

State Water Infrastructure Authority
Meeting Date – February 19, 2025
Agenda Item L

Draft Priority Rating Systems and SRF Intended Use Plans for Water and Wastewater Projects

Division of Water Infrastructure Staff Report

Background

The federal Clean Water Act and federal Safe Drinking Water Act provide states with the broad authority to implement and operate State Revolving Fund (SRF) loan programs, including project funding prioritization. North Carolina General Statute (G.S.) 159G-71 empowers the State Water Infrastructure Authority (Authority) to establish priorities for making loans and grants consistent with federal law.

The US Environmental Protection Agency (USEPA) requires the Division of Water Infrastructure (Division) to update its Intended Use Plan (IUP) for the Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) programs. Included within each program’s IUP is the Priority Rating System (PRS), which establishes the points applied by Division staff when an application for funding is evaluated. The Division submits the IUPs with the PRSs to USEPA as part of the capitalization grant applications for the DWSRF and CWSRF programs each year.

These PRSs are currently applied to infrastructure construction projects funded by the State Revolving Funds (SRFs), the Bipartisan Infrastructure Law SRF Emerging Contaminants (EC), the State Drinking Water Reserve (SDWR), State Wastewater Reserve (SWWR), and the Viable Utility Reserve (VUR). A similar PRS is applied in the Community Development Block Grant-Infrastructure program.¹ The PRSs include four categories:

1. Category 1 – Project Purpose
2. Category 2 – Project Benefits
3. Category 3 – System Management
4. Category 4 – Affordability

The current PRSs provide a consistent and transparent methodology for prioritization that aligns with the Authority’s Master Plan and with statutory requirements. The PRSs support applicants in their continued efforts toward long-term utility viability.

Background Related to Line Item 2.N

In September 2016 and September 2018, Hurricanes Matthew and Florence, respectively, severely damaged water and wastewater utilities across the eastern part of the state. As a result of the impacts from these hurricanes within the Southeast, President Trump signed into law P.S. 116-20, the “Additional Supplemental Appropriations for Disaster Relief Act, 2019” (ASADRA). In the ASADRA IUPs for the CWSRF and DWSRF, the Authority approved PRSs that contained three items related to moving or fortifying infrastructure or repairing damaged

¹ See Agenda Item M for more information regarding changes to the CDBG-I PRS.

infrastructure (Line Items 2.N.1 through 2.N.3.). In the FY 2020-2021 CWSRF and DWSRF IUPs, the Authority approved changes to the CWSRF and DWSRF PRSs related to incorporating resilience and moving infrastructure within floodplains or out of the floodplain. These line items are currently denoted as Line Items 2.N.1 through 2.N.7.

Hurricane Helene struck the western part of North Carolina on September 27, 2024 and devastated water and drinking water infrastructure in many communities in that part of the state, demonstrating the need to protect infrastructure from flood events. In addition, public comments received in prior years indicated a need to ensure that infrastructure built using funding from the funding programs is protected from flood events. These recent events highlight a need to review the 2.N.1 through 2.N.7 line items.

Proposed Changes to Line Items in Category 2 – Project Benefits and Category 3 – System Management

Division staff have developed recommendations related to the drinking water and wastewater PRSs. This section highlights those changes. The tables at the end of the staff report show the proposed full PRSs for drinking water and wastewater, including the proposed changes to the line items, using red-font text.

Line Item 2.N

During Fall 2024, Division staff began reviewing the drinking water and wastewater PRSs in preparation for the submittal of the FY 2025-2026 capitalization grant applications for the CWSRF and DWSRF.

Based upon the increasing frequency and intensity of hurricanes within the state, Division staff propose changes to Line Item 2.N. The changes are designed to simplify the line item by consolidating or removing line items that are rarely or never claimed in applications and increase focus and priority on moving infrastructure outside of or fortifying infrastructure against flood events within the 500-year floodplain (regardless of location relative to the 100-year floodplain). In addition, staff recommend moving Line Item 2.N.7, which is focused on redundancy and resiliency that is not necessarily related to floodplains, into its own new Line Item 2.T. This will enable applicants to claim these points alongside points related to moving or fortifying infrastructure in floodplains. It will also enable the Authority to expand Line Item 2.T in the future, for instance, related to prioritizing cybersecurity measures in more specific ways.

Table 1 on the next page summarizes the proposed changes.

Table 1. Proposed Changes to Line Item 2.N			
Current Line Item Number and Points	Current Line Item	Proposed Changes	New Line Item Number (if applicable)
2.N	Project provides resiliency for critical system functions	Modify language to focus on floodplains.	N/A
2.N.1 (8 points)	Project relocates infrastructure from inside the 100-year floodplain to outside the 500-year floodplain OR	Remove language related to 100-year floodplains, giving maximum priority to moving infrastructure from anywhere within the 500-year floodplain. No change in points.	N/A
2.N.2 (5 points)	Project relocates infrastructure from inside the 100-year floodplain to outside the 100-year floodplain OR	Change to be Line Item 2.N.3. No change in points.	2.N.3
2.N.3 (3 points)	Project relocates infrastructure from between the 100-year and 500-year floodplains to outside a 500-year floodplain OR	Remove. Consolidated with 2.N.1 (see proposed changes above).	Removed
2.N.4 (4 points)	Project fortifies or elevates infrastructure within floodplain OR	Modify language to specify this applies to infrastructure within the 500-year floodplain and must ensure continued operations during flood events. Change points from 4 points to 7 points. Change to be Line Item 2.N.2.	2.N.2
2.N.5 (4 points)	Project improves ability to assure continued operation during flood events OR	Remove. Consolidated with new line item 2.N.2.	Removed
2.N.6 (4 points)	Project downsizes infrastructure related to buyouts OR	Remove. No applicant has claimed these points since Fall 2020.	Removed
2.N.7 (3 points)	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source	Create a new Resiliency line item that can be expanded in the future. This would allow applicants to receive these points in addition to points related to protecting infrastructure from flood events.	2.T

New Line Item 3.F

Over the past few years, the North Carolina Department of Environmental Quality has been developing a flood resiliency blueprint that will guide development of local action plans to address flood resiliency. Category 3 (System Management) rewards drinking water and wastewater utilities that have implemented proactive activities related to utility management. Though the flood resiliency blueprint is still being developed and expanded, Division staff recommend adding a line item to reward applicants who have completed a local flood resiliency action plan, with the proposed application project as part of the plan. Since local governments can develop local flood resiliency action plans using other methods, the local flood resiliency action plan does not necessarily have to be the result of the flood resiliency blueprint. This new line item, Line Item 3.F, would have a value of five points, consistent with other line items such as having an approved Source Water Protection Plan and/or a Wellhead Protection Plan. For guidance to successfully claim these points, Division staff would utilize summaries of action plans similar to what staff now require for Asset Management Plans.

Intended Use Plan Updates

The Division is developing draft IUPs for the SRF programs in order to apply for the FY 2025 capitalization grants. The draft IUPs will be presented for public comment prior to finalizing. In addition to updating the required components of the IUPs from last year's IUPs, the Division will identify programmatic changes to the new proposed IUPs. One potential change is the addition of the ability for available DWSRF and CWSRF funds to be prioritized and awarded to eligible recipients as emergency loans for disaster recovery and resiliency infrastructure projects after the President issues an emergency declaration under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (the Stafford Act) authorizing Public Assistance for drinking water and wastewater facilities. This would enable the rapid award of SRF loans for disaster relief outside of the current application and PRS system, if needed. Other proposed changes to the IUPs are still under consideration.

Staff Recommendation

Staff recommend that the Authority approve the Draft Priority Rating System for Drinking Water Projects and the Draft Priority Rating System for Wastewater Projects – and the equivalent changes to the DWSRF-EC, CWSRF-EC, and DWSRF-LSLR – for public review.

Priority Rating System for Drinking Water Projects (proposed changes in red text)

Proposed 2025 PRIORITY RATING SYSTEM for Drinking Water Projects				
<i>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.</i>				
Line Item #	EC Line Item†	Category 1 – Project Purpose (Points will be awarded for only one Project Purpose)	Claimed Yes/No	Points
1.A		Project will consolidate a nonviable drinking water or wastewater utility		25
1.B		Project will resolve failed or failing infrastructure issues		22
1.C		Project will rehabilitate or replace infrastructure, including replacement by regionalization projects		12
1.C.1		Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old OR lead service lines		8
1.D		Project will expand infrastructure		2
1.D.1		Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		8
1.E		Project will provide service to disadvantaged areas		20
1.F – 1.I		Reserved for other programs		
1.J		Project addresses PFAS emerging contaminants		
1.J.1	EC	Sole purpose of the project is to address Emerging Contaminants (construction projects) where 100% of the costs are associated with this purpose OR		12
1.J.2	EC	At least 75% of the project costs are to address Emerging Contaminants (construction projects) OR		5
1.J.3		Reserved for EC-Study Program. Please use the appropriate guidance and the rolling application.		
Maximum points for Category 1 – Project Purpose				25
Subtotal claimed for Category 1 – Project Purpose				

Proposed 2025 PRIORITY RATING SYSTEM for Drinking Water Projects				
Line Item #	EC Line Item [†]	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A		Reserved for other programs		
2.B		Project provides a specific public health benefit		
2.B.1		Project addresses dry wells or contamination of a drinking water source; or resolves managerial, technical & financial issues		20
2.B.2		Projects that eliminate lead service lines		10
2.C		Reserved for other programs		
2.D		Project addresses promulgated but not yet effective regulations		10
2.E		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, OR		5
2.E.2		Project directly resolves a Notice of Violation or Notice of Deficiency		3
2.F		Project includes system merger or regionalization		
2.F.1		Project includes system merger OR		10
2.F.2	EC	Project includes system regionalization and/or system partnerships		5
2.G		Project addresses documented low pressure		10
2.H		Project addresses contamination		
2.H.1		Project addresses acute contamination of a water supply source OR		15
2.H.2		Project addresses contamination of a water supply source other than acute OR		5
2.H.3	EC	Project addresses any PFAS compounds exceeding 10 ppt or State-established regulatory standards or limits OR		2
2.H.4	EC	Project addresses PFAS exceeding proposed or promulgated MCL or Hazard Index		5
2.I		Project improves treated water quality by adding or upgrading a unit process		3
2.J		Water loss in system to be rehabilitated or replaced is 30% or greater		3

Proposed 2025 PRIORITY RATING SYSTEM for Drinking Water Projects				
2.K		Project provides a public water system interconnection		
2.K.1		Project creates a new interconnection between systems not previously interconnected OR		10
2.K.2		Project creates an additional or larger interconnection between two systems already interconnected which allows one system's public health water needs to be met during an emergency OR		10
2.K.3		Project creates any other type of interconnection between systems		5
2.L – 2.M		Reserved for other programs		
2.N		Project moves existing infrastructure from the floodplain or fortifies infrastructure within the floodplain provides resiliency for critical system functions		
2.N.1		Project relocates infrastructure from inside the 100-year floodplain to outside the 500-year floodplain OR		8
2.N.42		Project fortifies or elevates infrastructure within the 500-year floodplain to assure continued operation during flood events, OR		4 7
2.N.23		Project relocates infrastructure from inside the 100-year floodplain to outside the 100-year floodplain OR		5
2.N.3		Project relocates infrastructure from between the 100-year and 500-year floodplains to outside a 500-year floodplain OR		3
2.N.5		Project improves ability to assure continued operation during flood events OR		4
2.N.6		Project downsizes infrastructure related to buyouts OR		4
2.O – 2.S		Reserved for other programs		
2.N.7T		Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source		3
Maximum points for Category 2 – Project Benefits				35
Subtotal claimed for Category 2 – Project Benefits				
Line Item #	EC Line Item [†]	Category 3 – System Management	Claimed Yes/No	Points
3.A		Capital Planning Activities		
3.A.1	EC	Applicant has implemented an Asset Management Plan as of the date of application OR		10
3.A.2	EC	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10 years and proposed project is included in the plan		2

Proposed 2025 PRIORITY RATING SYSTEM for Drinking Water Projects				
3.B	EC	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		Applicant has implemented a water conservation incentive rate structure		3
3.F		Applicant has completed a local flood resiliency action plan with the proposed project included in the plan		5
Maximum points for Category 3 – System Management				15
Subtotal claimed for Category 3 – System Management				
Line Item #	EC Line Item [†]	Category 4 – Affordability	Claimed Yes/No	Points
4.A		Residential Connections		
4.A.1	EC	Less than 10,000 residential connections OR		2
4.A.2	EC	Less than 5,000 residential connections OR		4
4.A.3	EC	Less than 1,000 residential connections		8
4.B		Current Monthly Combined Utility Rates at 5,000 Usage		
4.B.1	EC	Greater than the 50 th Percentile OR		4
4.B.2	EC	Greater than the 70 th Percentile OR		6
4.B.3	EC	Greater than the 85 th Percentile OR		8
4.B.4	EC	Greater than the 95 th Percentile		10
4.C		Local Government Unit (LGU) Indicators		
4.C.1	EC	3 out of 5 LGU indicators worse than state benchmark OR		3
4.C.2	EC	4 out of 5 LGU indicators worse than state benchmark OR		5
4.C.3	EC	5 out of 5 LGU indicators worse than state benchmark OR		7
4.C.4	EC	Project benefits disadvantaged areas		5
4.D – 4.G		Reserved for other programs		
Maximum points for Category 4 – Affordability				25
Subtotal claimed for Category 4 – Affordability [†]				
Total of Points for All Categories				
Total Points for EC funding (if applicable)				

[†] Only line items marked with “EC” will be used in scoring eligible applications for DWSRF-EC funding. These applications will also be scored using the full PRS for all other drinking water funding sources.

‡ Local government units under Local Government Commission’s fiscal control that have received an Emergency Operating Grant under NC GS 159G-34.5 in the current or prior fiscal year qualify for the maximum points for Category 4: Affordability.

Priority Rating System for Wastewater Projects (proposed changes in red text)

Proposed 2025 PRIORITY RATING SYSTEM for Wastewater Projects				
<p><u>Instructions:</u> 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.</p>				
Line Item #	EC Line Item†	Category 1 – Project Purpose (Points will be awarded for <u>only one</u> Project Purpose)	Claimed Yes/No	Points
1.A		Project will consolidate a nonviable drinking water or wastewater utility		25
1.B		Project will resolve failed or failing infrastructure issues		20
1.C		Project will rehabilitate or replace infrastructure, including replacement by a regionalization projects		12
1.C.1		Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, or tanks to be rehabilitated or replaced are greater than 40 years old		8
1.D		Project will expand infrastructure		2
1.D.1		Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		8
1.E		Project will provide service to disadvantaged areas		20
1.F		Reserved for other programs		
1.G		Project will provide stream/wetland/buffer restoration		10
1.G.1		Restoration project that includes restoration of a first order stream and includes stormwater infiltration SCMs		5
1.G.2		Restoration project that includes restoration and/or protection of riparian buffers to at least 30 feet on both sides of the stream		5
1.H		Project will provide SCMs to treat existing sources of pollution		10
1.H.1		Project that includes SCMs in series that achieve at least 35% nutrient reduction (both TN and TP) and 85% TSS reduction		10
1.I		Project will provide reclaimed water/usage or rainwater harvesting/usage		10
1.J		Project addresses PFAS emerging contaminants		
1.J.1	EC	Sole purpose of the project is to address Emerging Contaminants (construction projects) where 100% of the costs are associated with this purpose OR		12
1.J.2	EC	At least 75% of the project costs are to address Emerging Contaminants (construction projects) OR		5

Proposed 2025 PRIORITY RATING SYSTEM for Wastewater Projects				
1.J.3	EC	Reserved for EC-Study Program. Please use the appropriate guidance and the rolling application.		5
Maximum points for Category 1 – Project Purpose				25
Subtotal claimed for Category 1 – Project Purpose				
Line Item #	EC Line Item [†]	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A – 2.B		Reserved for other programs		
2.C		Project provides a specific environmental benefit		
2.C.1		Project replaces or repairs certain sewer lines, eliminates failed onsite wastewater system or non-discharge system, or resolves managerial, technical & financial issues		15
2.C.2		Project eliminates malfunctioning onsite wastewater systems		10
2.D		Project addresses promulgated but not yet effective regulations		10
2.E		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, OR		5
2.E.2		Project directly resolves a Notice of Violation or Notice of Deficiency		3
2.F		Project includes system merger or regionalization		
2.F.1		Project includes system merger OR		10
2.F.2	EC	Project includes system regionalization and/or system partnerships		5
2.G – 2.H.2		Reserved for other programs		
2.H.3	EC	Project addresses any PFAS compounds exceeding 10 ppt or State-established regulatory standards or limits OR		2
2.H.4	EC	Project addresses PFAS exceeding proposed or promulgated MCL or Hazard Index		5
2.I		Project improves treated water quality by adding or upgrading a unit process		3
2.J – 2.M		Reserved for other programs		
2.N		Project moves existing infrastructure from the floodplain or fortifies infrastructure within the floodplain provides resiliency for critical system functions		
2.N.1		Project relocates infrastructure from inside the 100-year floodplain to outside the 500-year floodplain OR		8

Proposed 2025 PRIORITY RATING SYSTEM for Wastewater Projects				
2.N.42		Project fortifies or elevates infrastructure within the 500-year floodplain to assure continued operation during flood events, OR		4 7
2.N.23		Project relocates infrastructure from inside the 100-year floodplain to outside the 100-year floodplain OR		5
2.N.3		Project relocates infrastructure from between the 100-year and 500-year floodplains to outside a 500-year floodplain OR		3
2.N.5		Project improves ability to assure continued operation during flood events OR		4
2.N.6		Project downsizes infrastructure related to buyouts OR		4
2.O		Project directly benefits subwatersheds that are impaired as noted on the most recent version of the Integrated Report		20
2.P		Project directly benefits specific classified waters		10
2.Q		Project will result in elimination of an NPDES discharge		3
2.R		Primary purpose of the project is to achieve at least 20% reduction in energy use		5
2.S		Reserved for other programs		
2.N.7T		Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source		3
Maximum points for Category 2 – Project Benefits				35
Subtotal claimed for Category 2 – Project Benefits				
Line Item #	EC Line Item [†]	Category 3 – System Management	Claimed Yes/No	Points
3.A		Capital Planning Activities		
3.A.1	EC	Applicant has implemented an Asset Management Plan as of the date of application OR		10
3.A.2	EC	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10 years and proposed project is included in the plan		2
3.B	EC	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 – 3.E		Reserved for other programs		
3.F		Applicant has completed a local flood resiliency action plan with the proposed project included in the plan		5
Maximum points for Category 3 – System Management				15
Subtotal claimed for Category 3 – System Management				

Proposed 2025 PRIORITY RATING SYSTEM for Wastewater Projects				
Line Item #	EC Line Item [†]	Category 4 – Affordability	Claimed Yes/No	Points
4.A		Residential Connections		
4.A.1	EC	Less than 10,000 residential connections OR		2
4.A.2	EC	Less than 5,000 residential connections OR		4
4.A.3	EC	Less than 1,000 residential connections		8
4.B		Current Monthly Combined Utility Rates at 5,000 Usage		
4.B.1	EC	Greater than the 50 th Percentile OR		4
4.B.2	EC	Greater than the 70 th Percentile OR		6
4.B.3	EC	Greater than the 85 th Percentile OR		8
4.B.4	EC	Greater than the 95 th Percentile		10
4.C		Local Government Unit (LGU) Indicators		
4.C.1	EC	3 out of 5 LGU indicators worse than state benchmark OR		3
4.C.2	EC	4 out of 5 LGU indicators worse than state benchmark OR		5
4.C.3	EC	5 out of 5 LGU indicators worse than state benchmark OR		7
4.C.4	EC	Project benefits disadvantaged areas		5
4.D – 4.G		Reserved for other programs		
Maximum points for Category 4 – Affordability				25
Subtotal claimed for Category 4 – Affordability[‡]				
Total of Points for All Categories				
Total Points for EC funding (if applicable)				

† Only line items marked with “EC” will be used in scoring eligible applications for CWSRF-EC funding. These applications will also be scored using the full PRS for all other drinking water funding sources.

‡ Local government units under Local Government Commission’s fiscal control that have received an Emergency Operating Grant under NC GS 159G-34.5 in the current or prior fiscal year qualify for the maximum points for Category 4: Affordability.