gov.
- Active registration in SAM is required to apply for funding and it must remain active to be awarded and throughout life of grant.
- NCDEQ is required by HUD to check UGLG grantees' debarment/exclusion status in the federal SAM database and place a record on file. Applicants can use this site ([sam.gov](http://sam.gov)) for FREE to: Register to do business with the U.S. government, update or renew your entity registration, check status of an entity registration, and search for entity registration and exclusion records.

### **2.5 Applicant's Capacity:**

All applicants **MUST INCLUDE, on local government letterhead, the following information to be considered complete.**

- Who will oversee the program, if awarded. Who are the local government staff members and whether professional services will be procured.
  - Who will coordinate project components, describe who will coordinate the project components, who will be responsible for the oversight and assurance that all milestones will be met, all funds managed and recorded correctly, etc.
- Past CDBG experience (DEQ and/or Commerce)
- An understanding that if awarded, local government staff will attend all mandatory trainings and meetings.

### **2.6 Applicant's Audit:**

All applicants **MUST submit a letter or email** from the Local Government Commission (LGC) stating that the local government has submitted the last fiscal year (FY2022) audit to the LGC. **NO APPLICATIONS WILL BE CONSIDERED FOR FUNDING THAT DOES NOT MEET THE AUDIT REQUIREMENT.**

### **2.7 Floodplain / Floodway Map**

All applicants **MUST provide a floodplain/floodway map that clearly show that the proposed project site is not located within the regulatory floodway or V Zone by adding delineation of the project boundary** (hand drawn is acceptable) onto the flood map. Any proposed infrastructure lines that include floodway crossing shall be hung under a bridge or directionally bored and noted as such on the map.

### **2.8 Application Submissions**

All applications must be uploaded through the Division's Online Application for Funding Submittal portal by 5:00 pm on **Monday, October 2, 2023**. The uploaded application will be the official application.

An original hardcopy of the application must also be received by Monday, **October 2, 2023**, at 5:00 pm. Both the digital and hardcopy must be complete. No additional or new items can be added to the hardcopy. The original hardcopy must be bound in a three-ring binder and labeled as such with applicant's name, and application date. The "original" application must have original signatures (except for income surveys).

#### **Delivery Service (UPS, FedEx, etc.) for Hardcopy:**

NCDEQ Division of Water Infrastructure  
C/O CDBG-I Program Unit  
Archdale Building, 8<sup>th</sup> Floor

## SECTION 3 - CDBG-I PRIORITY RATING SYSTEM NARRATIVE GUIDANCE

### 3.1 Category 1 – Project Purpose - Max 15 points

Each application earns priority points for only one Project Purpose, if multiple purposes are claimed, points will be given for the lowest scoring purpose. **If you are unsure how to classify the application, please contact the Division of Water Infrastructure CDBG-I staff.**

The required project purpose narratives and documentation should be inserted behind Tab 4.

An application can earn points in Category I based on the Project Purpose as documented in this section. Although a project may serve several purposes, an application can earn points for **only one Project Purpose**.

- To earn Priority Points for a Project Purpose, all parts of the project must serve a claimed Project Purpose. **If multiple purposes are claimed and well documented, you may receive the higher scoring purpose**. If any part of project does not serve the higher-scoring Project Purpose, the application earns only the points for a lower-scoring Project Purpose that all elements of the project serve.

The project narrative must fully describe the proposed project and how it fulfills the selected Project Purpose claimed on the Rating System Form. The claimed Project Purpose must be consistent with all information provided (e.g., on the Division Application Project Description).

Although an application can earn points for only one Project Purpose (for example, Line Item 1.C), additional points for a sub-category (Line Item 1.C.1, replacing old infrastructure) may also be earned. An application cannot earn points for any other combination of Project Purposes.

#### Combined Water and Sewer Applications:

1. In cases where a single application includes both drinking water and wastewater work in the same footprint, staff will review the application and assign the lowest scoring Project Purpose. Each activity (water or sewer) must provide separate scorecards, budgets, and support documentation; in addition to a total budget combining all project types.

For these projects, water and sewer line rehabilitation must be on the same street for the application to receive the “same footprint” points. This means existing water and sewer lines that are in the same street, and that need rehabilitation. The benefit accrues when the street is only dug up one time, instead of multiple times. “In the same footprint” does not mean on parallel streets. It does not mean in the same project area. “In the same footprint” does not apply to new construction.

#### **Line Item 1.A – Consolidate a Nonviable Public Water Supply System or Wastewater Utility (15 points)**

An application earns points if the application documents that the sole purpose of the project is to consolidate a nonviable public water supply or wastewater system.

Consolidations may involve water or wastewater systems that are owned by local government units (LGUs), non-profit water/wastewater corporations, investor-owned utilities, or other types of ownership

models as long as the applicant is eligible to apply for Division funding. These points may not be earned for projects extending water or wastewater utilities to unserved areas, to replace failing wells or failing septic systems.

**LMI Eligibility: Either a survey or area-wide data may be used to document income eligibility for this type of project.**

“Nonviable” includes the following:

1. **A Failing Drinking Water System:** A failing drinking water system: In this context, *failing* means a water system that the Division of Water Resources’ (DWR) Public Water Supply (PWS) Section has determined as: 1) an unapproved public water system or a “grandfathered” public water system (i.e., a system that existed before current construction standards were established) that is not able to maintain compliance with current operational standards or maximum contaminant levels (MCL); or 2) an approved system whose source of water has become contaminated and the system owner demonstrates inability to resolve a MCL violation due to a lack of technical, financial, or managerial capacity in accordance with the Safe Drinking Water Act, Sections 1420(b)(1) and 1414(h), and NCAC 15A 18C .0300.

**Note:** If you are interested in a project to eliminate a failing system, please contact the **Regional Office** of the Public Water Supply Section of the Division of Water Resources for the county in which the project is located.

To document eligibility for such a project, the Chief of the Public Water Supply Section of the Division of Water Resources will provide a letter that does the following:

- Identifies both the failing and acquiring systems by name and by PWSID Number; and
- States that the system to be consolidated is failing.

The application must document that both the failing system and the acquiring system are willing to undertake the proposed consolidation, such as the following:

- An interlocal agreement between the two systems (a draft interlocal agreement may be accepted, but it must include the statement “We understand that failure to merge after repairs and upgrades are complete will result in repayment of all grant funds.”);
- Minutes of a joint meeting showing the acquiring system’s interest;
- A memorandum of understanding between the two systems, as long as it includes the statement “We understand that failure to merge after repairs and upgrades are complete will result in repayment of all grant funds.”
- A letter from the acquiring system stating its interest; or
- Similar documentation.

The documentation must make clear that the project will eliminate the failing system by consolidating it into the acquiring system.

2. **A Failing Wastewater System:** A failing wastewater system: In this context, failing means a system that the Division of Water Resources' (DWR) Water Quality Regional Operations Section has determined is: 1) an unapproved wastewater system or a "grandfathered" wastewater system (i.e., a system that existed before current permitting construction standards were established) that is not able to maintain compliance with current operational standards or limits; 2) an approved system who is continuously out of compliance and the system owner demonstrates an inability to resolve the violation due to a lack of technical, financial, or management capacity.

**Example Narrative for Line Item 1.A (Failing Sewer System)**

The Upside Down Subdivision sewer system is failing due to deferred maintenance and improper construction. The Upside Down Subdivision has been cited with 3 NOVs for repeated SSOs in the last 3 years. The proposed project will eliminate the Upside Down Subdivision system by consolidating it into the Town of Winden. The DWR- WQRO Section Raleigh Regional Office asked the Town of Winden to consolidate the Upside Down Subdivision system, and the Town of Winden agreed. An agreement to consolidate the Upside Down Subdivision system into the Town of Winden sewer system has been drafted. Copies of the following are included:

- Correspondence from the DWR- WQRO Section Chief stating that the Upside Down Subdivision sewer system is failing, and
- The draft agreement between the Town and the owners of the Upside Down Subdivision.

**Example Narrative for Line Item 1A. (Failing Water System)**

The Range Mobile Home Park water system (PWSID No. NC9902999) is failing due to improper construction of the waterlines resulting in frequent leaks that drain the hydropneumatic tank and shut down the system. The Range Mobile Home Park water system has lost pressure and required boil-water notices 17 times since 2008. The proposed project will eliminate the Range Mobile Home Park water system by consolidating it into the Town of Smallville system (PWSID No. NC9902998). The DWR-PWS Asheville Regional Office asked the Town of Smallville to consolidate the Range Mobile Home Park water system into the Town of Smallville water system, and the Town of Smallville agreed. An agreement to consolidate the Range Mobile Home Park water system into the Town of Smallville water system has been drafted. Copies of the following are included:

- Correspondence from the DWR-PWS stating that the Range Mobile Home Park water system is failing; and
- The draft agreement between the Town and the owners of the Range Mobile Home Park.

To document eligibility for such a project, the Chief of the Water Quality Regional Operations Section of the Division of Water Resources will provide a letter that does the following:

- Identifies both the failing and acquiring systems by name; and
- States that the system to be consolidated is failing.

The application must document that both the failing system and the acquiring system are willing to undertake the proposed consolidation, such as the following:

- An interlocal agreement between the two-system stating the intent to merge. The interlocal agreement must state that the receiving entity has the line and treatment capacity to handle the flow from the sending entity. A draft interlocal agreement may be accepted, but it must include the statement “*We understand that failure to merge after repairs and upgrades are complete will result in repayment of all grant funds*”;
- Minutes of a joint meeting showing the acquiring system’s interest;
- A MOU between the two systems;
- A letter from the acquiring system stating its interest; or
- Similar documentation.

The documentation must make clear that the project will eliminate the failing system by consolidating it into the acquiring system.

3. **Nonviable System:** A nonviable system: In this context, a *nonviable system* means a public water supply system or wastewater utility owned by a local unit of government (LGU) that the Division of Water Infrastructure has determined is nonviable, **prior to the application deadline.**

To be determined to be nonviable, the applicant and the acquiring system must meet with the Division at least 30 days before the application deadline to discuss the current situation and the proposed application.

**Note:** If you are interested in a project to consolidate a nonviable system, please contact the Division of Water Infrastructure.

The application must include documentation to show that both the nonviable system and the acquiring system are willing to undertake the proposed consolidation, such as the following:

- An interlocal agreement between the two systems (can be Draft),
- Minutes of a joint meeting showing the acquiring system’s interest,
- A MOU between the two systems,
- A letter from the acquiring system stating its interest, or
- Similar documentation.

The documentation must make clear that the project will eliminate the nonviable system by consolidating it into the acquiring system.

The application must include a resolution by the governing board of the nonviable system stating that the system is nonviable and explaining why. This resolution may use the template provided by the Division.



**Notes:** For a project that receives points under this line item:

- An application must use the benefiting (non-viable) system’s financial situation (Category 4) to calculate the points. The LMI for the benefiting system must be at least 51% LMI
- An application may claim points under Category 3 – System Management based on the policies and actions of the acquiring system.

#### **Example Narrative for Line Item 1.A (Nonviable System)**

The Town of Abandonado water system (PWSID NC1330786) is nonviable, as evidenced by the following:

- The Towns of Abandonado and Desarrollo met with the Division on 15 April 2021 to discuss the need for the project.
  - Abandonado stated it is unable to maintain the system with so few connections and showed several Unit Assistance Letters from the Local Government Commission.
  - Abandonado stated the system is nonviable;
  - Desarrollo stated its interest in acquiring the Abandonado system, once repaired.
- The Town of Abandonado passed a resolution stating that its water system is nonviable, attached as Appendix F.
- Abandonado’s CIP has identified the funding source for the water treatment plant rehab project as “successful grant application” and scheduled the project ‘next year’ for the past seven years.
  - Abandonado only applied for that grant three of those seven years.
  - Despite that capital planning, Abandonado has not been maintaining its water infrastructure, and spent no money on planned capital expenditures (only emergency repairs) in the past seven years.
- Abandonado’s Operating Ratio has not exceeded 0.95 in the past 5 years. Copies of the audit pages and calculations appear as Appendix G.
- Considering depreciation, Abandonado’s Operating Ratio has not exceeded 0.75 in the past 5 years. Copies of the audit pages and calculations appear as Appendix H.
- Attached as Appendix I is an engineer’s calculation that Town of Abandonado customers would be charged an extra \$55/month (for a total of \$110/month) to pay off a zero interest 20-year loan for this project – assuming no other capital improvements are needed.
- Other capital improvements are needed. The Town must replace most of the waterlines downtown, at approximately the same cost as this project. The combined rate impact of these two projects would triple the water rate (See Appendix J for the engineer’s calculations).

The Memorandum of Understanding between Abandonado and Desarrollo (which will take over the system after this project) is also attached as Appendix K.

#### **Line Item 1.B – Resolve Failed or Failing Infrastructure - (15 points)**

Project applications eligible for these points may include:

1. Physical extension of water or wastewater infrastructure to connect facilities with failing systems.
2. Decentralized systems to serve clusters of facilities with failing onsite water or wastewater infrastructure, that will be owned, operated, and maintained by the public utility.
3. Repair or replacement of failing onsite systems, with the public utility assuming ownership, operation, and maintenance of the systems within the service area.

**LMI Eligibility: An income survey is required to document eligibility for private failing or failed infrastructure. You may use census data for public system failing or failed infrastructure, or you may use income surveys to document LMI.**

An application earns points if the sole purpose (100% of the construction costs) of the project is to resolve failed or failing infrastructure. **Projects must only include connections or service to properties with documentation of failed or failing infrastructure.** Projects that include connections or service to properties without documentation of failed or failing infrastructure are not eligible for these points. Projects that provide connections or service to properties with documented failed or failing infrastructure that are part of a larger project seeking funds may be eligible for Category 2 Project Benefit priority points.

In this context, the definition of *Failed or Failing Infrastructure* is limited to the following cases:

1. The following wastewater systems:

- a. Failed septic systems, where the Applicant’s sewer collection system will be extended or an applicant-owned decentralized system will be installed to tie on the area where the houses with failed septic systems are located. Division of Water Resources-permitted single-family residence discharges (NCG550000) and single-family residence spray / drip irrigation systems are included in this Project Purpose, or
- b. A failed non-discharge permitted disposal area, such as a failed spray/drip irrigation field or infiltration basin, where the actual disposal capacity is less than what is currently permitted and there is a subsequent loss of disposal capacity limiting the Applicant’s WWTP ability to dispose of its treated effluent. The proposed project must either repair the permitted non-discharge disposal system or build a new non-discharge disposal system to restore the capacity lost.
- c. An onsite system is failing (“malfunctioning”) when a Notice of Violation (NOV) from an authorized agent has been issued per 15A NCAC 18A .1961.

2. The following drinking water systems:

- a. A well that has become contaminated and provides water exceeding the MCL, or
- b. A well whose yield has declined by at least 50% and with this reduced yield, the system cannot meet its daily demands.

To document these points, provide the following:

**1. For wastewater systems:**

- a. For failed septic or DWR-permitted single-family residence discharges and single-family residence spray / drip irrigation, the documentation will be provided under Line Item 2.A.
- b. For failing onsite wastewater systems, the documentation will be provided under Line Item 2.A.
- c. For failed non-discharge permitted disposal areas (spray fields/infiltration basins), include the following:
  - A copy of the non-discharge permit,
  - A letter or correspondence from the Department of Environmental Quality Regional Office that the disposal field/basin serving the project area has failed, and any associated Notice of Violations, and

- For projects addressing failed WWTP disposal fields/basins, a map of the WWTP and spray fields/basins with property lines, indicating which fields/basins have failed, and the location(s) of new fields/basins if they are being added.

Note that the proposed project can only serve to restore the disposal capacity back to the original permitted capacity. Increasing the disposal area for future growth is not permitted under this line item.

## 2. For drinking water systems:

### a. For Contaminated Wells:

- **For a contaminated well serving a public water supply system, provide documentation that the well previously met the MCL and no longer does so. Only a project that also earns points under Line Items 2.H.1, or 2.H.2 is eligible under this Line Item.**
- **For a contaminated privately-owned well, provide laboratory results documentation that the well exceeds applicable MCL. Provide a summary table capturing well identification and sampling result exceeding the MCL. The lab must be a certified lab for MCLs.**
- **All wells to be replaced with a connection or service must have documentation of contamination to qualify for 1.B project purpose points except as noted below. Connections or service to facilities or properties without documentation of contamination will not qualify for 1.B project purpose points but may qualify for Category 2 Project Benefits points. Only a project that also earns points under Line Items 2.H is eligible under this Line Item.**
- Document that the proposed project will address the contamination issue, either by providing treatment or by connecting to another source that does not have the contamination. This can be documented by:
  1. Providing test results of the new source water in case of waterline extension, or
  2. Pilot testing or other research information related to the proposed treatment technology demonstrating that the water quality of the new source will meet applicable MCL or HAL.

### b. For Dry Well:

- For a dry well serving a public water supply system, provide documentation that the well has gone dry. Only a project that also earns points under Line Item 2.A for a dry well is eligible under this Line Item.
- For dry privately-owned wells, provide the following:
  - A testimonial letter from each homeowner,
  - A letter from the County Health Department stating that the well(s) have lost yield to the point that residents no longer have a reliable water source for drinking and bathing, and
  - A map of the project area in a readable scale, with geographical coordinates, showing street names with the location of the well(s) clearly marked or colored.

**All wells to be replaced with a connection or service in this project must have documentation that the wells have gone dry to qualify for 1.B project purpose points. Connections or service to facilities or properties without documentation of dry wells will not qualify for 1.B project purpose points but may qualify for Category 2 Project Benefits points.**

Note, a project that expands capacity **in excess of current, to be replaced**, failed or failing infrastructure cannot earn points under this line item. Provide documentation or calculations showing how or why the

project does not increase capacity when it's not an obvious like-for-like replacement (e.g., replacing a pump station with gravity sewer, or replacing a failed well with an interconnection).

Rehabilitation and upsizing of lines and/or pumps necessary to serve the project area having failed or failing infrastructure is allowed in the project scope.

**Upsizing of either lines or pumps for future growth is not permitted.**

**Example Narrative for Line Item 1.B (Drinking Water)**

The Peter Subdivision (PWSID No. NC1234567, 17 connections, population 50) is served by a single failed well that no longer provides sufficient water. The project proposes to extend 300 feet of 6-inch waterline from the town of Rossville (PWSID No. NC1234568) to serve the subdivision, which will become a purchased-water system.

Attached are the following:

- The original drawdown tests showing a yield of 30 gpm (432 gpd per person) and a recent drawdown test showing a yield of only 5 gpm (72 gpd per person). This 5 gpm does not satisfy the system's needs;
- A letter from the ZZ County Health Department stating that the well has lost yield to the point that residents no longer have a reliable water source for drinking and bathing;
- Pump run time records showing that the well has been over-pumped (average 14 hours/day in 2013 and 2014); and
- A map of the subdivision in a readable scale, with geographical coordinates, showing street names with the location of the well(s) clearly marked. This map shows that 300 feet of 6-inch waterline will enable Rossville to connect to the subdivision's water system near the well.

**Example Narrative for Line Item 1.B (Wastewater)**

**Narrative that is NOT sufficient:** The Center Avenue Subdivision contains soils that are not suitable for septic systems, and failures of septic systems in this neighborhood are likely. **(Not sufficient because a letter from a registered sanitarian or a licensed soil scientist has not been provided.)**

**Narrative that IS sufficient:** The septic systems in the Center Avenue Subdivision were installed in 1969. Systems located at 426 Center Avenue, 212 Maple Street, and in the 100 block of Chestnut have failed. A letter from the local County Health Department is attached documenting these failures.

**Line Item 1.C – Rehabilitation and Replacement of Infrastructure, including by a Regionalization Project – (10 points)**

An application earns points if the project will replace, repair, or rehabilitate wastewater or drinking water infrastructure with **like for like equipment or no increase in capacity**. This includes projects that will remove infrastructure in need of rehabilitation or replacement as part of a regionalization project.

**Note:** The project description in the application supports that the project is either like for like replacement or there is no increase in capacity. **Projects whose main purpose is to address fire flow issues are ineligible for CDBG funding.**

Projects may include the rehabilitation/replacement of gravity sewer, sewer pump station and forcemain infrastructure; rehabilitation/replacement of wastewater treatment infrastructure; water treatment plant upgrades (including adding a new operation such as UV disinfection); rehabilitation/replacement of waterlines; rehabilitation/replacement of water pump stations; or rehabilitation/replacement of water tanks.

Replacement means either the infrastructure is still in service or that it went out of service less than one year before the application deadline. A project to replace infrastructure that went out of service one year or more before the application deadline is considered either expansion or new and not allowed as project purpose in the CDBG-I program. If replacing equipment that is currently out of service, provide a statement explicitly stating the last time that the equipment was in service.

**LMI Eligibility:**

**For water and wastewater treatment plant projects, eligibility is determined using area wide LMI data. Eligibility for line rehabilitation and/or replacement projects is determined using income survey data only; where both sides of the streets/roads had to surveyed since both sides benefit from the line rehabilitation or repair.**

**For wastewater projects:**

1. Rehabilitation and/or replacement of gravity sewer, pump station and forcemain infrastructure (with no increase in capacity) include:
  - Replacement of a pump station with stations / equipment that provides the same permitted firm capacity.
  - Sewer lines that are like-size replacement or no larger than 8-inches.
  - Replacement projects that include upsizing gravity sewer lines to meet minimum 8-inch diameter design standards. *(Does not need a capacity statement).*
  - Gravity sewers that replace pump stations and provide the same capacity. However, 8-inch gravity sewers may be installed to meet minimum design criteria which may result in a greater capacity than the replaced pump station. The Applicant must include engineering calculations to support this determination.
  - Enhancements at pump stations that do not add capacity, such as SCADA, VFDs, etc.
  - Replacement of a WWTP with sewer infrastructure (pump station, gravity sewer, etc.) to send flow to another WWTP if:
    - The new infrastructure does not provide for the inclusion of additional service area and/or increases WWTP capacity, and
    - The receiving WWTP provides equal or better treatment of received waste.

**Note: Increasing the disposal area for future growth is not allowed in the CDBG-I program.**

**Drinking Water projects:**

2. Rehabilitation and/or replacement of waterlines, pump stations, and tanks include:

- The new waterline is smaller than the existing waterline.
- The new waterline is the same size as the existing waterline.
- The new waterline is no larger than 6-inches.
- Interconnection where the interconnection replaces existing treatment or storage facility to meet current demand.
- Enhancements at pump stations that do not add capacity, such as SCADA, VFDs, etc.
- Replacement of a WTP with infrastructure (wells, pumps, water lines, etc.) to transfer water if the new infrastructure does not increase treated water capacity or provide for additional service area.
- Water tank rehabilitation/or replacement that does not increase the capacity of the tank unless required to meet PWS rules governing public water systems (15A NCAC 18C).
- Water meter replacement for systems designated as Distressed.
- New waterlines where there are not currently water lines do not earn these points; however, a de minimis level of new water lines to form loops is allowed. The cost of new waterline for the purpose of looping cannot exceed 10% of the project construction cost of the project and cannot provide new service to undeveloped areas to be eligible for these points. For a project that includes waterline looping, the cost of replacement waterlines and the cost of the new (loop-closing) waterlines must appear as separate items in the project budget, or as part of the narrative.

**Note:** Water lines of 2-inch diameter and 4-inch diameter being upsized to 6-inch diameter to meet minimum design standards do not need a capacity statement.

The narrative must include tables and maps showing that each of these conditions is met.

**For either type of project:**

3. Rehabilitation and/or replacement projects at existing treatment facilities to replace, repair and/or add infrastructure (with no increase to the permitted treatment capacity) include:

- Rehabilitation and replacement of infrastructure and equipment with the same or similar capacities.
- WWTP upgrades that do not increase treatment capacity including those to provide nutrient removal to meet nutrient limits (wastewater projects).
- WTP upgrades that do not change production capacity of the plant, such as UV disinfection or a redundant filter (drinking water projects).
- Raw water supply projects that do not increase the capacity of the plant to produce treated water, such as:
  - Surface water intake structures, raw water lines, raw water pump stations and off-stream raw water storage.

- Additional wells that feed raw water to an existing treatment facility.
- 4. Rehabilitation and/or replacement projects that are part of a regionalization effort.
- 5. Other Projects may earn points if the provided documentation and calculations specifically demonstrate that the infrastructure capacity is not increased.

To earn points under this line item for any of the project types listed above (numbers 1-5), the narrative must clearly:

- State that equipment will be like-size replacements with the same capacities (within five percent);
- State that each component of the project (e.g., each sewer line, each pump station, each force main, each water line, etc.) that is being rehabilitated or replaced will not change the capacity of that component;
- For upgrades and equipment replacements at WWTP or WTP, specifically state that the upgrades will not exceed the current approved permitted capacity of the plant;
- For rehabilitation / replacement projects that will remove equipment in need of rehabilitation / replacement from service as part of a regionalization effort, provide calculations showing that the regionalization effort will not increase the capacity associated with the equipment being taken out of service. Additionally, provide paperwork validating the regionalization effort (e.g., interlocal agreement);
- Provide documentation or calculations showing how or why the project does not increase capacity when it is not an obvious like-for-like replacement (replacing a pump station with gravity sewer, for example):
  - Closest nominal size for different pipe materials (e.g., 15-inch VCP to 16-inch PVC)
  - Note that 10-inch waterline still exists, so 10-inch to 12-inch is expansion; and
- Include a map that clearly shows the existing wastewater or water infrastructure to be rehabilitated/replaced.

**Notes:**

1. It is recommended that applications use approximate lengths for pipe rehabilitation in the project description, narrative, and budget.
2. For systems not designated as distressed. A project can include residential meter replacement/installation for those meters that are on waterlines being installed, replaced, or rehabilitated. If these meters represent more than 50% of the service meters, the rest of the system meters can be replaced for the purpose of uniformity. Otherwise, projects that include residential meter replacement do not earn points under this line item.
3. A project that replaces capacity from a regional facility does not qualify for points under this line item. A new facility with new discharge or permit is considered new infrastructure and does not qualify for project purpose points.
4. Identification of lines, through TVing or a similar investigation method, IS NOT allowed as part of the project. All lines proposed for replacement/rehabilitation must be identified prior to applying for funds. The local government should pay for cleaning and inspection services (CCTV) as part of a system evaluation survey to determine the type, extent and location of improvements needed prior to requesting a CDBG application. CDBG funds may not be used for exploratory TV inspections or maintenance cleaning. It is permissible to include TV services in a construction contract to remove and properly dispose of any internal debris or obstructions that would interfere with cured in place pipe (CIPP) techniques or to determine where to cut holes in liners for service re-connection.
5. The rehab/replacement of water/sewer system infrastructure may only be designed to meet regulatory requirements for the intended beneficiaries (existing demand). Any excess capacity must be paid with non-CDBG funds. Any contracts must be bid for CDBG eligible activities, with non-CDBG eligible activities (such as for excess capacity) included as alternates or additional cost items in the bid.

**Wastewater Treatment Plant Rehabilitation**

The WWTP's existing coarse bubble aeration equipment will be replaced with new fine bubble diffusers and more efficient blowers, which will result in an energy savings of 30 percent as shown in the provided calculations.

The WWTP project involves constructing new anaerobic digesters and the digester gas will be used in a combined heat and power (CHP) system as fuel to generate electricity and heat for in-plant uses.

**Water Treatment Plant Rehabilitation**

The project will replace the WTP's existing filter media. The project will also install the following new equipment:

- a new air scour system will replace the existing backwash system.
- powdered activated carbon (PAC) unloading, storage, handling and metering equipment for taste and odor during algal blooms.

The project will not increase the WTP's capacity to produce water.



**Line Item 1.C.1 – Replacing Old Infrastructure (Wastewater or Drinking Water) or Replace Lead Service Lines – (5 points)**

An application that earns points under Project Purpose 1.C earns *additional* points if the application documents that at least 50% of the project construction cost not including mobilization, contingencies, or similar costs is for some combination of the following:

- Replacing lead service lines and goosenecks regardless of the age of the waterlines; or
- Replacing, repairing or rehabilitating intake structures, buildings, drinking water wells or tanks that are more than 40 years old as of the date of application (drinking water projects only); or
- Replacing, repairing or rehabilitating sewer or water lines that are more than 40 years old as of the date of application; or
- Replacing, repairing or rehabilitating pumps, pump stations, wastewater or water treatment units that are more than 20 years old as of the date of application.
- Replacing, repairing or rehabilitating SCADA, process control, or information technology that are more than 10 years old as of the date of application.
- The Division assumes the following pipe material types are older than the threshold: Asbestos Cement (ACP), Vitrified Clay (VCP), galvanized iron, cast iron and bituminized fiber (e.g., Orangeburg) pipe.

For a project to receive these points (except for lead service lines, see below), the narrative must include a specific statement of the year of construction, how the age is known, and associated documentation, if available. Documentation may include, but is not limited to, plans showing the date of installation, the final approval letter, maintenance records, housing plats, blueprints, printed information from NC One-Map, and operator knowledge. In summary, describe how you know that the items are older than the threshold.

For lead service lines and/or goosenecks, the narrative must include a summary of the number lead service lines to be replaced and an explanation of how the lines were identified. Projects intending to find and replace lead service lines in areas without identified lead service connections are not eligible for these points. A map must be provided identifying where the lines and/or goosenecks are located.

A project might replace, repair or rehabilitate some infrastructure components old enough to earn the points (or are lead service lines or goosenecks) and other components that are not old enough to earn the points.

To earn the points, the Project Budget page in the Division Application must show that at least 50% of the construction cost of the project meets the above requirements. Therefore, those infrastructure components old enough to earn the additional priority points and those components not old enough to earn the additional priority points must appear as separate line items on the project budget. Age is determined component by component rather than for the entire facility.

**Note:** Date shown on such documentation must be legible and identifiable.

For a project to earn these priority points:

- The Project Budget page in the Division Application must distinguish the construction cost for components old enough (or related to lead service lines and goosenecks) to earn the points from the construction cost for those components that are not old enough; and the narrative must include subtotals for construction items that qualify as replacing old infrastructure or lead service lines and goosenecks; and
- All other information in the Division Application must be consistent with the Project Budget.

#### **Example Narrative for Line Item 1.C.1**

The existing 12-inch pipe that will be rehabilitated was installed prior to 1960. A copy of the as-built plan sheet showing the date of construction is included.

The lead service lines in the Whodunit neighborhood (86 homes), which was constructed in 1980, will be replaced as part of this rehabilitation / replacement project. These service line replacements amount to 60% of the construction costs. Map A is provided and shows the location of the project and the Whodunit neighborhood.

#### **Line Items 1.D – 1.E – Reserved for Other Programs**

#### **Line Item 1.F – Project will Extend Service for the Following Reasons – (15 points max)**

A project will *Affirmatively Further Fair Housing* by extending water and/or sewer to new or rehabilitated low-to-moderate income housing. Points cannot be claimed for both line item 1.F.1 and line item 1.F.2.

#### **Line Item 1.F.1 – Extend or Rehab Water and or Sewer Service to New or Rehabilitated Low-Mod Income Housing – (15 points)**

An application may earn points if the proposed project will extend water and/or sewer to new or rehabilitated low-mod income housing. Water and sewer extensions to new LMI housing are limited to housing financed by public or private non-profit entities, or by private firms using tax credits.

#### **LMI Eligibility:**

**For new construction, the LMI percentage for the project area is estimated at 100 percent. The applicant must document and verify the LMI percentage of the residents of the new housing project at the end of the project. For rehabilitated housing, the LMI percentage in the project area must be at least 51 percent LMI and requires a survey of the residents. All LMI units in the project area must be connected, unless a registered sanitarian or a licensed soil scientist verifies that the wells/septic systems are functioning properly.**

The narrative must provide the following information and have associated documentation:

- Specific information about the housing project, including who is developing the property, who is financing the development, and a calendar for completion of the housing and for the infrastructure construction/rehabilitation.

- For new housing, a discussion of how the location of the housing was determined. Is the housing located in an area that is largely populated by a racial minority? What efforts were made to desegregate housing in the applicant community? The number of houses or multi-family dwellings to be rehabilitated, or the number of houses or multi-family dwellings to be constructed.
- The number of households to be served or projected to be served.
- The number of people to be served, or the number of people projected to be served.
- The linear feet and size of lines, and the number of connections in the project.
- The number and size of pumping stations, if any, in the project.
- Include a map of the project area in a readable scale, with geographical coordinates, showing street names and house numbers, with the houses being rehabilitated clearly marked or colorized. Line locations must also be marked.
- If the project extends water and/or sewer to new low-to-moderate income housing, a map CLEARLY showing the location of the housing project must be included.

The narrative must also describe the need for the low-mod income housing, or the need for the rehabilitation of the low-mod income housing and how the housing fits into a broader community development plan. Insert list of maps here

**Example Narrative for Line Item 1.F.1**

Nine units on Eason Street in the Town of Centreville are being rehabilitated by the NC Housing Finance Authority. The house rehabilitation and the water line rehabilitation are being done in parallel, and both will be completed by November 2017. The units to be rehabilitated are occupied by low to moderate income people, verified by a survey. The project will serve ten households, and a total of 34 people. In addition, 2,000 linear feet of 2-inch galvanized waterline will be replaced by 2,000 feet of 4-inch PVC waterline. All nine house connections will be replaced. The LMI percentage of the project area is 100 percent. A map of the project area is included.

**Line Item 1.F.2 – Connect existing LMI households to Water and/or Sewer Service - (10 points)**

These are “Hook-Up Only” Grants. An application may earn 10 points if the proposed project will connect existing houses/multi-family dwellings to existing water and/or sewer service. The homeowners/renters must be low-to-moderate income; no over income households can connect with these funds. The project area may be individual houses or a group of houses.

**LMI Eligibility:**

**Income surveys of the project area are required, with income verification of each direct beneficiary household required before the close of the project. These grants will have a 100% low to moderate income percentage. Projects that connect homes to water or sewer in a scattered site manner are allowable.**

For wastewater projects, provide the following:

- For failed septic systems, see Line Item 2.A for required documentation.
- For failing (malfunctioning) onsite wastewater systems, see Line Item 2.A for required documentation.

For drinking water projects, provide the following:

- For contaminated wells, see 1.B for required documentation.
- For dry wells, see 1.B for required documentation.

For all project types:

- Include a map of the project area in a readable scale, with geographical coordinates, showing street names and house numbers, with the houses being connected clearly marked or colorized.
- The project narrative should also discuss the percentage of failed or failing septic systems or contaminated or dry wells in the project area, and the nature of the failure. The total number of house connections must also be provided.

If the project will eliminate twenty percent (20%) or more failing or failed septic or onsite wastewater systems, or dry or contaminated wells for LMI homes, Project Benefits points can be earned under Line Item 2.A.1. If those homes are found not to be eligible for connection after award, the award will be pulled.

**NOTE:**

If rental homes are being connected in the proposed project, the unit of local government will be required to adopt a low-income rental rate policy for all low-income rental units in the local government's jurisdiction. In addition, in the project area, that rental rate will be required to be charged for one year after project close out. Consult with the County or City Public Housing Authority for guidance on affordable rent rates for the project.

**Example Narrative for Line Item 1.F.2**

Twelve (12) residential properties, on River Street, have failing onsite wastewater system documented by NOVs from an authorized agent per 15A NCAC 18.A.1961. These twelve homes are occupied by LMI persons. Therefore, they have agreed to connect to the Town of Anywhere's wastewater system that runs along River Street. A map of the project area, showing the houses to be connected, is included.

**Line Items 1.G - 1.H – Reserved for Other Programs**

## 3.2 Category II – Project Benefit – Max 20 points

The required project benefit narratives and documentation are inserted behind Tab 5. To earn points in this section, only a portion of the project must relate to a specific benefit. Applications earn Project Benefits points only when the Applicant identifies a direct connection between the project and the type of expected benefit.

The project narratives must fully describe the benefits of the proposed project and how the benefits arise from the Project Purpose. In cases where a single application includes multiple project types, Project Benefit points must match the Project Purpose that was claimed.

**Note:** For Category 2 - Project Benefits, the maximum number of points that a project can earn is capped at 20 points, even if the project documents Project Benefits Line Items summing to more than 20 points.

**Example:** The Project Purpose is to extend water service to an unserved area (failed infrastructure points). There is also some line rehabilitation work that needs to be done prior to extending the line to the project area. The Project Benefit cannot be the resolution of 30% water loss; the benefit must address the contaminated or dry water source.

### **Line Item 2.A – Project Provides a Specific Environmental or Public Health Benefit- (15 points)**

An application may earn points if the proposed project provides a specific environmental or public health benefit through the replacement or repair of infrastructure, or the merger of a failing system with a viable one. These projects are limited to the following:

#### **Wastewater Projects:**

1. Connecting homes, with failed septic system or failing (malfunctioning) onsite wastewater systems, or failing Division of Water Resources (DWR) permitted single-family residence discharges (NCG550000) and single-family residence spray / drip irrigation systems (Line Item 1.B); or
2. Repairing or replacing sewer lines responsible for reported sanitary sewer overflows or repairing or replacing equipment to resolve an upset, spill, or bypass at treatment works\* that:
  - Reach bodies of water, or
  - Back up into homes causing a public health problem, as documented by affidavit from homeowner or tenant.

\*Treatment works: Defined here as public sewer collection and transmission system, pump stations, and wastewater treatment facilities.

To document these points for the above project types, show that the project earns points under Line Item 1.B.

The project narrative must clearly state which activity (e.g., failed septic system, failing onsite wastewater systems, failing DWR-permitted single-family residence discharge, single-family or public

spray/drip irrigation system, replacement/repair of sewer lines and pump stations) in this Line Item is applicable and include the following:

1. For projects to serve homes with failed septic systems, failing (malfunctioning) onsite wastewater systems, or failing DWR single-family permitted systems:

- A list of the addresses where septic systems have failed or are failing;
- A project map that clearly shows the specific locations of:
  - Street names and house numbers of failed or failing systems
  - New sewer lines and related infrastructure.
  - All systems to be connected to the public sewer system;
- Identify the year (approximate if unknown) that the failing or failed systems were installed; and
- Identify if any repairs have been done to the system; and
- For failed septic systems: A signed and sealed statement from a registered sanitarian or a licensed soil scientist or the County Health Department that the septic or irrigation systems in the project area have failed. County health department letters that advise “failures are likely” or “soils do not allow new septic systems” are not sufficient documentation of failed systems.
- For failing (malfunctioning) onsite wastewater system, an onsite system is failing when a Notices of Violation (NOVs) from an authorized agent issued per 15A NCAC 18A.1961, so said NOVs must be provided.
  - For projects that connect homes to public sewer greater than 50% of the homes being connected must have documented NOVs as described above to be eligible for these points.
- For DWR-permitted single-family discharge systems and spray/drip irrigation systems, list the permits in the watershed that the sewer will replace.

For projects that connect homes to public sewer, **greater than 50%** homes with failing or failed systems must be connected for the project to meet benefit requirements. If a system is not replaced, the file must have documentation that states either: 1) the Health Department determined the existing septic system is functional, 2) the home was vacant at time of connection, or 3) the LMI eligibility of the home changed, or 4) the homeowner refused connection after multiple attempts.

2. For replacing/repairing sewer lines, pump stations, or treatment equipment that are responsible for reported sanitary sewer overflows or bypasses:

- A project map that clearly shows the specific locations of:
  - Sewer lines, including manholes and pump stations, to be rehabilitated that directly connect to environmental/public health threat;
  - Location of the SSOs, and location of where the spills reached the body of water; or
  - Street names and house numbers where sewer has backed up into residences.

- Identify the frequency and cause of the spill and explain how the project will address the cause of the spill (*Note that isolated incidents related to severe natural conditions do not qualify for points.*);
- Submit all Spill Reports, SSO Reports or Bypass Reports documenting that the spills/SSOs or Bypasses were reported to the Regional Office. Spill Reports, SSO Reports and Bypass Reports to the RO must be dated within five years of the application deadline;
- Submit all Notices of Violation (NOV) or Notices of Deficiency (NOD) which also document the environmental issues caused by the spills/bypasses/SSOs. All NOV/NODs must be dated within five years of the application deadline; and
- Documentation of wastewater backups into residences within five years of the application deadline.

### **Drinking Water Projects:**

1. Connecting homes that have a dry well to a public water system,
2. Connecting homes that have a contaminated wells to a public water system,
3. Replacing a dry well serving a public water supply system,
4. Addressing a contaminated public drinking water source (including a well) by either replacing it or adding treatment. In this context, contaminated means that the water contains some substance or characteristic so that the existing treatment – operated properly – no longer can meet the MCLs listed in T15 A NCAC 18C .1500 et seq.
5. Replacing known lead service lines.

To document these points for the above project types, show that the project earns points under Line Item 1.B.

To document these points for a project that replaces a dry well,

- Show that the project earns points under Line Item 1.B for replacing a dry well.

For a dry well serving a public water supply system, provide the following:

- Drawdown tests that show the well’s production has decreased by at least 50%;
- A letter from the DWR Regional Office stating that the well(s) have lost yield to the point that residents no longer have a reliable water source for drinking and bathing; and
- A map of the project area in a readable scale, with geographical coordinates, showing street names with the location of the well(s) clearly marked or colorized. Identify by name and PWSID Number of the public water supply system that the dry well serves.

To document these points for a project that replaces or adds treatment to a contaminated public water supply source, provide the following:

- Show that the project earns points for replacing or adding treatment to a contaminated public water supply source under Line Item 2.H.1 or 2.H.2; and
- Identify by name and PWSID the public water supply system that the contaminated source serves, if applicable.

For a project that replaces known lead service lines, provide the following:

- A description of the location of these lines, and how they were identified; and
- A map showing the location of the project and the lines to be replaced.

For a project connecting homes to a public water system due to a dry or contaminated well, providing the following:

In addition to providing the documentation specified in 1.B for dry and contaminated wells, provide the following:

- A project map that clearly shows the specific locations of:
  - Street names and house numbers of dry or contaminated wells
  - New water lines
  - All systems to be connected to the public water supply;
- A list of the addresses where wells are dry or contaminated and referenced on a map; and
- Identify the year (approximate if unknown) that the dry or contaminated wells were installed.

For a project that replaces **known** lead service lines, provide the following:

An application may earn points under this line item if a portion or all the project is dedicated to replacing known lead service lines.

To earn points under this line item, include the following in the narrative:

- The addresses of the properties with lead service lines to be replaced, and how they were identified.
- A map showing the location of the project and the lines to be replaced.

**Line Item 2.A.1 – Project Eliminates 20% or more Failing Septic Systems, Malfunctioning Onsite Wastewater Systems, or Private Wells that are Dry or Contaminated. – (5 points)**

An application may earn points if the project will eliminate 20% or more failing septic systems, failing (malfunctioning) onsite wastewater systems, dry or contaminated private wells.

The project benefit narrative must list out the addresses of each residence with their specific system issue (failed, failing, dry, contaminated). Each of the listed addresses will be expected to be connected to public water or sewer service at the end of the project.

DEQ will use the information submitted in support of Line Item 2.A to determine these points.

Houses with failing or failed septic systems that are counted in the 20% failure rate under Item 2.A.1 must be eligible (i.e., meet all local ordinances) to connect to the proposed system. If they are found not to be eligible for connection after award, the award will be pulled.

**Example Narrative for Line Item 2.A.1**

Twenty percent of the septic systems on Baker Street have failed, out of a total of 12 systems. The systems that have failed are at 134 Baker Street, 141 Baker Street, and 145 Baker Street. Please refer to the information provided under Line Item 2.A for proof of failure, a map of the locations of the failures, and LMI percentage documentation.



## **Line Items 2.B – 2.C – Reserved for Other Programs**

### **Line Item 2.D – Promulgated But Not Yet Effective Regulations – (3 points)**

An application may earn three points if the project will address the requirements of recently promulgated but not yet effective regulation.

The narrative must include the following:

- The regulatory citation and summary of the applicable regulation. List the date on which the regulation will go into effect.
- Documentation that the high potential for violation exists (such as NPDES permit effluent monitoring results or laboratory results). The narrative must clearly describe how this documentation shows a high probability of a violation; and
- A clear explanation of how the proposed project will lead to compliance with the regulation.
- Projects replacing lead service lines that are eligible for points under 2.A are not eligible for 2D points.

#### **Example Narrative for Line Item 2.D**

Water at the Town of Cinco's five wells exceeds the proposed 1ug/mL MCL for *Chemical X* in T15A NCAC 018C .15xx. This MCL was promulgated on January 1, 2022 and the first compliance deadline for Bin 1 systems such as Cinco is January 1, 2025. Cinco proposes to treat the water using carbon adsorption to meet the MCL. Included are the following items:

- A copy of the promulgated regulation,
- Laboratory results showing that the well produces water that exceeds the proposed MCL, and
- An EPA factsheet that:
  - States that carbon adsorption is the best practice to remove *Chemical X*; and
  - Indicates that water treated by carbon adsorption will generally meet the proposed MCL.

### **Line Item 2.E – Project Directly Addresses Enforcement Documents – (max 5 points)**

Applicant may qualify for only one of the following subcategories (Line Items 2.E.1 or 2.E.2):

#### **Line Item 2.E.1 – Project Addresses EPA Administrative Order or Existing or Pending SOC or DEQ Administrative Order- (5 points)**

To earn points under this line item, the project must address one of the following:

- An EPA Administrative Order (AO) for a local government Applicant located in a Tier 1 county, or
- An executed or pending Special Order by Consent (SOC), or
- A DEQ Administrative Order (AO).
- **Statutory Moratorium issued under § 143-215.67, (Does not include Flow Moratorium issued under 5A NCAC 02T .0118 – 80/90% Rule)**

To document these points, the narrative must include the following:

- A copy of the AO or SOC highlighting the action items that include the proposed project with a statement of whether the AO or SOC is executed or pending; for a pending AO or SOC, also include the following:
  - A copy of the SOC application
  - Regional Office contact and any correspondence with the Regional Office
  - A description of the violations that have occurred and the necessary construction to resolve the noncompliance (i.e., demonstrate that the proposed project would correct the violations)
  - A draft construction schedule if available and a clear discussion of any potential conflicts that may arise between the Project schedule and the draft schedule;
- A description of the violations that have occurred, and the necessary construction to resolve the noncompliance (i.e., demonstrate that the proposed project would correct the violations);
- A statement that the underlying violation has not already been addressed and that the project will address the violation;
- Additional supporting documentation necessary to prove the direct link between the project and satisfying the AO or SOC and fulfilling the regulation; and
- A clear discussion of any potential conflicts that may arise between the funding schedule and the AO or SOC compliance schedule.

**Line Item 2.E.2 – Addresses a Notice of Violation or a Notice of Deficiency – (3 points)**

To earn points under this line item, the project must address a Notice of Violation (NOV) or Notice of Deficiency (NOD) that has not been completely resolved already.

The narrative must include:

- A copy of the NOV, NOD, Assessment, or Corrective Action Plan and all responses to the issuing agency,
- A brief summary of the applicable regulation,
- A statement that the underlying violation, deficiency, sanitary defect, or required corrective action has not been addressed already and that the project will address the issue,
- A clear explanation of how the proposed project will lead to compliance with the regulation and how the proposed project will address specific regulatory requirements, and
- Additional supporting documentation necessary to prove the direct link between the project and fulfillment of the regulation.

If the NOV or NOD is related to SSOs, provide copies of the SSOs and a map showing the location of the SSOs.

**Note:** For operations and maintenance violations, projects only score these NOV points if the project will eliminate the entity that received the NOV by merger or regionalization.

#### **Example of Narrative for Line Item 2.E.2 (Wastewater)**

An Applicant's WWTP has received a Notice of Violation, which documents numerous fecal coliform exceedances above the NPDES permitted effluent limit. The Chlorine Contact Chamber is known to be too small for the current flows (especially peak flows), not allowing enough chlorine contact time. Additionally, the gas chlorine storage and feed system is old and not well regulated, and the plant ORC wants to switch to liquid chlorine for safety reasons. The proposed project will build a new larger chlorine contact chamber with a new liquid chlorine storage and feed system. Included are the following items:

- A copy of the NOV and
- Documentation of the existing Chlorine Contact Chamber and old gas chlorine feed system.

#### **Example Narrative for Line Item 2.E.2 (Drinking Water)**

The Town of Deluxe performed a Level 2 Assessment under the revised total coliform rule and determined that they need to repair several identified sanitary defects. Included are the following items:

- A copy of the Level 2 Assessment, and
- A detailed description of the planned corrective actions to clearly explain how the issue that triggered the Level 2 Assessment requirement will be resolved.

### **Line Item 2.F – System Merger or Regionalization - (10 points Max)**

An Applicant may qualify for only one of the following sub-categories (Line Items 2.F.1 or 2.F.2).

#### **Line Item 2.F.1: Project includes a System Merge (10 points)**

Application may earn points if the project will merge systems. In this context, a *merger* can include either a physical consolidation of systems into a single regional system with one owner, or a merger of ownership and operation without a physical consolidation of systems. Mergers can include local governments, non-profit water corporations, investor-owner utilities, or other utility ownership models as long as the Applicant is eligible to receive Division funding. Decentralized systems can qualify under this Line Item.

To document these points, do the following:

- Identify the systems. Clearly identify the systems by name and include the PWSID Number if applicable (drinking water systems). State that the Applicant is the owner of the system; and
- Describe the regionalization of the system and how it is managed; and
- Describe the type of merger. The narrative must describe how the project will result in a merger and characterize the merger (for example, as a consolidation, operational or management merger).

- Describe the current and proposed relationship between the systems.
- Describe the agreements between the owner and other LGUs.
- Submit an interlocal agreement between the systems, stating the intent to merge. An interlocal agreement conditional upon other work being completed prior to the merger is acceptable. A draft interlocal agreement may also be accepted.
- Other documentation, such as a memorandum of understanding, will be considered on a case-by-case basis.

An applicant is eligible for these merger points up to two years after the date of merger. Such an applicant must provide documentation showing date of merger.

**Note:** Interconnectivity alone (e.g., providing only regionalized treatment) does not qualify for points under this Line Item.

**Line Item 2.F.2: Project includes System Regionalization or Partnership(s) (5 points)**

An application may earn points under this line item if the project will regionalize systems or result in a partnership. In this context, a regionalization or partnership can include the physical interconnection of wastewater systems for the purposes of regional wastewater treatment or the physical interconnection of a drinking water system with another drinking water system under separate ownership for the purposes of providing a regional water supply. Regionalization can include local governments, non-profit water corporations, investor-owned utilities, or other utility ownership models as long as the Applicant is eligible to receive Division funding.

Systems partnering with one another to address PFAS contamination may be eligible for 2.F.2 points. Projects addressing PFAS must claim and receive 2.H.3 or 2.H.4 points, to be eligible for 2.F.2 points. For projects addressing PFAS, eligibility of 2.F.2 is limited to new and proposed partnerships specifically formulated to address PFAS contamination. Narrative must explain how the partnership will benefit measures to address PFAS contamination of one or all partnering entities.

To document these points, do the following:

- Identify the systems. Clearly identify the systems by name and include the PWSID Number if applicable (drinking water systems). State that the Applicant is the owner of the system; and
- Describe the regionalization of the system and how it is managed; and
- Describe the type of regionalization. The narrative must describe how the project will result in a regionalization.
  - Describe the current and proposed relationship between the systems.
  - Describe the agreements between the owner and other LGUs.
  - Submit an interlocal agreement between the systems, stating the intent to regionalize. An interlocal agreement conditional upon other work being completed prior to the merger is acceptable. A draft interlocal agreement may also be accepted.
  - Other documentation, such as a MOU or Board resolution of intent to regionalize, will be considered on a case-by-case basis.

An applicant is eligible for these regionalization points up to two years after the date of regionalization. Such an applicant must provide documentation showing date of the agreement.

### **Line Item 2.G – Documented Low Pressure in a Public Water System – (5 points)**

To earn points under this line item, the project must address documented low pressure within a system (pressures below the 20/30 psi described in T15A NCAC 18C .0901) within the last five years. The narrative must include the following:

- A discussion of the existing low pressure in the system,
- Documentation showing the low pressure identified within the last five years,
- Discussion of how the project will resolve low pressure issues in the system, and
- A map showing the locations of the pressure problems and project area.

Follow the instructions in the [Factsheet: Documenting Low Pressure](#) to document the pressure problems to be addressed by the proposed project.

**Notes:** 1. For contamination affecting an unregulated system: If the project is funded, and the contamination affects an unregulated system, the follow-up engineering report must formally compare the proposed project to other feasible alternatives to determine the most cost-effective solution to the problem. In many cases, point of use or other treatment will be more cost-effective than waterline extensions, and the project may lose funding.

2. The documentation must show that the existing treatment does not remove the compound well enough that the amount in the treated water is below the relevant limit.

3. To earn points for any one of these line items, the documentation must show that the project will improve water quality.

### **Line Item 2.H – Project Addresses Contamination of a Water Supply Source – (Max 15 points)**

The Applicant may qualify for only one of the following sub-categories ([Line Items 2.H.1, 2.H.2, 2.H.3, or 2.H.4](#)):

#### **Line Item 2.H.1 – Acute Contamination of a Water Source – (15 points)**

To earn points under Line Item 2.H.1, the project must replace or provide new treatment to an acutely contaminated drinking water supply system. Such a drinking water supply system does not need to be regulated as a public water supply system. A project that earns priority points for acute contamination under Line Item 2.H.1 cannot also earn points for under Line Item 2.H.2 or 2.H.3.

- In this context, *contaminated* means that the water contains and once did not contain some substance or characteristic so that the existing treatment – operated properly – no longer can meet the primary MCLs listed in T15A NCAC 18C .1500 *et seq.* An example is a well with water that has changed to exceed an MCL or that now includes unregulated precursors (not regulated themselves) that require additional treatment to meet standards for disinfection byproducts. (Treated water that exceeds a secondary MCL does not qualify as contaminated for purposes of points.)

- In this context, *acutely contaminated* means that the issue required (or, for an unregulated water supply *would have* required) Tier 1 Public Notice under Table 1 of 40 CFR 141.202 (adopted by reference into T15A NCAC 18C .1523). The list of covered contaminants currently includes the following:
  - *E. coli*, enterococci or coliphage in certain groundwater samples,
  - Nitrate, nitrite, or total nitrate and nitrite,
  - Turbidity at the entry point of the distribution system for a surface water system (i.e., not for wellwater), and
  - Certain other occurrences limited to
    - a. Exceedance of the Action Level for lead;
    - b. Waterborne disease outbreak;
    - c. Other waterborne emergency, and
    - d. Other situations as determined by PWS

The narrative must describe the change in the quality of the source water and must include the following: A copy of the regulation;

- A description of the contaminated source:
  - The source type (e.g., well, surface water) and production capacity;
  - When and how the contamination was discovered; and
  - To the extent known, when, how and why the source became contaminated;
- A description as to how the project will solve the failure or contamination;
- A map showing the location of the project, the service area of the impacted community including the PWSID number, and the location of the failing or contaminated source;
- A description of the affected population, number of connections, and length and diameter of water line needed;
- Document acute contamination of a Public Water Supply System by providing a copy of the Public Notices that were issued and a statement that the project is necessary to address the contamination events;
- Unregulated water supplies may include individually-owned wells or a shared well serving a group of homes too small to be subject to the Safe Drinking Water Act (SDWA) (e.g. 15 connections or 25 people). If the contamination does not affect a public water supply system, then the application must include a sampling report that follows the instructions in the

document: [Guidance for documenting public health priority points by sampling individually owned wells.](#)

#### Example Narrative for Line Item 2.H.1

Water at three of the Town of Anytown's five wells have had five E. coli MCL violations in the past three years. The other two wells have had one E. coli MCL violation each. The town was on a boil water notice twice in the last three years. Based on a camera survey of the wells, the town believes the well construction allows water from the surficial aquifer to enter the well and that future boil-water notices are inevitable as long as the town continues to use these wells. Anytown proposes to construct an interconnection with the City of Metropolis and abandon all the wells. Included is the following:

- A copy of the regulation.
- Laboratory results for the three wells.
- Copies of each MCL violation over the past three years.
- A map showing the proposed route of the interconnection.
- An interlocal agreement in which the City of Metropolis commits to provide sufficient water to Anytown.

#### **Line Item 2.H.2 – Contamination of a Water Source Other than Acute (10 Points)**

To earn points under Line Item 2.H.2, the project must replace or provide new treatment to a contaminated (but not acutely contaminated) drinking water supply system. Such a drinking water supply system does not need to be regulated as a public water supply system. A project that earns priority points for other than acute contamination under Line Item 2.H.2 cannot also earn points under Line Item 2.H.1, 2.H.3 or 2.H.4.

- In this context, *contaminated* means that the water contains and once did not contain some substance or characteristic so that the existing treatment – operated properly – no longer can meet the MCLs listed in T15A NCAC 18C .1500 *et seq.* An example is a well with water that has changed to exceed an MCL or that now includes unregulated precursors (not regulated themselves) that require additional treatment to meet standards for disinfection byproducts.
- Projects that address Manganese and 1,4-Dioxane will also be included in this category.

The narrative must describe the change in the quality of the source water and must include the following:

- A copy of the regulation;
- A description of the contaminated source:
  - The source type (e.g., well, surface water) and production capacity;
  - When and how the contamination was discovered; and
  - To the extent known, when, how and why the source became contaminated;
- A description as to how the project will solve the failure or contamination;
- A map showing the location of the project, the service area of the impacted community including the PWSID number, and the location of the failing or contaminated source;

- A description of the affected population, number of connections, and length and diameter of water line needed;
- Document other-than-acute contamination of public water supply system by providing copies of compliance sampling reports submitted to the Public Water Supply Section of the Division of Water Resources that show the contamination and a statement that the project is necessary to address the contamination events.

Unregulated water supplies may include individually-owned wells or a shared well serving a group of homes too small to be subject to the Safe Drinking Water Act (SDWA) (e.g. 15 connections or 25 people). If the contamination does not affect a public water supply system, then the application must include a sampling report that follows the instructions in the document: [Guidance for documenting public health priority points by sampling individually owned wells.](#)

**Line Item 2.H.3 – Project Addresses PFAS Compounds Exceeding 10 ppt or State-established Regulatory Standards or Limits (5 points)**

**2.H.4 – Project Addresses PFAS compounds exceeding proposed MCL or Hazard Index (10 points)**

To earn points under Line Item 2.H.3 or 2.H.4, the project must replace or provide new treatment to a drinking water supply system or a wastewater treatment system that produces or discharges water containing PFAS compounds listed below. Such a drinking water system does not need to be regulated as a public water supply system.

To be eligible for 2.H.3. points the project must address:

- Any PFAS compounds exceeding 10 ppt and proposed project will have a design level of below detection level for that compound (**5 Points**), or

To be eligible for 2.H.4. points the project must address:

- PFOA and/or PFOS compounds exceeding proposed MCL of 4 ppt and proposed project will have a design level of below proposed MCL (**10 Points**), or
- Hazard Index exceeding 1.0 for an individual or combination of GenX, PFBS, PFNA, PFHxS and proposed project will be designed to get the Hazard Index below 1.0 (**10 points**)

**Address PFAS means**

- New water supply meets proposed MCLs, is below Hazard Index (if established) and below detection level for any other non- regulated PFAS compounds, or
- Treatment processes are designed to reduce respective emerging contaminants to below proposed MCLs, below Hazard Index (if established) or below detection level for any other non- regulated PFAS compounds.

Refer to Federal Register / Vol. 88, No. 60 / Wednesday, March 29, 2023 / Proposed Rules for details on EPA’s Proposed MCLs and on how to calculate Hazard Index.



The narrative must describe how the project will address PFAS in the quality of the finished drinking water, discharged wastewater, or wastewater residuals as a result of the proposed project in meeting the respective proposed MCLs, and must include the following:

- A description of the contaminated source:
  - The source type (e.g., well, surface water, wastewater) and production capacity (if applicable);
  - When and how the contamination was discovered; and
  - When, how and why the source became contaminated, if known;
- Document the presence of PFAS by providing copies of the most recent laboratory test results showing that the PFAS compounds in the finished drinking water or discharged wastewater exceeds the proposed MCLs, hazard index or 10 ppt for any other unregulated PFAS compounds. The lab must be a certified lab for PFAS compounds. Testing must use a validated drinking water method, such as EPA Method 537.1 for PFAS in drinking water.
  - Public systems
    - Must provide at least 2 samples no more than 12 months apart,
    - Sampling data must be less than 3 years old from the time of application,
    - Running annual average data may be used to calculate average PFAS levels in water systems.
  - Private Wells or individual drinking water wells
    - Must have at least **one** sample taken in the last three years,
    - Average of the available data should exceed 10 ppt, proposed MCL or HI as applicable.
- If the project is addressing more than one contaminated well or discharge system, provide a summary table listing each well or discharge and its most recent laboratory test result for the exceeded detection level/proposed MCLs or Hazard Index.
- A description as to how the project will address PFAS;
  - Description of new or improved water or wastewater infrastructure (if applicable).
  - Description of the anticipated levels of PFAS after the treatment or changing source.
- A description of the affected population,
  - For Public Systems: A map showing the location of the project, the service area of the impacted community and/or discharge location, and the location of the contaminated source;
  - For Private Systems: A project map that clearly shows specific locations of street names and house numbers of wells with Emerging contaminant exceedances,
- The PWSID and number of water service connections or NPDES permit and discharge location (if applicable)
- If the project is addressing more than one contaminated well or discharge system, provide a summary table listing each well or discharge and its most recent laboratory test result for the exceeded detection level/proposed MCLs or Hazard Index.

**Line Item 2.I – Reserved for Other Programs**

**Line Item 2.J - Water Loss in System to be Rehabilitated or Replaced is 30% or Greater (10 points)**

An application may earn these points if the project will address water loss equal to or exceeding 30% in the system. Such a project could include the following examples:

- Altitude valve. A project that installs an altitude valve to prevent overflowing of a tank that currently overflows frequently and is believed to be the source of a substantial fraction of the system's water loss.
- Waterline replacement. A project that replaces a section of line that has experienced frequent breaks and is believed to be the source of a substantial fraction of the system's water loss.

To document these points, provide the following:

- Water loss. Both of the following two items must document that the system's water loss equals or exceeds 30%:
  - The most recent water audit (only one year required), which must meet the requirements discussed under Line Item 3.D (*Water Loss Reduction Plan*). Water audits can be performed either by using AWWA methodology or using DWR's "small system water audit". Small system water audit can be performed using the following tool.  
[https://www.ncwater.org/WUDC/app/LWSP/files/small\\_system\\_water\\_audit.xlsm](https://www.ncwater.org/WUDC/app/LWSP/files/small_system_water_audit.xlsm)
  - The water loss in the system's most recent complete Local Water Supply Plan. For more information on LWSPs see  
[http://www.ncwater.org/Water\\_Supply\\_Planning/Local\\_Water\\_Supply\\_Plan/](http://www.ncwater.org/Water_Supply_Planning/Local_Water_Supply_Plan/).
- That the unit is responsible. The narrative must explain why it is believed that the unit to be modified is responsible for the excessive water loss. For example:
  - For a project to add an altitude valve, estimate the losses from tank overflows.
  - For a project to replace a waterline, estimate the water loss from leaks.
  - Show all calculations and assumptions.
- That the infrastructure to be replaced is the cause of loss. The narrative must credibly explain how the proposed project will reduce water loss. In particular, the narrative must estimate the post-project system-wide water loss.

### Example Narrative for Line Item 2.J

The Town of Folger has a 12-inch line running down Elm Street that has had three breaks over the last two years. The line is 60 years old and has small cracks that leak continuously. The last break caused the town to lose over one million gallons of water in one month and caused a sinkhole in the street. Folger believes that this line causes much of the high water loss because water losses in Folger's water system were less than 20% before the first Elm Street waterline failure. Included in this application are the following:

- A copy of the last three water audits showing the water losses for each year:
  - 2012-2013 18%
  - 2013-2014 28% (first break occurred in January)
  - 2014-2015 34%
- A copy of the 2014 Local Water Supply Plan that shows 32% water loss for calendar year 2014. The Local Water Supply Plan and water audit agree with each other reasonably well and agree that water loss exceeds 30%.

By repairing the Elm Street waterline, Folger estimates it will save one million gallons per month. This water loss was estimated by assuming water loss drops from 32% to 22% (which is higher than the previous average of less than 15%).

### **Line Item 2.K – Public Water System Interconnection**

The Applicant may qualify for only one of the following sub-categories (Line Items 2.K.1 or 2.K.2) for an interconnection between two separate systems. A project that merges systems or that connects pressure zones of the same system (as defined by PWSID) does not qualify.

To earn points under these line items, the proposed project itself must create the interconnection. The following do not earn these points:

- A project that claims these points simply because the system already has an interconnection;
- A project that facilitates future work to create an interconnection that the project itself does not create; or
- A project that strengthens the hydraulics to improve the performance of an existing or future interconnection that the project does not itself create.

### **Line Item 2.K.1 – Project creates a new interconnection between water supply systems not previously connected – (5 points)**

To earn points under this line item, the project must create a new interconnection between two or more public water supply systems not previously interconnected. The narrative must include the following information:

- Identify by name and PWSID No. the systems that will be interconnected;
- Explicitly state that there is no current interconnection between these systems;
- Include a map showing the location of the two systems that will interconnect, including the project area, the route of any existing interconnection, and the route of the proposed interconnection; and

- Document that both sides of the proposed interconnection are willing to interconnect by including information such as copies of draft or final agreements for the interconnection. Interconnections of systems owned by the applicant do not require this documentation.

**Example Narrative for Line Item 2.K.1**

The City of Somewhere (PWSID no. NC01234567) operates a 20 MGD surface water treatment plant. War Roads’ average daily demand is 7 MGD and its maximum daily demand is 14 MGD.

The Town of Anytown (PWSID no. NC2345678) operates five wells yielding a total of 1.0 MGD. Deerfield’s average daily demand is 0.4 MGD and its maximum daily demand is 0.9 MGD.

The City of Somewhere and the Town of Deerfield are not currently interconnected. The City of Somewhere agreed to create a new interconnection with the Town of Anytown. The draft interlocal agreement (included) establishes that upon completion of the project:

- The City of Somewhere agrees to sell up to 2 MGD to the Town of Anytown.
- The Town of Anytown agrees to pay for a minimum use of 0.05 MGD.

A map of the proposed 8-inch interconnection is included.

**Line Item 2.K.2 – Project creates an additional or larger interconnection between two systems already interconnected to allow one system’s public health needs to be met during an emergency (3 points)**

To earn points under line item 2.K.2, the project must create (or increase the capacity of) an interconnection between two or more public water supply systems that are already interconnected such that one system can meet the public health needs of the other system. It is not necessary to show that each system can meet the public health needs of the other system, only that one system’s public health needs can be met.

In this context, “*Public Health Needs*” means water sufficient to satisfy the residents’ cooking, cleaning and hygiene needs. If the supplier cannot meet the Average Daily Demand of the recipient, then the Applicant must develop a system-specific estimate of the demand reduction that the recipient can impose by e.g., emergency restrictions on water use.

The narrative must include:

- Identify by name and PWSID numbers of the systems that will be interconnected;
- Discuss the demands and capacities of the systems that will be interconnected;
- Document the following:
  - That currently, one system cannot meet the public health needs of the second system using all available interconnections; and
  - That the proposed project will allow one system to meet the public health needs of the second system. It is not needed to show that each system can meet the public health needs of the other system;

- Include a map showing the location of the two systems that will interconnect including the project area, the route of any existing interconnection and the route of the proposed interconnection; and
- Document that both sides of the proposed interconnection are willing to interconnect by including information such as copies of draft or final agreements for the interconnection.

**Example Narrative for Line Item 2.K.2**

The City of Somewhere (PWSID No. NC 01234567) operates a 20 MGD surface water treatment plant. Somewhere’s average daily demand is 7 MGD, and its maximum daily demand is 14 MGD.

The Town of Anytown (PWSID No. NC 2345678) operates a 1.0 MGD surface water treatment plant. Anytown’s average daily demand is 0.4 MGD, and its maximum daily demand is 0.9 MGD.

The current interconnection between Somewhere and Anytown has a capacity of only 0.2 MGD, which does not meet the public health needs of Anytown. Anytown experiences high levels of siltation at its raw water intake station during intense rain storms. The included draft “Interlocal Agreement for Emergency Purposes” establishes that the Somewhere will sell up to 2.0 MGD to Anytown as provided in the Agreement (thus meeting the public health needs of Anytown). A map of the proposed 12-inch interconnection is included.

**Line Item 2.L –Water and Sewer Project is Located Within the Same Footprint (5 points)**

To earn points, the project rehabilitates water and sewer lines in the same footprint, in a municipality.

To document these points, the narrative must provide the following:

- Documentation of the condition/age of the sewer lines in the project area;
- Documentation of the condition/age of the water lines in the project area;
- Length of line to be replaced, including number of laterals, if applicable;
- A statement of whether laterals will be replaced on private property;
- Include a map with a readable scale and geographic coordinates showing the location of the project, showing street names, with the project area clearly marked;
- A description of why both the water and the sewer lines must be replaced/repared, including any repair records of the lines; and
- Submit one application containing information for both water and sewer.

**Each project utility must provide separate scorecards, budgets, and support documentation; in addition to a total budget combining all project types.**

**NOTE:**

“In the same footprint” means “on the same street”. It is a benefit because it prevents opening a trench twice on the same street. The extension of either water or sewer lines in the same footprint does not earn these points.

**Example Narrative for Line Item 2.L**

The Village of Anytown has two streets, Main and Second Streets, where both the sewer and the water lines have broken repeatedly, causing interruptions in water and sewer service. The lines are located in the streets. The cast iron water lines were installed in 1920, and the terra cotta sewer lines in 1946. A total of 2,000 linear feet of 4-inch water line and 1,800 feet of 6-inch sewer line will be replaced with same sized line. Ten sewer laterals will also be replaced; none cross the property line onto private property. Included is a map of the project area, and the repair log from the repairs to the lines on Main and Second Streets over the last two years.

**Line Item 2.M – Project directly addresses a moratorium on a local government system (7 points)**

An application may earn these points if the project directly addresses the cause of a moratorium on a local government system.

To document these points, the narrative must include the following:

- A copy of the moratorium;
- A description of the violations leading to the moratorium and the necessary construction to resolve the noncompliance (i.e., demonstrate that the proposed project will lift the moratorium);
- Additional supporting documentation necessary to prove the direct link between the project and lifting the moratorium; and
- Include a map with a readable scale and geographic coordinates showing the location of the project, showing street names, with the project area clearly marked.

**Example Narrative for Line Item 2.M**

The City of Stapleton is on moratorium due to wastewater discharges exceeding the permitted limits. The wastewater treatment plant is 30 years old, and the population of Stapleton has grown since the plant was first built. The wastewater treatment plant needs to be expanded by 2 MGD to accommodate the additional flow. Included are calculations of the current wastewater flow, and the projected capacity needed at the plant to handle current flow only. A map of the project area is included.

**Line Item 2.N – Project provides Resiliency for Critical System Functions (Max 8 Points)**

The application can earn priority points for providing redundancy or resiliency for critical treatment and/or transmission/distribution and/or collection system functions. The application can earn priority points for only one line item under 2.N.

Document these priority points by providing the specific documentation discussed under Line Items 2.N.1-2.N.7.

**Line Item 2.N.1 - Project relocates infrastructure from inside the 100-year floodplain to outside the 500-year floodplain (8 Points)**

**Line Item 2.N.2 - Project relocates infrastructure from inside the 100-year floodplain to outside the 100-year floodplain (5 Points)**

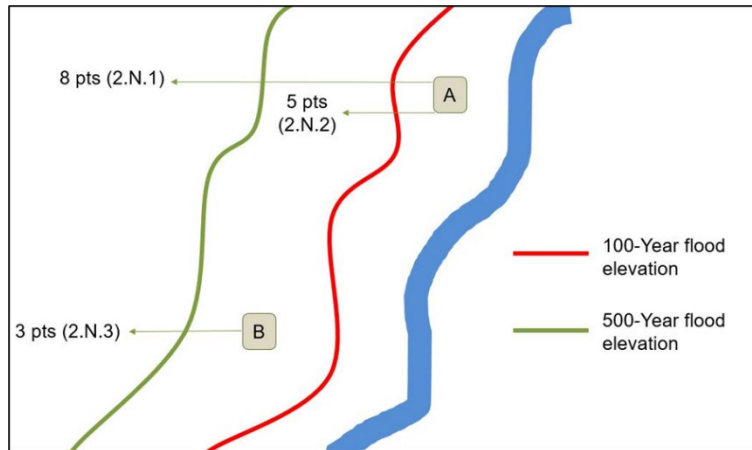
**Line Item 2.N.3 – Project relocates infrastructure from between the 100-year and 500-year floodplains to outside a 500-year floodplain (3 Points)**

For Line Items 2.N.1 through 2.N.3, the application can earn points for relocating infrastructure that lies in a floodplain into a lower risk area, which reduces the infrastructure’s susceptibility to damage by flooding. The number of priority points depends on which floodplain area boundaries the relocation crosses. Document these priority points in as follows:

- Describe in the narrative the infrastructure that is being relocated outside of the 100-year or 500-year floodplain into a lower risk area;
- Provide map(s) that clearly show where the existing and relocated infrastructure lie in relation to the floodplains:
  - The map must clearly show the location of both the existing and proposed infrastructure;
  - The map must clearly show the flood plain boundaries across which the infrastructure will be relocated; and
  - The map must clearly show that the existing infrastructure lies within a higher-hazard flood plain than the proposed infrastructure.

Provided map(s) must use FRIS or FEMA as the source of the data layer or flood elevations used (<https://fris.nc.gov>). The provided map(s) must include a legend explaining all symbols appearing on the map, the north arrow, and the scale; and the map(s) must clearly indicate which side of the boundary line is the flood plain by showing the water body or using shading or other marking.

The following graphic illustrates the differences in Line Items 2.N.1, 2.N.2, and 2.N.3.



**Note:** The Division will accept the 100-year Floodplain (1% Annual Chance Floodplain) and 500-year Floodplain (0.2% Annual Chance Floodplain) as designated on the North Carolina Flood Risk Information Center available at <https://fris.nc.gov>. The 100-year Floodplain is also designated as the Special Flood Hazard Area (SFHA). SFHA are defined as the area that will be inundated by the flood event having a 1-percent chance of being equaled or exceeded in any given year. The 1-percent annual chance flood is also referred to as the base flood or 100-year flood. SFHAs are labeled as Zone A, Zone AO, Zone AH, Zones A1-A30, Zone AE, Zone A99, Zone AR, Zone AR/AE, Zone AR/AO, Zone AR/A1-A30, Zone AR/A, Zone V, Zone VE, and Zones V1-V30. The 500-year Floodplain is also referred to as the 0.2% Annual Chance Floodplain, the “area of minimal flood hazard”, Zone C, or Zone X. The 100-Year Floodplain and 500-year Floodplain must be clearly labeled on the map, and the source of the floodplain data must be provided.

The Division may accept other floodplains on a case-by-case basis only if no NFIP base elevation exists for the area. To use an alternate map, applicants must obtain the Division’s approval of the map prior to the application submittal deadline.

#### Example Narratives for Line Item 2.N.1

**Narrative that IS NOT sufficient:** The project will move the existing Flat Creek Pump Station from its current location, which flooded during Hurricane Michael, to a new site two blocks away that did not flood during Hurricane Michael. **(Not sufficient because there is no documentation included showing the current location is located within the 100-year floodplain and that the proposed new location is outside of that floodplain.)**

**Narrative that IS sufficient:** The project will move the existing Flat Creek Pump Station from Location1 (-78.747620, 35.9002375 degrees), which is within the 100-year floodplain to Location2 (-78.748835, 35.902638 degrees), which is outside of the 500-year floodplain. The attached map shows that Location1 is in the 100-year floodplains and that Location2 is outside of the 500-year floodplains. The maps were printed from <https://fris.nc.gov>.



### **Line Item 2.N.4 - Project fortifies or elevates infrastructure within floodplain (4 Points)**

The application can earn points for fortifying or elevating infrastructure within the 100-year floodplain without the need to relocate it out of the floodplain.

1. Fortifying includes replacing equipment with new equipment not subject to being damaged by submersion (such as submersible pumps or waterproofed manholes).
2. Fortifying also includes physical barriers (such as levies or floodgates);
3. Elevating typically includes installing electrical equipment on platforms.

Physical barriers and elevating require a minimum of two feet of freeboard above the base flood elevation (BFE). Document these priority points in the narrative as follows:

- Determine the BFE from the North Carolina Flood Risk Information System available at <https://fris.nc.gov>;
- Provide map(s) that clearly show where the infrastructure lies in relation to the floodplain and how the BFE was determined:
  - The map must clearly show the location of the infrastructure;
  - The map must clearly show the BFEs at the location of the infrastructure;
  - Provided map(s) must use FRIS or FEMA as the source of the data layer or flood elevations used (<https://fris.nc.gov>);
  - The provided maps must include a legend explaining all symbols appearing on the map, the north arrow, and the scale.
- Describe the vulnerable components of the existing infrastructure that are below the BFE established above;
- Describe how the project will elevate/protect those vulnerable components of the existing infrastructure.
- Describe how the project will achieve the required 2 feet of freeboard (or higher freeboard as required for local permitting) above the BFE that the elevated infrastructure or the barriers will have.
- Alternatively, describe how the vulnerable infrastructure is replaced by infrastructure that is not vulnerable to flooding, such as submersible wet-pit/dry-pit pumps.

#### Example Narratives for Line Item 2.N.4

**Narrative that IS NOT sufficient:** Improvements will be made at the existing Flat Creek Pump Station to replace the electronic control system with a new system constructed on a 10-foot-tall platform. **(Not sufficient because the narrative does not demonstrate that the new infrastructure will have at least 2 feet of freeboard above the base flood elevation.)**

**Narrative that IS sufficient:** The control structures and pump motors at the existing Flat Creek Pump Station sit at between 387 and 393 feet MSL. The attached maps printed from <https://fris.nc.gov> show that the base flood elevation is 395 feet. The project will protect the infrastructure as follows:

- The replacement electronic control system will be constructed on a 10-foot-tall platform, so that the lowest vulnerable control component will be at 397 feet (two feet above the base flood elevation).
- The Westerly Pumps are vertical turbine line-shaft pumps with submerged pump bodies. However, the drive motors are mounted below 393 feet MSL. These pumps will be hardened by installing longer line shafts and re-mounting the drive motors at 397 feet MSL (two feet above the base flood elevation).
- The Easterly pumps will be replaced by submersible pumps that are not subject to damage by flooding. The control panels will be elevated to 397 MSL for protection.

**Narrative that IS NOT sufficient:** Hurricane Zebra destroyed 100 homes on the East side of town, reducing the population by 300. This project replaces sewers on the West side of town (project not related to the area with reduced population).

**Narrative that IS sufficient:** Hurricane Zebra destroyed 100 homes on the East side of town, reducing the population by 300. There are now four sections of 15-inch gravity sewer on that East side of town that serve no more than three homes each, resulting in wet-weather flows more than 10x dry-weather flows. In addition, the flow from the remaining houses is not sufficient to scour the 15-inch sewer. This project replaces those 15-inch sewers with 8-inch to meet the minimum allowable size in MDCs.

#### **Line Item 2.N.5 - Project improves ability to assure continued operation during flood events (4 Points)**

The application can earn points for improving the system's ability to assure continued operation during flood events. Document these priority points in the narrative by describing how the project improves the system's ability to assure continued operation of infrastructure located within the 100-year floodplain during flood events. Provide map(s) that clearly show where the infrastructure lies in relation to the floodplain:

- The map must clearly show the location of the infrastructure;
- Provided map(s) must use FRIS or FEMA as the source of the data layer or flood elevations used (<https://fris.nc.gov>);
- The provided maps must include a legend explaining all symbols appearing on the map, the north arrow, and the scale.

### **Line Item 2.N.6 - Project downsizes infrastructure related to buyouts (4 Points)**

The application can earn points for projects that reduce the size of infrastructure as a result of a buyout or other abrupt loss of flow or population. To document these points in the narrative, explain how and why the population declined and how that smaller population is better served by reduced-size infrastructure.

#### **Example Narratives for Line Item 2.N.6**

**Narrative that IS NOT sufficient:** Hurricane Zebra destroyed 100 homes on the East side of town, reducing the population by 300. This project replaces sewers on the West side of town (project not related to the area with reduced population).

**Narrative that IS sufficient:** Hurricane Zebra destroyed 100 homes on the East side of town, reducing the population by 300. There are now four sections of 15-inch gravity sewer on that East side of town that serve no more than three homes each, resulting in wet-weather flows more than 10x dry-weather flows. In addition, the flow from the remaining houses is not sufficient to scour the 15-inch sewer. This project replaces those 15-inch sewers with 8-inch to meet the minimum allowable size in MDCs.

### **Line Item 2.N.7 - Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source (3 Points)**

For another resilient item such as a redundancy, emergency power source, or eligible cybersecurity component:

- Include the resilient item in the application’s project description; and
- In the narrative, explain how the resilient item provides redundancy and/or resiliency.

**Note:** Replacing or repairing an existing generator or redundant unit does not earn these points. The redundancy or resiliency must be new or increased. **However, replacing a portable generator with a fixed generator will earn these points.**

Retrofitting existing equipment with backup power qualifies for points; **new equipment that requires backup power does not get these points.**

Replacing aged (and failure prone) infrastructure in kind does not earn these points.

Adding a hardware firewall to an existing SCADA system and keeping it updated is a cybersecurity component that can earn these points.

By policy, line looping does not earn redundancy points.

### Example Narratives for Line Item 2.N.7

**Narrative that is NOT sufficient:** The new waterline loops will allow water to flow from either direction. **(Not sufficient because by policy, looping does not earn redundancy points.)**

**Narrative that is NOT sufficient:** The project will replace the existing broken and unrepairable 25,000 kW generator. **(Not sufficient because it doesn't add redundancy; it restores redundancy.)**

**Narrative that IS sufficient:** The project description contains "Rehabilitate existing WTP without expanding capacity including the following: ... Install redundant third filter to enable the plant to operate at full capacity with any single filter out of service..." For this particular line item, the narrative would be "The redundant third filter will enable the plant to operate at full capacity with any single filter out of service and will not increase capacity."

**Narrative that IS sufficient:** The project description contains "Rehabilitate existing WTP without expanding capacity including the following: ... provide backup power to the high service pumps..." For this particular line item, the narrative would be "The plant currently has emergency power for the treatment train and necessary controls. The plant hydraulics allow water to flow through the plant and into the clearwell. Without the ability to pump water from the clearwell, however the plant cannot provide additional water to the town once the power fails. The project will provide backup power to the high service pumps enabling the plant to provide water to the town during an extended outage."

**Narrative that IS sufficient:** Rehabilitate existing WTP without expanding capacity, including installation of redundant third filter to enable the plant to operate at full capacity with any single filter out of service.

**Narrative that IS sufficient: The project will expand the plant from 10 to 12 MGD and increase the backup power available.** The plant currently has emergency power for the treatment train and necessary controls. The plant hydraulics allow water to flow through the plant and into the clearwell. Without the ability to pump water from the clearwell, however, the plant cannot provide additional water to the town once the power fails. The expanded generators will not only provide backup power sufficient to operate the expanded plant, but they will retrofit backup power to the existing high service pumps enabling the plant to provide water to the town during an extended outage.

### Line Items 2.O - 2.R - Reserved for Other Programs

### Line Item 2.S –Project provides Site Work and New Water/Wastewater Infrastructure, including House or Apartment Connections, to New Low-to-Moderate Income Housing – 5 points.

An application may earn points if the project provides site work, and new water or wastewater infrastructure to a new low-income housing development.

- Provide a map of the route of the infrastructure, and who will be served by the new infrastructure, including any existing homes that may be served by the line; and
- Discuss in the narrative the options the housing project developers considered, including the extension of public water/sewer, publicly owned onsite systems, or private wells/septic systems.

### **3.3. Category 3 – System Management – Max 15 points**

System management narratives and documentation should be inserted behind Tab 6.

### **3.A - Capital Planning Activities**

Applicants may qualify for points under only one of the following line items 3.A.1 or 3.A.2.

#### **Line Item 3.A.1– Asset Management Plan (10 points)**

To earn points under this line item, the Applicant must have an Implemented Asset Management Plan (AMP) **as of the date of the application** that addresses each of the four key areas described below.

If the project does not qualify for 3.A.1, it will be automatically considered for 3.A.2 points, provided all required Capital Improvement Plan (CIP) documentation is included.

This guidance is intended only for the purpose of determining if the applicant qualifies for points under Line Item 3.A.1 of the Priority Rating System Form. This guidance is not intended to be an exhaustive resource for the development of asset management plans, and there are many aspects of asset management that may tie into a system owner’s plan that are not evaluated for the purpose of determining qualification for points. **There are no requirements that the asset management plan be managed electronically.**

To earn points under this line item, the Applicant MUST submit with application:

- Evidence of implementing an asset management plan as of the date of the application.
- Include meeting minutes or resolution documenting the adoption of the asset management plan occurred within two years from the date of the application deadline.
- The required application narrative (described below).
- An electronic copy of the AMP with maps.
- The project seeking funding must be included in the AMP.

**The required copy of the Asset Management Plan is not a substitute for the narrative, and no points will be awarded if a complete narrative is not included.**

**To receive points under this line item, the application must include a narrative that clearly explains how the AMP addresses each of the four key areas described in this guidance. The narrative must include a specific section that addresses each of the following four key areas that comprise the Applicant’s AMP.** It is not necessary to provide maps with the narrative **since the electronic copy of the AMP will include the maps**, but the Applicant’s AMP must include mapping as described below.

The 4 (four) key areas that MUST be addressed in the Narrative are:

1. Inventory of assets including maps;
2. Assessment of the condition of the infrastructure in the inventory;
3. A capital improvement plan (CIP) with projected cost estimates; and
4. An operation and maintenance plan to ensure proper management of the assets.

#### **1. Inventory of Assets:**

The inventory **must include all** water or wastewater infrastructure assets owned by the Applicant, not just the assets in the proposed project.

- Waterlines, valves, hydrants, and tanks: map with age, type, and size of pipe materials; age and size of valves, hydrants and tanks; the narrative to support Line Item 3A.1 must describe the general age of the pipe segments and valves.
- Gravity Sewers and Force mains: map with age, type, and size of pipe materials; age, size and materials of manholes; the narrative to support Line Item 3.A.1 must describe the general age of the pipe segments and manholes.
- Pump Stations: map and narrative with age, number and capacity of pumps, power reliability, and telemetry.
- Water or Wastewater Treatment Plants: process schematic; age, number and capacity of each major treatment unit. Units that were built as part of a larger treatment process at the same time and that are in the same general condition may be grouped together.
- Other Assets (e.g., reclaimed water distribution Systems): provide information as outlined above.

## 2. Condition Assessment:

Each asset included in the Inventory of Assets must be assigned a condition. The assessment of the condition of the infrastructure may be based on:

- Operator knowledge;
- Formal evaluations (e.g., sanitary sewer evaluation study);
- Broad assumptions based on age and type of facilities (e.g., 40-year-old concrete pipe can be assumed to be in poor condition; and
- Condition of other similar facilities in the system where formal evaluations have been conducted.

The assessment scale (e.g., excellent – poor condition) is at the discretion of the applicant. The narrative must describe the assessment scale and include a list of categories and a clear explanation of how each category is assigned (e.g., “Poor” rated sewer lines are those with offset joints, significant corrosion, cracks, experience surcharging, etc.).

**It is expected that the project for which funding is being sought will address infrastructure in the “poor” category. If it does not, provide a discussion and justification of why this project is proposed for funding when other infrastructure is in greater need of improvement (e.g., other high priority projects are being implemented with local funds).**

## 3. Capital Improvement Plan with Projected Cost Estimates:

Provide all of the documentation as required for Line Item 3.A.2 to demonstrate that the Asset Management Plan includes a Capital Improvement Plan.

**To qualify for the points, the project proposed for funding must be included in the CIP.**

**Review the CIP for the purposes of awarding points for funding priorities in no way absolves the system owner of responsibility for regulatory noncompliance.**

#### 4. **Operation and Maintenance Plan:**

The operation and maintenance (O&M) plan should be based on manufacturers' recommendations and/or typical industry best management practices. The narrative to support Line Item 3.A.1 must describe the Applicant's O&M plan.

##### **Notes:**

1. Implementation of an Asset Management Plan means that the Applicant has taken specific actions to put into practice the elements that comprise the Plan and can demonstrate in the application of each activity and its outcome.
2. The application must include documentation of the AMP even if the same application previously received points for an AMP.
3. The AMP must cover the utility for which the application is requesting grant.
4. THE AMP must include all water or wastewater infrastructure assets owned by the Applicant, not just the assets involved in the proposed project.
5. For a System Merger project receiving point under Line Item 2.F., the receiving system must have the qualifying AMP to earn points.
6. **Be aware a completed and approved NCDEQ AIA does not guarantee AMP points.**

#### **Line Item 3.A.2 – Applicant has a Current Capital Improvement Plan (CIP) (3 points)**

An application may earn points if the Applicant has a capital improvement plan (CIP) adopted by the Applicant within two years of the application date, spanning at least ten years from the date of adoption, including cost estimates for projects scheduled in the first five years, and with the project proposed for funding.

The narrative must include the following:

- A resolution or board meeting minutes which clearly shows a motion to approve and adopt the CIP within two years of the application date.
  - A certified true and correct copy of draft meeting minutes is acceptable for meetings held within 45 days of the application deadline;
  - A certification or statement that a CIP was adopted is not sufficient documentation;
  - if a CIP has been amended, the resolution or meeting minutes provided must show that the entire CIP, as revised, has been adopted.
- A statement of the years covered by the CIP, which must extend at least ten years from the most recent adoption date;
- A description sufficient to show that the project described in the CIP is unambiguously the same project seeking funding;
- A printout of the CIP priority matrix with a reasonable forecast of anticipated projects for the applicable utility (water or wastewater) meeting the following requirements:
  - The project must be highlighted on the priority matrix;

- The CIP must cover 10 years from the most recent adoption date;
- For the first five years, the priority matrix must list both projects and their costs by year;
- After year 5 (minimum of years 6 – 10), the priority matrix must list projects and their estimated costs but does not need to specify the year or priority of those projects.
- If the proposed project has moved significantly from the projected date in the CIP, explain why the project has been moved ahead of the other projects listed in the CIP.
- Submit an electronic copy of the CIP, with the project seeking funding highlighted in the priority matrix.

**Line Item 3.B - System Operating Ratio is Greater Than or Equal to 1.00 Based on Current Audit or is Less than 1.00 and the Unit Cost is Greater than 2.5% of MHI (5 points)**

The application earns points if either of the following is true:

- The Applicant’s Operating Ratio is greater than or equal to 1.00, or
- The Applicant’s Operating Ratio is less than 1.00 and the unit cost is greater than 2.5% of median household income (MHI).

**If calculations are missing, incomplete or inconsistent, or if the official rate sheet is missing, the application earns no points for this line item.**

Report the components of the Operation Ratio on the *Water & Sewer Financial Information Form*.

- Do not modify the forms.
- Do not report negative numbers for expenses.

Calculate the Operating Ratio using the formula below:

$$\text{Operating Ratio} = \frac{\text{Operating Revenues}}{(\text{Total Expenditures} + \text{Debt Principal} + \text{Interest} + \text{Capital Outlay})}$$

Provide the revenues and expenditures for the water and sewer enterprise fund (separate from other revenues) for the most recent audit year approved by the LGC. However, to account for unusual circumstances (for example, to account for large variations in capital expenditures or the use of reserve accounts) average the revenues and expenditures over the last five years. The narrative must clearly describe the circumstances that justify the use of this five-year average. If separate water and sewer enterprise funds are maintained, the Operating Ratio must be calculated using only the fund applicable to the project type.

Present the calculations in the narrative.

A narrative is not required for this line item to receive points. DWI will calculate the OR based on data provided in the financial information form of the application and will award prioritization points based on that calculation. Applicant may provide in the narrative a justification on why an alternative calculation or alternative values should be used in the calculation that are more representative of the utility’s operations.



**Calculation Notes:**

In the narrative and calculation, use the same values entered in the *Water & Sewer Financial Information Form*.

- **Do not** include “non-operating revenues” in the numerator.
- Do not include any future revenues.
- Present “Total Expenditures” from the *Water & Sewer Financial Form*.
- Present “Debt Principal”, “Interest”, and “Capital Outlay” from page 1 of the *Water & Sewer Financial Information Form*, “Capital outlay” is defined as funded from the enterprise fund.
- Report the Operating Ratio to two decimal points. An operating ratio of 0.99 does not qualify for points.

Operating Ratio (Equal to or Greater than) ≥ 1.00

If the Applicant’s Operating Ratio is equal to or greater than 1.00, the application earns points.

Operating Ratio <1.0 and the Water/Sewer Rate Divided by the MHI is > or Equal to 2.5%

If the Operating Ratio is less than 1.0 and the combined water and sewer rate as a percent of the median household income is greater than 2.5%, the application earns points.

The narrative must present both the Operating Ratio as calculated above and the combined monthly water and sewer bill as a percent of MHI as calculated below:

$$\begin{aligned} & \textit{Combined Water and Sewer Rate as \% MHI} \\ & = 100 \times \left( \frac{\textit{Current Combined Residential Water and Sewer Bill for 5,000 } \frac{\textit{gal}}{\textit{month}}}{\left( \frac{\textit{MHI}}{12} \right)} \right) \end{aligned}$$

**Notes:** In the narrative and calculation, use the same values entered in the Division application for System Parameters (Section 2).

- Applicants that provide both water and wastewater utility services must use both rates in calculating OR.
- **Include the official rate certified sheets for both water and sewer service. Otherwise, the ratio is calculated solely based on the one included official rate sheet.**
- Using the lowest residential rate available (typically, the “inside rate”) calculate the residential monthly utility bill for 5,000 gallons for water and sewer service. Include the monthly fixed, minimum or base charge. Show all calculations.
- Report the results as “Monthly Utility Bill for 5,000 Gallons” on the Division application for System Parameters (Section 2).
- Obtain the current statistics for MHI to be used in this calculation from the Division of Water Infrastructure website <https://deq.nc.gov/about/divisions/water-infrastructure/i-need-funding/application-forms-and-additional-resources>
- For systems without adopted rates, enter "0" (zero).
- **If calculations are missing, incomplete or inconsistent, or if the official rate sheet is missing, the application earns no points for this line item.**

### **Line Item 3.C – Applicant has an Approved Source Water Protection Plan/Well Head Protection Plan (5 points)**

To earn points under this line item, the Applicant must demonstrate that they have a voluntary source water protection or wellhead protection plan that has been approved by the Public Water Supply Section (PWS) of DWR no **more than five years before the application deadline**.

The narrative must include a copy of the voluntary source water protection or wellhead protection plan approval letter by the PWS Section of DWR. **The PWSID number and name on the approval letter must match that of the Applicant or the benefitting Public Water Supply.**

**Note:**

1. If you cannot find your approval letter, please contact Brad Whitman at 919.707.9076 or at [Bradley.Whitman@deq.nc.gov](mailto:Bradley.Whitman@deq.nc.gov)
2. A **mandatory Source Water Resiliency and Response Plan** is not a *voluntary Source Water Protection Plan*. Self-certification of a **mandatory Source Water Resiliency and Response Plan** is not an approval letter from PWS for a voluntary Source Water Protection Plan.

### **Line Item 3.D – Applicant has Water Loss Reduction Program (5 points)**

To earn points under this line item, the Applicant must document a Water Loss Reduction Program that includes water audits and hidden leak detection and repair.

To document these priority points, provide the following:

- An annual water audit for each of the past three years. Applicants may use the Division of Water Resources Small System Water Audit or the AWWA Water Loss Control Committee Free Water Audit Software. The audit must include both a data table and graphs showing the following for each of the past three years:
  - The volume of water produced each month;
  - The volume of unaccounted-for water each month; and
  - The unaccounted-for water as a percent of total water produced each month.

The data table must also report the annual average unaccounted-for water as a percent of total water for each of the past three years.

**Note:** The *Division of Water Resources Small System Water Audit* and the *AWWA Water Loss Control Committee Free Water Audit Software* are available through the following website <https://deq.nc.gov/about/divisions/water-resources/drinking-water/forms-publications/community-water-systems-water-efficiency-bmp> .

Accounted-for water is generally quantified by meters. However, water quantified by other methods can also be included in accounted-for water. For example, water may be flushed from a hydrant through an orifice that allows an estimate of the quantity of water release. Unaccounted-for water is defined as the difference between total water produced (generally metered at the source) and the accounted-for water.

**Note:** To earn points, you must either show very low leakage or show an ongoing and continuous program to track down and repair hidden leaks. **Promptly fixing found leaks does not earn points.**

If the water audit shows that the percent of total unaccounted-for water is less than 10% for each of the past three consecutive years or the *AWWA Water Loss Control Committee Free Water Audit Software* calculates an Infrastructure Leak Index (ILI) less than 1.2 for each of the past three consecutive years, the audit sufficiently documents the priority points for this line item. Otherwise, the application must also include documentation of an ongoing and continuous program to track down and repair hidden leaks (leaks that are not visible, obvious or accidentally discovered). Hidden leak detection requires the use of technology that extends the human senses.

To document these priority points, provide the following:

- Describe the ongoing and continuous program to track down and repair hidden (not obvious or accidentally discovered) leaks by answering the following questions:

- Who does the leak detection? (e.g., town staff or the Rural Water Association),
- How often is the system surveyed for leaks? (must be at least annual), and
- What equipment (e.g., acoustic or ultrasonic) was used for the survey,
- Does the system own the equipment, or does the system borrow / rent the equipment (and from whom)?
- Provide records of the past three leak detection surveys, including the following:
  - The date of the survey;
  - The scope of the survey. State either “the entire transmission and distribution system was surveyed”, or provide a map of the entire transmission and distribution system showing the areas covered by each survey; and
  - The location of each leak found.
- To show an ongoing and continuous program to track down and repair hidden leaks, the most recent survey must have been performed no more than one calendar year before the application deadline.
- For each leak found in the most recent survey provide the following information:
  - Whether / when the leak was repaired, and

If the leak was not repaired, then describe why it was not repaired. For example, is the repair of the leak the subject of an application submitted to the Division? Does the repair of the leak appear as a project in the CIP? Does the system have written standard operating procedures for prioritizing leaks?

#### **Example Narratives for Line Item 3.D**

Narrative that is NOT sufficient – audit only: The attached water audits show that the unaccounted-for water for the most recent three years was 9.0%, 13.6% & 9.0%. Although the unaccounted-for water for the three years averaged 10.53%, which exceeds 10%, the unaccounted-for water during two of the three years was less than 10%, so the project should earn these points. *(Not sufficient because to earn the points, the unaccounted-for water for each of the last three years must be less than 10%.)*

Narrative that is sufficient – audit only: The attached water audits show that the unaccounted-for water for each of the most recent three years was 8%, 7% & 6%. Because the unaccounted-for water for each of the past three years was less than 10%, the project earns these points.

### Example Narratives for Line Item 3.D

Narrative that is insufficient – leak detection by visual inspection: The three attached water audits show that the unaccounted-for water for the most recent year was 38%. Because the unaccounted-for water was more than 10%, the system must demonstrate hidden leak detection and repair.

Town of Smallville staff drive around the entire distribution system first thing every morning and last thing every evening looking for leaks. They also routinely stop passers-by and ask if they saw any leaks. Records of 730 such visual inspections and 350 interactions with passers-by in the past calendar year are attached, as are records of repair of four of the five discovered leaks. Because its repair is so expensive, the fifth discovered leak appears on the CIP as project # 1452 and is the subject of this application. (Not sufficient, because to earn the points, the Applicant must look for hidden leaks that are not visible, obvious or accidentally discovered)

Narrative that is sufficient – hidden leak detection by contract: The three attached water audits show that the unaccounted-for water for the most recent year was 38%. Because the unaccounted-for water was more than 10%, the system must demonstrate hidden leak detection and repair.

For the past five years the Town of Smallville contracted with the Rural Water Authority to survey the town's waterlines twice a year using Sonoric-brand LeakTrex® ultrasonic leak detector. The cover page and results tables of the past three RWA reports are attached, as are records of repair of four of the five discovered leaks. Because its repair is so expensive, the fifth discovered leak appears on the CIP as project #1452 and is the subject of this application.

Narrative that is sufficient – hidden leak detection by town staff: The three attached water audits show that the unaccounted-for water for the most recent year was 38%. Because the unaccounted-for water was more than 10%, the system must demonstrate hidden leak detection and repair.

Starting in June of 2013 the Town staff survey the town's waterlines twice a year using rented Sonoric-brand detectors (Models 300 and 320). The results tables of the past three surveys performed by Town of Smallville staff are attached, as are records of repair of four of the five discovered leaks. Because its repair is so expensive, the fifth discovered leak appears on the CIP as project # 1452 and is the subject of this application.

### Line Item 3.E– Reserved for Other Programs

### 3.4 Category 4 – Financial Situation - Max 50 points

Financial situation narratives and documentation should be inserted behind Tab 7. Financial situation points make up one-half of the possible points for the CDBG-Infrastructure Program.

The financial data is entered directly into the Interactive Priority Rating System Scorecard, and an embedded calculation produces the number of points each line item receives.

#### Line Item 4.A- Reserved for Other Programs

#### Line Item 4.B– Current Monthly Combined Utility Rates (Bill) at 5,000 Usage (up to 10 points)

An Applicant may qualify for **only one** of the following sub-categories (Line Items 4.B.1- 4.B.4) based on the current monthly combined water and sewer utility rate (bill) at 5,000 gallons as shown on the rate sheet submitted with the application.

- Line Item 4.B.1 – Greater than \$79 (4 Points) **OR**
- Line Item 4.B.2 – Greater than \$90 (6 Points) **OR**
- Line Item 4.B.3 – Greater than \$107 (8 Points) **OR**
- Line Item 4.B.4 – Greater than \$129 (10 Points).

Use the lowest in-town rate. Provide certified rate sheets and show all calculations.

- For single-utility water providers: Estimate the combined utility bill by dividing the water rate for 5,000 gallons by 0.4.
- For single-utility sewer providers: Estimate the combined utility bill by dividing the sewer rate for 5,000 gallons by 0.6.

To document this line Item, provide the following:

- A copy of the most recent official certified water and sewer rate sheets in effect at the time of the application as part of the supporting documentation of the priority points narrative.
- A clear calculation or description of how the bill for monthly use of 5,000 gallons is calculated.

#### **Calculation Notes:**

- **Include the official certified rate sheet.**
- Using the lowest residential rate available (typically, the “inside rate”) calculate the residential monthly utility bill for 5,000 gallons for water and sewer service. Show all calculations.
- Report the results as “Monthly Rate for 5,000 Gallons” on the Division application for System Parameters (Section 2).
- $$\frac{DW \text{ Single Provider Rate per } 5000 \text{ gallons}}{0.4} = \text{Combined Utility Rate for Affordably Caculator}$$
- $$\frac{WW \text{ Single Provider Rate per } 5000 \text{ gallons}}{0.6} = \text{Combined Utility Rate for Affordably Caculator}$$

**Line Item 4.C & 4.D – Reserved for Other Programs**

**Line Item 4.E– Poverty Rate (Max 15 points)**

Refer to the poverty rate table on the Division website and enter the Applicant’s poverty rate into the blue box under Line Item 4.E. Priority points are automatically calculated for the poverty value entered.

**Line Item 4.F– Low to Moderate Income (LMI) Percentage of the Project Area (Max 25 points)**

Refer to the results of your income surveys or ACS data placed behind Tab 3 of the application. Input the LMI percentage in the blue box under Line Item 4.F. The project points will automatically be assigned to the project area LMI percentage.

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**PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS (updated July 19, 2023)**

***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 Total of Points for All Categories 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>Line Item #</b>	<b>Category 1 – Project Purpose (Points will be awarded for only one Project Purpose)</b>	<b>Claimed Yes/No</b>	<b>Points</b>
<b>1.A</b>	Project will consolidate a nonviable drinking water or wastewater utility		15
<b>1.B</b>	Project will resolve failed or failing infrastructure issues		15
<b>1.C</b>	Project will rehabilitate or replace infrastructure, including by a regionalization project		10
1.C.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, <b>OR</b> lead service lines		5
1.D-1.E	Reserved for other programs		
<b>1.F</b>	Project will extend service for the following specific reasons:		
1.F.1	Extend water and/or sewer service to new low-income housing, or to an area where existing LMI homes are being rehabilitated, <b>OR</b>		15
1.F.2	Connect existing LMI homes to water and/or sewer service		10
1.G- 1. I	Reserved for other programs		
<b>Maximum points for Category 1 – Project Purpose</b>			15
<b>Subtotal claimed points for Category 1 – Project Purpose</b>			
<b>Line Item #</b>	<b>Category 2 – Project Benefits</b>	<b>Claimed Yes/No</b>	<b>Points</b>
<b>2.A</b>	Project provides a specific environmental or public health benefit		15
2.A.1	Project eliminates 20% or more failing septic systems, malfunctioning onsite wastewater systems, or private wells that are dry or contaminated.		5
2.B-2.C	Reserved for other programs		
<b>2.D</b>	Project addresses promulgated but not yet effective regulations		3
<b>2.E</b>	Project directly addresses enforcement documents		
2.E.1	Project directly addresses an EPA Administrative Order for a local government applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DEQ Administrative Order, <b>OR</b>		5



**PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS** *(updated July 19, 2023)*

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 low pressure in a public water supply system		5
<b>2.H</b>	Project addresses contamination of a water supply source:		
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 source other than acute, <b>OR</b>		10
2.H.3	Project addresses any PFAS compounds exceeding 10 ppt or State-established regulatory standards or limits, <b>OR</b>		5
2.H.4	Project addresses PFAS exceeding proposed MCL or Hazard Index.		10
<b>2.I</b>	Reserved for other programs		
<b>2.J</b>	Water loss in system to be rehabilitated or replaced is 30% or greater		10
<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>		5
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		3
2.K.3	Reserved for other programs		
<b>2.L</b>	Water and sewer project is located within the same footprint		5
<b>2.M</b>	Project directly addresses a moratorium on a local government unit system		7
<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
2.N.6	Project downsizes infrastructure related to buyouts, <b>OR</b>		4

<b>PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS (updated July 19, 2023)</b>			
2.N.7	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source		3
2.O -2.R	Reserved for other programs		
2.S	Project provides site work and new water/wastewater infrastructure, including house or apartment connections, to new low-to-moderate income housing		5
<b>Maximum points for Category 2 – Project Benefits</b>			<b>20</b>
<b>Subtotal claimed points for Category 2 – Project Benefits</b>			
<b>Line Item #</b>	<b>Category 3 – System Management</b>	<b>Claimed Yes/No</b>	<b>Points</b>
3.A	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		3
3.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% of MHI		5
3.C	Applicant has an approved Source Water Protection Plan and/or a Wellhead Protection Plan		5
3.D	Applicant has implemented a water loss reduction program		5
3.E	Reserved for other programs		
<b>Maximum points for Category 3 – System Management</b>			<b>15</b>
<b>Subtotal claimed points for Category 3 – System Management</b>			
<b>Line Item #</b>	<b>Category 4 – Financial Situation</b>	<b>Claimed Yes/No</b>	<b>Points</b>
4.A	Reserved for other programs		
4.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 <b>OR</b>		8

<b>PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS</b> <i>(updated July 19, 2023)</i>			
<b>4.B.4</b>	Greater than \$129		10
<b>4.C -4.D</b>	Reserved for other programs		
<b>4.E</b>	Poverty Rate		Calculati on; Max 15 pts
<b>4.F</b>	Low-to-Moderate Income		Calculati on; Max 25 pts
<b>Maximum points for Category 4 – Financial Situation</b>			<b>50</b>
<b>Subtotal claimed points for Category 4 – Financial Situation</b>			
<b>Total Points Claimed for All Categories</b>			