

State Water Infrastructure Authority
Meeting Date – April 16-17, 2025
Agenda Item R
Draft Priority Rating Systems for the State Revolving Fund Helene Funding (SA-HMW)

Division of Water Infrastructure Staff Report

Background

In September 2024, Hurricane Helene significantly damaged many drinking water, wastewater, and decentralized wastewater treatment systems, particularly in western North Carolina. As of early April 2025, the Division of Water Infrastructure issued emergency bridge loans to 22 local government units (LGUs) and utilities using a \$100 million state appropriation from Session Law 2024-53. Priority for the emergency bridge loans was provided to LGUs and utilities that were wholly or partially non-operational as a result of damages incurred by Hurricane Helene. The emergency bridge loans, per the Session Law, are issued at zero-percent interest and are short-term. Emergency bridge loan recipients are encouraged to seek alternative federal or state funding to help repay any debt incurred from these loans before the loan maturity date of June 30, 2030.

On December 21, 2024, Congress passed the American Relief Act, 2025 (P.L. 118-158) providing the U.S. Environmental Protection Agency (USEPA) \$3 billion in disaster relief supplemental funding for the State Revolving Fund (SRF) programs available to state or territories in EPA Regions 3, 4, or 9 for wastewater treatment works and drinking water facilities impacted by Hurricanes Helene and Milton and the Hawai'i wildfires. The 2025 State Revolving Fund Supplemental Appropriation for Hurricanes Helene and Milton and the Hawai'i Wildfires (SA-HMW, or sometimes referred to in North Carolina as the SRF Helene Supplemental funds) will be administered via the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF). North Carolina's allotment is \$253,681,000 in SA-HMW funds for the CWSRF, and \$409,422,000 in SA-HMW funds for the DWSRF.

In addition, the American Relief Act, 2025, appropriated \$85 million in supplemental funding for the CWSRF program to improve the resilience of decentralized wastewater treatment systems, of which North Carolina's allotment is \$22,510,000.

On March 13, 2025, EPA published a memo announcing the award and implementation of the SA-HMW funds (Implementation Memo). The Implementation Memo describes eligibility for SA-HMW funds. For projects to be eligible for the SRF Helene Supplemental funds under the DWSRF and CWSRF, they must be SRF-eligible and have the purpose of reducing flood or fire damage risk and vulnerability or enhancing resiliency to rapid hydrological change or natural disaster. For the DWSRF and CWSRF Helene Supplemental funds, the term eligible entities is any entity that is eligible for the SRF programs and that was damaged, demonstrates impact, or had a loss or disruption of a mission-essential function caused by Hurricane Helene. For the CWSRF Helene Supplemental funds for decentralized wastewater treatment systems, the term eligible entity is an otherwise CWSRF-eligible entity within the state of North Carolina.

The Implementation Memo called for the impacted states to develop Intended Use Plans (IUPs) as part of the grant application from the state to EPA to receive the SA-HMW funds. Included within these IUPs are the state's plans for soliciting project applications, prioritizing and scoring applications, and awarding funds to specific projects. A Priority Rating System (PRS) must be established and included in the IUP. Per NC GS 159G-71, the State Water Infrastructure Authority (Authority) has the purview to both establish priorities and review the criteria for making loans from the SRF programs. Draft Intended Use Plans, including the proposed PRSs, will undergo a 30-day public comment period.

Given the narrower eligibility for SA-HMW funds, the existing PRSs for drinking water and wastewater projects are not wholly applicable. The Division is proposing that the Authority consider simplified PRSs that focus on projects addressing flood resiliency in the Helene-affected entities, and to develop a new PRS for decentralized wastewater treatment system projects funded by SA-HMW.

Proposed Drinking Water and Wastewater Priority Rating Systems for SRF Helene Supplemental Funding for the CWSRF and DWSRF

See Attachments 1 and 2 for draft PRSs for SRF Helene Supplemental funds for the DWSRF and CWSRF, respectively. The draft PRSs utilize line items from the existing PRSs for drinking water and wastewater projects that focus on resiliency (including regionalization) and affordability. The draft PRSs also include new line items for Category I: Project Purpose and new Line Items 2.D, 3.B and 4.D.

Category I (Project Purpose)

For Category I, the entire project must address one of three line items. Similar to the drinking water and wastewater PRSs used for the other SRF programs, only one project purpose may be selected. Staff propose a total of 50 points for this category.

Staff propose 50 points if an applicant has sustained damage from Hurricane Helene to their water or wastewater system and it remains wholly or partially inoperable (Line Item 1.A) or if the applicant has an emergency bridge loan with the Division of Water Infrastructure (Line Item 1.B). The project must address the damages caused by Hurricane Helene and enhance resiliency. Fifty points are proposed for these two line items to ensure that those that sustained the most damage or most urgently needed funding assistance are prioritized above other applicants.

Staff propose 25 points if an applicant sustained damages from Hurricane Helene but is currently operational and does not have an emergency bridge loan with the Division (Line Item 1.C).

Category II (Project Benefits)

For Category II, Project Benefits, at least part of the project must address the claimed line items. Applicants can claim points from more than one Project Benefit. Staff propose a total of 30 points for this category.

Both wastewater and drinking water systems have infrastructure that are located within floodplains and need to be either relocated or fortified. Division staff propose to use line items identical to the existing PRSs' Line Item 2.N for this purpose. This line item would be Line Items 2.A.1 and 2.A.2 for a total of 12 points and 10 points, respectively. Note that any changes made to Line Item 2.N in the final drinking water and wastewater PRSs would carry to these PRSs.

During weather events such as hurricanes, various factors may make drinking water and wastewater systems vulnerable to challenges such as power loss and cyberattacks. Part of resilience involves strengthening systems and providing redundancy. Division staff propose to use the new Line Item 2.T from the existing drinking water and wastewater PRSs as Line Item 2.B for a total of five points.

One way to address resilience would be to merge or regionalize with another system, including creating an interconnection to improve water supply resilience. Division staff propose to use line items identical to Line Item 2.F in the existing drinking water and wastewater PRSs for this purpose. This line item would be Line Items 2.C.1 and 2.C.2 for a total of ten or five points, respectively.

By reducing energy consumption or water usage at the treatment works by incorporating energy efficient equipment or water conservation/reuse measures, applicants may introduce additional resiliency for operations during a disaster event. Hence a new Line Item 2.D is proposed for three points.

Category III (System Management)

Category III provides priority for work systems that have already completed work related to planning for resiliency. To successfully claim this line item, an applicant must demonstrate that they have already made plans to address flood resiliency and that the project is included in the plan. Staff propose a total of five points for this category. For these PRSs, Division staff propose Line Item 3.A, which is identical to the new Line Item 3.F in the existing drinking water and wastewater PRSs. Any changes made to this line item for the final PRSs would apply to these PRSs.

Development of an emergency preparedness, response or recovery plan is an eligible use of SA-HMW funds. If the applicant wishes to include the development of such a plan, or if such a plan already exists and the project is part of the implementation of the plan, the Division proposes awarding 5 points in a new Line Item 3.B.

Category IV (Affordability)

Hurricane Helene impacted areas of the state whose customers may be struggling financially, and it affected utilities with limited financial resources. To successfully claim these line items, applicants must complete affordability calculations either by hand or by the affordability calculator as well as provide narrative where required. Division staff propose a total of 25 points for this category.

Line Item 4.A gives increasing amounts of points for systems that are smaller. Line Item 4.B gives increasing amounts of points for monthly utility bills per 5,000 gallons. Line Item 4.C gives increasing amounts of points for three or more LGU indicators worse than the state benchmark. Division staff propose to utilize these same line items that are used in the existing drinking water and wastewater PRSs.

Staff also recognize that damages from Hurricane Helene have impacted not only infrastructure but also revenues either due to sudden losses in the customer base or loss in sales due to damaged infrastructure. Those sudden impacts will likely not be reflected immediately in the metrics used in Line Items 4.A – 4.C. Division staff propose to add a new line item to provide points for systems experiencing significant loss of volumetric sales. Applicants would demonstrate this loss from billing records by comparing the total gallons of water (or wastewater) included in bills in the most recent three billing cycles compared to the same three billing cycles from the previous year prior to the hurricane. Line Item 4.D would provide three points for this line item.

Proposed Decentralized Wastewater Treatment System Priority Rating Systems for SRF Helene Supplemental Funding

Division staff developed a proposed PRS related to SA-HMW funding for decentralized wastewater treatment systems (DWTS). To be eligible for the funds, an applicant must repair, improve, or replace existing decentralized wastewater treatment systems in counties that were affected by Hurricane Helene in a way that would improve the resilience of the decentralized system against potential floods. Decentralized wastewater treatment systems may also be replaced with a connection to a centralized wastewater treatment system. See Attachment 3 for proposed PRS for SRF Helene Supplemental funds for Decentralized Wastewater Treatment Systems.

The proposed PRS contains only one Category with four line items that generally describe types of projects that are eligible for the SA-HMW funds. Applicants must choose only one line item that best describes their project.

Line Item 1.A provides the highest priority to projects where at least 50 percent of the DWTSs in the project area were damaged by Hurricane Helene (15 points). Line Item 1.B provides the next highest priority to projects where at least 50 percent of the DWTSs in the project area are failing or failed (ten points). The third priority, in Line Item 1.C, is to all other projects that would physically address DWTSs that do not qualify under Line Item 1.A or 1.B (five points).

The fourth priority, in Line Item 1.D (two points), is for planning projects. SA-HMW CWSRF DWTS funds can be used for projects that assess the potential to connect homes served by DWTSs to centralized wastewater systems due to vulnerability to flood damage or that analyze the best approach to integrate system and community sustainability/resiliency priorities in the face of a variety of uncertain futures including natural disasters and more frequent and intense extreme weather events, provided the planning work is reasonably expected to result in a capital project. Planning projects include feasibility studies, risk/vulnerability assessments

considering recent floodplain maps, alternatives analyses, asset management plans, and the development of emergency preparedness, response and recovery plans.

Staff Recommendation

Staff recommend that the Authority approve for public review the Proposed Priority Rating System for SA-HMW Drinking Water Resilience Projects, the Proposed Priority Rating System for SA-HMW Wastewater Resilience Projects, and the Proposed Priority Rating System for SA-HMW Decentralized Wastewater Treatment System Resilience Projects.

Attachment 1. Proposed Priority Rating System for SA-HMW Drinking Water Resilience Projects

Proposed SRF SA-HMW Funding 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 #	Category 1 – Project Purpose <i>(Points will be awarded for only one Project Purpose; note that the project must be eligible for SA-HMW Funds)</i>	Claimed Yes/No	Points
1.A	Applicant’s system remains wholly or partially inoperable due to sustained damages from Hurricane Helene OR		50
1.B	Applicant has an existing Helene emergency bridge loan with the Division of Water Infrastructure OR		50
1.C	Applicant’s system is operational but has sustained damages from Hurricane Helene		25
Maximum points for Category 1 – Project Purpose			50
Subtotal claimed for Category 1 – Project Purpose			
Line Item #	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A	Project moves existing infrastructure from the floodplain or fortifies infrastructure within the floodplain		
2.A.1	Project relocates and/or improves infrastructure to assure continued operation during a 500-year flood event OR		12
2.A.2	Project relocates and/or improves infrastructure to assure continued operation during a 100-year flood event		10
2.B	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source		5
2.C	Project includes system merger or regionalization		
2.C.1	Project includes system merger OR		10
2.C.2	Project includes system regionalization and/or system partnerships		5
2.D	Project will result in reducing water use or energy use at least by 20%		3
Maximum points for Category 2 – Project Benefits			30
Subtotal claimed for Category 2 – Project Benefits			
Line Item #	Category 3 – System Management	Claimed Yes/No	Points

Proposed SRF SA-HMW Funding PRIORITY RATING SYSTEM for Drinking Water Projects			
3.A	Applicant has completed a local flood resiliency action plan with the proposed project included in the plan		5
3.B	Applicant has an emergency preparedness, response or recovery plan and the proposed project is in the plan, or proposed project will develop an emergency preparedness, response or recovery plan		5
Maximum points for Category 3 – System Management			10
Subtotal claimed for Category 3 – System Management			
Line Item #	Category 4 – Affordability	Claimed Yes/No	Points
4.A	Residential Connections		
4.A.1	Less than 10,000 residential connections OR		2
4.A.2	Less than 5,000 residential connections OR		4
4.A.3	Less than 1,000 residential connections		8
4.B	Current Monthly Combined Utility Bills at 5,000 Usage		
4.B.1	Greater than the 50 th Percentile OR		4
4.B.2	Greater than the 70 th Percentile OR		6
4.B.3	Greater than the 85 th Percentile OR		8
4.B.4	Greater than the 95 th Percentile		10
4.C	Local Government Unit (LGU) Indicators		
4.C.1	3 out of 5 LGU indicators worse than state benchmark OR		3
4.C.2	4 out of 5 LGU indicators worse than state benchmark OR		5
4.C.3	5 out of 5 LGU indicators worse than state benchmark		7
4.D	System experienced a loss of at least 20% of water or wastewater volumetric usage as a result of Hurricane Helene [±]		3
Maximum points for Category 4 – Affordability			25
Subtotal claimed for Category 4 – Affordability			
Total of Points for All Categories			115

[±] Measured from billing records as total gallons of water (or wastewater) included in bills in the most recent three billing cycles compared to the same three billing cycles from the previous year (prior to the hurricane).

Attachment 2. Proposed Priority Rating System for SA-HMW Wastewater Resilience Projects

Proposed SRF SA-HMW Funding PRIORITY RATING SYSTEM for Wastewater 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 #	Category 1 – Project Purpose <i>(Points will be awarded for only one Project Purpose; note that the project must be eligible for SA-HMW Funds)</i>	Claimed Yes/No	Points
1.A	Applicant’s system remains wholly or partially inoperable due to sustained damages from Hurricane Helene OR		50
1.B	Applicant has an existing Helene emergency bridge loan with the Division of Water Infrastructure OR		50
1.C	Applicant’s system is operational but has sustained damages from Hurricane Helene		25
Maximum points for Category 1 – Project Purpose			50
Subtotal claimed for Category 1 – Project Purpose			
Line Item #	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A	Project moves existing infrastructure from the floodplain or fortifies infrastructure within the floodplain		
2.A.1	Project relocates and/or improves infrastructure to assure continued operation during a 500-year flood event OR		12
2.A.2	Project relocates and/or improves infrastructure to assure continued operation during a 100-year flood event		10
2.B	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source		5
2.C	Project includes system merger or regionalization		
2.C.1	Project includes system merger OR		10
2.C.2	Project includes system regionalization and/or system partnerships		5
2.D	Project will result in reducing water use or energy use at least by 20%		3
Maximum points for Category 2 – Project Benefits			30
Subtotal claimed for Category 2 – Project Benefits			
Line Item #	Category 3 – System Management	Claimed Yes/No	Points

Proposed SRF SA-HMW Funding PRIORITY RATING SYSTEM for Wastewater Projects			
3.A	Applicant has completed a local flood resiliency action plan with the proposed project included in the plan		5
3.B	Applicant has an emergency preparedness, response or recovery plan and the proposed project is in the plan, or proposed project will develop an emergency preparedness, response or recovery plan		5
Maximum points for Category 3 – System Management			10
Subtotal claimed for Category 3 – System Management			
Line Item #	Category 4 – Affordability	Claimed Yes/No	Points
4.A	Residential Connections		
4.A.1	Less than 10,000 residential connections OR		2
4.A.2	Less than 5,000 residential connections OR		4
4.A.3	Less than 1,000 residential connections		8
4.B	Current Monthly Combined Utility Bills at 5,000 Usage		
4.B.1	Greater than the 50 th Percentile OR		4
4.B.2	Greater than the 70 th Percentile OR		6
4.B.3	Greater than the 85 th Percentile OR		8
4.B.4	Greater than the 95 th Percentile		10
4.C	Local Government Unit (LGU) Indicators		
4.C.1	3 out of 5 LGU indicators worse than state benchmark OR		3
4.C.2	4 out of 5 LGU indicators worse than state benchmark OR		5
4.C.3	5 out of 5 LGU indicators worse than state benchmark		7
4.D	System experienced a loss of at least 20% of water or wastewater volumetric usage as a result of Hurricane Helene [±]		3
Maximum points for Category 4 – Affordability			25
Subtotal claimed for Category 4 – Affordability			
Total of Points for All Categories			115

[±] Measured from billing records as total gallons of water (or wastewater) included in bills in the most recent three billing cycles compared to the same three billing cycles from the previous year (prior to the hurricane).

Attachment 3. Proposed Priority Rating System for SA-HMW Decentralized Wastewater Treatment System Resilience Projects

Proposed SRF SA-HMW Funding PRIORITY RATING SYSTEM for Decentralized Wastewater Treatment System 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 #	Category 1 – Project Purpose <i>(Points will be awarded for only one Project Purpose)</i>	Claimed Yes/No	Points
1.A	At least 50% of the decentralized wastewater treatment systems in the project area were damaged by Hurricane Helene [±]		15
1.B	At least 50% of the decentralized wastewater treatment systems in the project area are failing or failed [±]		10
1.C	All other projects to repair, improve or replace decentralized wastewater treatment systems [±]		5
1.D	Planning projects to assess options to improve resiliency against flood damage		2
Maximum Points for Category 1 – Project Purpose			15
Total of Points for All Categories			15

[±] Project will repair, improve or replace the decentralized wastewater treatment system with added resilience or replace the decentralized wastewater treatment system with a connection to a centralized wastewater system.