

**North Carolina  
Drinking Water State Revolving Fund**

**Additional Supplemental Appropriations  
for Disaster Relief Act, 2019**

**Supplemental Intended Use Plan  
Fiscal Year 2019-2020**

**updates**

**3/28/2022 to include 2021 Reallotment of Alaska funds**

**7/28/2022 to include ASADRA re-reallotment**

**5/28/2024 to include fund transfer details**

The Division is seeking public comments on changes to the original IUP, identified in red font text.

**Division of Water Infrastructure**

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## 1. Introduction

On June 6, 2019, the President signed P.L. 116-20, the "Additional Supplemental Appropriations for Disaster Relief Act, 2019" (ASADRA), into law. For North Carolina, the funds are intended for wastewater treatment works and drinking water facilities impacted by Hurricanes Florence and Michael. The Environmental Protection Agency (EPA) has allotted supplemental funding for the North Carolina State Revolving Fund (SRF) programs, and North Carolina Session Law 2019-250 has appropriated to DEQ the required match for the federal funds.

For an activity to be eligible for ASADRA funds, it must be otherwise SRF eligible, have been impacted by Hurricane(s) Florence and/or Michael, and serve one or more of the following purposes:

- Facilitates preparation for, adaptation to, or recovery from rapid hydrologic change or any other type of natural disaster for a wastewater treatment works or drinking water system or related facility;
- Reduces the likelihood of physical damage to a treatment works or drinking water systems;
- Reduces a treatment works' or water system's susceptibility to physical damage or ancillary impacts caused by floods, earthquakes, and fires; or
- Facilitates preparation for, adaptation to, or recovery from a sudden, unplanned change in the amount of and movement of water in proximity to a treatment works or water system.

ASADRA is a one-time injection of funding to promote resilience. To maximize efficiency, states will carry out ASADRA through their existing SRF programs. This Supplemental Intended Use Plan (IUP) serves to explain how the ASADRA capitalization grant will be used within the DWSRF program.

The Division of Water Infrastructure (Division) is part of the North Carolina Department of Environmental Quality (NCDEQ). The Division administers financial assistance programs to assist local government units (LGUs) in constructing projects that both benefit water quality and improve the human environment.

In 2013 the North Carolina General Assembly created the State Water Infrastructure Authority (Authority) to determine projects eligible for certain water infrastructure funding programs, including the Drinking Water State Revolving Fund (DWSRF), consistent with federal law. The priorities reflected in this document have been approved by the Authority.

Specific to this document, the Division administers the DWSRF program as established by the 1996 Amendments to the Safe Drinking Water Act (SDWA), (P.L. 104-182), Section 1452. The DWSRF program offers loans to public water supply systems at interest rates lower than market rates for drinking water infrastructure. As a public water supply system repays the loan, the monies are again loaned out, hence the revolving nature of the program. All loan repayments must go back into the SRF program.

The IUP is incorporated into the capitalization grant agreement and becomes the grant work plan. Combined, the operating agreement, grant agreement, IUP, SDWA, and state statutes set the program requirements for the DWSRF. The IUP identifies anticipated projects scheduled for loan commitments from the DWSRF. It also explains how the DWSRF will utilize a priority rating system to identify those projects that will address the greatest need and/or provide the greatest positive public health impact on the water resources in North Carolina.

2. Financial History

In 2019, the EPA has allotted \$68,611,000 million in supplemental funding for the North Carolina SRF programs for wastewater treatment works and drinking water facilities impacted by Hurricanes Florence and Michael. North Carolina Session Law 2019-250 appropriated \$17,600,000 to the Department of Environmental Quality to provide the required match for federal funds.

In 2021 and 2022 ASADRA reallocation funds were offered to North Carolina in the amount of \$6,963,000 and \$8,940,000 for a total of \$84,514,000 in ASADRA funds. Required State Match for 2021 reallocation was appropriated in the 2021 State budget. **The Division will cover the State match requirements for the 2022 re-reallocation using existing revenues from program fees.**

The following table shows the distribution of federal funding available for ASADRA eligible projects.

<b>ASADRA EPA allotments TOTAL (2020 + 2021 + 2022)</b>			
<b>Funded</b>	<b>DWSRF</b>	<b>CWSRF</b>	<b>Total</b>
2019 Cap Grant (awarded)	\$68,611,000	\$19,193,000	<b>\$87,804,000</b>
2021 reallocation (Alaska)	\$6,963,000		<b>\$6,963,000</b>
2022 re-reallocation (2nd Alaska)	\$8,940,000		<b>\$8,940,000</b>
<b>Total ASADRA Cap Grants</b>	<b>\$84,514,000</b>	<b>\$19,193,000</b>	<b>\$103,707,000</b>

The state will transfer **30%** of the DWSRF ASADRA to the CWSRF for ASADRA eligible projects as described in 6.3 below.

3. Programmatic Goals

Pursuant to the SDWA, the State must identify the goals and objectives of the state loan fund (i.e., the DWSRF). The State has the following goals for its DWSRF program:

3.1. Overall DWSRF Program Goal

Provide funding for drinking water infrastructure while advancing the NCDEQ’s mission and advance the public health goals of SDWA while targeting the most needy systems.

### 3.2. Short-Term Goal

Goal #1: Continue efforts to inform local government units of the availability of funds, benefits of the DWSRF program, and funding process improvements.

Goal #2: Award ASADRA funds to maximize use of available allotment to support North Carolina water infrastructure resiliency.

### 3.3. Long -Term Goals

Goal #1: Support the North Carolina goal of assuring safe and healthy drinking water for state residents and visitors with special emphasis on two subcategories of this goal:

- Provide loans to eligible public water supply systems to address acute health risks as a priority.
- Provide loans to eligible public water supply systems to allow consolidation of non-viable water systems with systems having adequate capacity.

Goal #2: Continue efforts to streamline the funding process to ensure the funds are used in an expeditious and timely manner in accordance with the SDWA and applicable State laws as required by Section 1452(g)(3)(A) of the SDWA.

Goal #3: Ensure the technical integrity of DWSRF projects through diligent and effective planning, design, and construction management.

Goal #4: Ensure the long-term viability of the DWSRF program through effective financial practices.

Goal #5: Ensure the priority system reflects the NCDEQ's and the Authority's goals.

Goal #6: Provide technical and financial assistance to public water supply systems in adapting to changing drinking water quality standards and maintaining the health objectives of the SDWA.

Goal #7: Implement a capacity development strategy that may use innovative strategies and solutions to help public water supply systems improve compliance.

Goal #8: Support U.S. Environmental Protection Agency's Strategic Goal 5 of ensuring clean and safe water for all communities, with specific emphasis on Objective 1 of ensuring safe drinking water and reliable water infrastructure.

## 4. Information on Set-aside Activities to be Supported

North Carolina's program will continue to be one of low-interest loans, supplemented with principal forgiveness as allowed by federal law. The State intends to access 4% of the capitalization grant for the administrative costs associated with running the program. These costs include application review, engineering report and environmental document review, design review, loan processing, construction inspection, and repayment processing and accounting for funded projects.

No additional use of ASADRA fund set-asides is anticipated.

## 5. Criteria and Methods for Distributing Funds

### 5.1. Project List and Prioritization

The State's priority rating criteria for categorizing and ranking projects for construction loans will be based on the Priority Rating System.

The prioritization system considers four elements of a project: (1) project purpose, (2) project benefit, (3) system management, and (4) affordability.

For project purpose, the Division places higher priority on projects that will resolve issues associated with failed infrastructure or will rehabilitate or replace infrastructure.

In terms of project benefits, priority is given to implementing public water supply regulations, addressing source water issues, interconnections between public water supply systems, projects that extend water lines to areas with contamination of private water sources, and projects that improve the resiliency of a public water supply system by creating operational redundancy or adding backup power.

ASADRA-eligible projects that move infrastructure out of the floodplain, to provide the highest level of resiliency for future flooding events will receive higher priority than other resiliency type projects. Also ASADRA eligible projects that take a proactive approach to provide protection of infrastructure within the floodplain or steps to better assure continued operation during flood events are given higher priority than project that repair damaged infrastructure without additional fortification or protection.

A project will be considered eligible for ASADRA funding provided that the majority of the construction costs support resiliency activities serving the ASADRA purpose for facilities impacted by Hurricane(s) Florence and/or Michael.

In addition to addressing public health issues, the Division desires to support those public water supply systems that seek to be proactive in their system management, including prioritization points for source water protection programs, water conservation, water loss reduction, asset management plans, and appropriate operating ratios.

The Division also takes into account the ability of the applicant to afford projects. For example, those applicants who have a high poverty rate, high utility bills, lower population growth, lower median household incomes, and higher unemployment receive higher priority.

The Authority may adjust the rank of any application based on the Authority's analysis of a proposed project's value that is consistent with, but not evident in, the priority criteria system, provided it is consistent with federal law.

### 5.2. Application and Project Deadlines

The DWSRF program operates on a priority basis and accepts funding applications semi-annually. In response to the COVID-19 pandemic and the potential of applicant's inability to

compete applications prior to established spring funding round deadlines, the ASADRA funds will be awarded during both of the 2020 application rounds. Projects are allocated funding in priority order (as noted above) until available funds are exhausted and within special reserve requirements (e.g. Principal Forgiveness Reserve, etc. as described herein). Funding availability is determined based on the ASADRA capitalization grant and associated state match. Results will be posted on the program's website. Project funding is contingent on adherence to the schedule below in accordance with § 159G-41 (**times listed are measured from Letter of Intent to Fund except as noted otherwise**):

- 5.2.1. Funding application and supporting information must be received by the application deadline to be considered for any given funding cycle.
- 5.2.2. After the Authority provides final project rank eligibilities, the DWSRF program will issue Letters of Intent to Fund (LOIF) based on the projects' prioritization and the amount of funds being made available in the cycle.
- 5.2.3. Within four months of the issuance of the LOIF, a complete Engineering Report / Environmental Information Document must be submitted to the DWSRF program.
- 5.2.4. Within nine months, the Engineering Report / Environmental Information Document must be approved.
- 5.2.5. Within 15 months, complete plans and specifications must be submitted with copies of all required permits, encroachments, etc., or evidence that applications for remaining required permits have been submitted to the respective permitting agency.
- 5.2.6. Within 19 months, the plans/specifications and all required permits must be approved/issued.
- 5.2.7. Within 23 months, the following events/items must be completed/received:
  - 5.2.7.1. Advertisement of the project for bids
  - 5.2.7.2. Receipt of bids
  - 5.2.7.3. Submission of bid information to DWSRF staff
  - 5.2.7.4. Obtainment of the DWSRF program's Authority to Award construction contracts.
- 5.2.8. Within 24 months, construction contracts must be executed.

**Notes:**

- 1) **The milestones in the timeline above are absolute for all projects in a particular cycle and will not be extended except based upon a demonstrated need for extension by the LGU. Projects may be able to meet these milestones ahead of schedule. However, in the event that any milestone noted above is not met, work by the DWSRF staff may be suspended and all**

documents returned to the Applicant until the proposed project is resubmitted for consideration during a future cycle.

- 2) If an Applicant desires DWSRF funding and the Applicant's project requires an Environmental Impact Statement (EIS), Division staff will manage the environmental review process. However, a funding application for the project will not be accepted in any funding cycle until a draft EIS has been sent to the State Clearinghouse (SCH). In the event that a fundable project is in process and the environmental review completed within the timeline results in the conclusion that an EIS is required, then the milestone deadlines for the project will be suspended until a draft EIS has been sent to the SCH. After the draft EIS is sent to the SCH, the project must adhere to the same time frames specified above.

### 5.3. Detailed Loan and Project Funding Criteria

#### 5.3.1. General:

- 5.3.1.1. To be eligible for DWSRF funding, a project must be on the Intended Use Plan Project List.
- 5.3.1.2. Funding can be provided for any eligible projects as provided for in the Safe Drinking Water Act, Additional Supplemental Appropriations for Disaster Relief Act, 2019 and NCGS 159G, including water treatment facilities, distribution systems, tanks, etc. that improve drinking water quality.
- 5.3.1.3. Funding will be provided in priority order based on project score, Authority determination, and the amount of funds made available with consideration of principal forgiveness reserve detailed below. Projects cannot be substantively changed once funding is allocated.
- 5.3.1.4. The maximum DWSRF loan amount for loans under ASADRA will be established at \$20 million per applicant. The State may limit project funding for large projects to assure ASADRA principal forgiveness requirements are met.
- 5.3.1.5. The maximum DWSRF loan availability per applicant is not more than \$100,000,000 in outstanding debt to the DWSRF program.
- 5.3.1.6. Notwithstanding the limits in Items 5.3.1.4., 5.3.1.5., and 5.3.2.2.2, if availability of funds exceeds project demand, these limits may be exceeded to ensure all available funds are utilized. Exceeding the maximum provided in Item 5.3.1.4. will be considered prior to Item 5.3.1.5.
- 5.3.1.7. A project may be funded with a targeted interest rate if the project is eligible for principal forgiveness as described in 5.3.2.2 below. For projects that are eligible for 75% or more principal forgiveness, the targeted interest rate will be 0%. For projects that are eligible for 50% or



25% grant funding, the targeted interest rate will be 1% lower than the Division's base interest rate.

- 5.3.1.8. Repayments for ASADRA Loans will be deposited into the DWSRF and DWSRF funds based on original allotment percentages from EPA.

### 5.3.2. Principal Forgiveness

5.3.2.1. To meet ASADRA requirements, 20% to 30% of the federal capitalization grant will be used to provide additional subsidization in the form of principal forgiveness.

5.3.2.2. The Division will provide additional subsidization to projects in the categories provided in 5.3.2.2.1 – 5.3.2.2.4 in project priority order. If a project is eligible for multiple principal forgiveness categories, the category that provides the greatest amount of principal forgiveness will be used.

5.3.2.2.1. Non-viable rescue: Projects that eliminate a non-viable system to benefit a disadvantaged community with a financial need consistent with the criteria in 5.3.2.2.3 and served by a public drinking water system will receive principal forgiveness for the full amount of the loan up to \$3,000,000. The disadvantaged community meets the affordability criteria listed in 5.3.2.2.3.

5.3.2.2.2. Resiliency: Projects that receive prioritization points for resiliency in item 2.N.2, or 2.N.3 will receive principal forgiveness of 25% of project costs up to \$1,000,000.

5.3.2.2.3. Affordability: Projects that receive project purpose points when the applicant has less than 20,000 residential drinking water connections, at least three (3) of five (5) LGU indicators worse than the state benchmark, an operating ratio (future) of less than 1.3, utility rates greater than the state median, and/or project cost per connection greater than \$1,150 per connection will receive principal forgiveness percentages will follow the affordability criteria grant percentage matrix found in Appendix E and will range from 25% to 100% in increments of 25% up to \$1,000,000 per applicant per round with the targeted interest rate as described under 5.3.1.7 applied to the remaining portion of the loan.

5.3.2.2.4. Moving Infrastructure out of Flood Plains: Projects that receive prioritization points for resiliency in item 2.N.1 will receive principal forgiveness for the full amount of the loan up to \$3,000,000.

5.3.2.3. Notwithstanding the above limits in Items 5.3.1.4, 5.3.1.5, and 5.3.2.2., if availability of funds exceeds project demand, these limits may be exceeded to ensure all available funds are utilized.

5.3.3. Small System Reserve:

5.3.3.1. 40 CFR 35.3525(a)(5) requires that a minimum of 15% of the loan assistance be awarded to small systems.

5.3.3.2. Funding may bypass a higher priority project to satisfy the Small System Reserve. Any such bypassing will be shown in the Intended Use Plan Project Priority List.

5.3.4. Capacity Development Reviews:

5.3.4.1. All public water supply systems receiving funding from the DWSRF must be reviewed to ensure that they can demonstrate adequate technical, financial, and managerial capacity [per NCAC 15A 18C .0307(c)] to operate the water system in compliance with the SDWA. A regulatory process was developed and has been approved by EPA as adequate to ensure technical, financial, and managerial capacity is demonstrated. This is measured by the issuance of an Authorization to Construct for the process occurring after capacity development criteria are reviewed and satisfied. A water system that lacks adequate capacity in one or more of these categories might remain eligible for funding if a strategy that would resolve the problem or issue can be developed and attached as a condition of the loan approval

5.3.5. Miscellaneous Criteria/Provisions:

5.3.5.1. Davis-Bacon prevailing wage rates apply to all loans as required by grant agreements/conditions.

5.3.5.2. American Iron and Steel provisions will apply to all loans as required by Federal mandates.

5.3.5.3. The DWSRF loan interest rate is based on ½ of The Bond Buyer's 20-Bond Index except as specifically allowed herein. The maximum interest rate for each loan will be set at the time of application with a lower interest rate, if available, set at the time of the award offer.

5.3.5.4. Approval of a DWSRF loan is contingent on approval by the Local Government Commission (LGC).

- 5.3.5.5. DWSRF loan terms are set by the LGC.
- 5.3.5.6. The maximum DWSRF loan term is determined by State statute and federal requirements.
- 5.3.5.7. A 2% loan fee is required. The loan fee cannot be financed by the DWSRF fund.
- 5.3.5.8. Loan repayments are due in May (principal and interest) and November (interest only) of each year.
- 5.3.5.9. Interest begins accruing on date of completion in the Notice to Proceed.
- 5.3.5.10. The first loan repayment is due no sooner than six months after the completion date as established in the Notice to Proceed.

## 6. Programmatic Conditions

### 6.1. Assurances and Specific Proposals

Pursuant to SDWA, the State of North Carolina certifies that:

- 6.1.1. The State will enter into binding commitments for 120% of the amount of each payment received under the capitalization grant within one year after receipt of each payment.
- 6.1.2. The State will expend all funds in the DWSRF in an expeditious and timely manner.
- 6.1.3. The State will conduct environmental reviews of treatment works projects according to procedures set forth in its Operating Agreement between the State and US Environmental Protection Agency.

### 6.2. Federal Requirements

- 6.2.1. The State will ensure that all federal requirements are met as noted in the DWSRF Operating Agreement between the State and US Environmental Protection Agency and the Grant Agreement, including Single Audit, Disadvantaged Business Enterprise compliance, federal environmental crosscutters, and Federal Funding Accountability and Transparency Act (FFATA) reporting requirements.
- 6.2.2. The State will enter all required reporting information into respective federal databases including FFATA, DWSRF National Information Management System (NIMS), and the DWSRF Benefits Reporting (CBR) system.
- 6.2.3. The State will ensure that all applicants to the DWSRF program certify that they meet the fiscal sustainability planning requirements. Such certifications will be received by the time of loan offer.

### 6.3. Transfer between DWSRF and Clean Water State Revolving Fund

To provide flexibility to use one SRF to support the other in meeting state funding needs, the 1996 SDWA Amendments (Section 302) authorized the transfer of funds between a state’s DWSRF and CWSRF program. According to DWSRF and CWSRF transfer provisions, a state may transfer an amount equal to thirty-three percent of the DWSRF capitalization grant to the CWSRF or an equivalent amount from the CWSRF to the DWSRF. North Carolina state law permits the transfer of SRF funds as certified in the Attorney General (AG) certification letter and this IUP. The ASADRA funding levels are more unbalanced than routine SRF funding levels, therefore in order to balance the program funds and meet North Carolina’s needs to address clean water projects, the state reserves the right and intends to exercise its authority to transfer funds between the SRFs to ensure the ASADRA funds go to the highest priority projects and that each project list exceeds capitalization grant levels.

Program specific principal forgiveness requirements will be met based on total ASADRA funds after any fund transfer. Repayments for ASADRA loans will be deposited into the DWSRF and DWSRF funds based on original allotment percentages from EPA.

The following table shows the State intent to transfer 30% of the DWSRF ASADRA funds to the CWSRF ASADRA fund. The table itemized the original capitalization grant, the two additional re-allotments and the 30% fund transfer. Set aside allowances are not included in the summary table.

<b>ASADRA TOTAL (2020 + 2021 + 2022 with Fund Transfer)</b>			
	<b>DWSRF</b>	<b>CWSRF</b>	<b>Total</b>
2019 Cap Grant (awarded)	\$68,611,000	\$19,193,000	<b>\$87,804,000</b>
2021 reallocation (Alaska)	\$6,963,000		<b>\$6,963,000</b>
2022 re-reallocation (2nd Alaska)	\$8,940,000		<b>\$8,940,000</b>
<b>Total Cap Grant Awards</b>	<b>\$84,514,000</b>	<b>\$19,193,000</b>	<b>\$103,707,000</b>
<b>Funds Transfer (30%)</b>	<b>-\$25,354,200</b>	<b>\$25,354,200</b>	<b>\$0</b>
<b>Total ASADRA Capitalization grants (after Transfer)</b>	<b>\$59,159,800</b>	<b>\$44,547,200</b>	<b>\$103,707,000</b>

## 7. Public Review and Comment

The Division is seeking public comments on changes to the original IUP, identified in red font text. This updated IUP including the reallocated funds, fund transfer details, and updated project list will be opened for public comment for a 15-day period in May 2024.

The Division opened the Original IUP for public comment period on December 18, 2019, and held a public meeting on January 13, 2020 to present the draft IUPs. The public comment period closed on January 17, 2020. The Division received the following comments related to the IUP:

Comment: Commenter asked whether ASADRA-eligible projects would also be considered for funding by the base DWSRF, and if so, how they would be scored against non-ASADRA projects, and would non-ASADRA principal forgiveness be available).

Response: This is a request for additional clarification rather than a request to revise the draft IUP. No change to the IUP.

Comment: Clarification was requested regarding the definition of “the majority of construction costs” to support resiliency activities.

Response: This is a request for additional clarification rather than a request to revise the draft IUP. No change to the IUP.

Comment: The ASADRA legislation offers the chance for North Carolina to invest in genuine resilience and ensure that future climate impacts are factored into project design and implementation. They suggested the IUP leaves open opportunities for projects that are not resilient in their intent or implementation to receive competitive scores.

Response: ASADRA eligibility is governed by the requirements in P.L. 116-20 and includes language to limit ASADRA funds for resiliency projects. No change to the IUP.

Comment: The Priority Rating System appears to award resilience points as an alternative to the conventional points, rather than as a threshold condition for funding in this supplemental cycle.

Response: If projects are eligible for ASADRA funding, they will be eligible to receive the points related to ASADRA in Line Item 2.N in addition to other points within the Priority Rating System. No change to the IUP.

Comment: It was suggested to not give two resilience points for projects that merely replace storm-damaged infrastructure, without relocating, elevating, or hardening it. Such a project is not resilient and offers only temporary recovery, meaning the investment is likely to be lost in a future disaster.

Response: Repairing infrastructure damaged during either Hurricanes Florence or Michael is a specific ASADRA eligibility. Line Item 2.N.3 provides projects that repair and/or replace infrastructure damaged during either Hurricanes Florence or Michael slight (two points) priority over other non-resiliency type projects that would not receive any additional priority points under 2.N. No change to the IUP.

Comment: The requirements of removing infrastructure from the 100-year floodplain to receive the most priority points should be strengthened, as 100-year floodplain maps are increasingly inaccurate due to impervious changes upstream and shifts in the amount of rainfall in the 100-year storm.

Response: The Division recognizes the possibility that recent rainfall events including the named storm events listed in the ASADRA funding may not be considered in the current FEMA maps. The Division does not recommend requiring additional evaluation of flood risk or consideration for proving priority points. No change to the IUP.

Comment: The final IUPs should (1) award points for applications that include a prospective flood risk analysis; (2) locate infrastructure at least three feet above the highest recorded historical flood elevations; and (3) offer points for resilience projects that have been planned by the local jurisdiction as part of a capital improvement plan (CIP) with integrated resilience components.

Response: The Division acknowledges the concern related to the issues summarized above. Due to the limited timeline of this program the Division does not want to penalize applicants that would not have time to prepare a prospective risk analysis. The Division recognizes the importance of systems having a capital improvement plan (CIP), however documentation of a plan may result in smaller disadvantaged communities in need of assistance losing project prioritization to large systems with more resources. No change to the IUP.

Comment: The Division waive the requirement for a complete application for relocation projects, as some projects, while good projects, may be less likely to call for relocation out of the floodplain or for consolidation with more resilient systems.

Response: The application represents the minimum information required to identify the applicant and the project and to prioritize the project. No change to the IUP.

Comment: The final IUPs should avoid inducing new development in the floodplain, especially projects that may be tweaked for submittal during this round.

Response: The Division prioritizes projects that focus on fixing existing infrastructure over projects that would expand or provide new infrastructure for development. No change to the IUP.

Comment: A monthly household average bill rather than a monthly rate per 5,000 gallons should be utilized.

Response: No change to the IUP.

Comment: recommend clarification of the statement "The disadvantaged community either meets the affordability criteria listed in 5.3.1.7(since renumbered as 5.3.2.2.3) or is representative of the criteria."

Response: This quote provides the Authority the ability to exercise project bypass provisions in the Clean Water State Revolving Fund. Due to federal restrictions related to the Drinking Water State Revolving Fund, project bypass provisions are not allowed. The DWSRF IUP was changed to eliminate the last part of the sentence ("or is representative of the criteria") as well as the word "either."

Comment: ASADRA Funds should be offered as 100 percent grants to those communities impacted by Hurricanes Florence and Michael.

Response: The Division is limited to a maximum of 30 percent principal forgiveness by the ASADRA legislation. No change to the IUP.

Comment: The Authority might want to consider revisiting the application of a pre-hurricane scoring structure for ASADRA funds.

Response: The ASADRA funds are part of the SRF program. No change to the IUP.

Comment: Well relocation out of the floodplain as a potential grant-funded project. Infiltration / inflow (I/I) remediation where flooding occurred should be given priority over non-flooded I/I areas.

Response: Changed IUP to provide principal forgiveness to all projects receiving priority points for certain types of resiliency in application Item 2.N, as well as the affordability criteria.

Comment: Infrastructure changes as a result of the buyout program should be considered as eligible items to be funded.

Response: Modifies Line Item 2.N.2 by adding a third clause that reads: "Project downsizes infrastructure related to buyouts".

Comment: Rehabilitation and like-for-like replacement efforts to elevate, fortify, repair, and strengthen existing systems should be given more emphasis in the Priority Rating System.

Response: ASADRA-eligible projects may also claim any items under Line Item 2.N. as well as other line items in other categories. Category I of the Priority Rating System provides priority for rehabilitation and replacement projects over expansion and new infrastructure projects. No change to the IUP

## 8. Budget and Project Periods

- 8.1. The budget and project periods being requested for the capitalization grants is shown in Appendix B and on EPA Form SF 424.
- 8.2. ASADRA funds will be allotted to ASADRA eligible projects prior to allotting non ASADRA SRF funds.
- 8.3. The anticipated cash draw ratio will be 100% State and, after all state matching funds are withdrawn, 100% federal for disbursements made from the capitalization grant. Alternatively, the State may elect a cash draw ratio of 83.3% federal and 16.7% State for all withdrawals.
- 8.4. The source of State match funds is from appropriations. State match funds will be deposited into the DWSRF before drawing any federal funds.
- 8.5. Loan fees (2% of loan) on loans from the grant and fees from loans from repayment funds will be deposited into separate account centers. Fees will be used to administer the program. In addition, fees considered non-program income will also be used for other water quality purposes within the Divisions of Water Resources and Water Infrastructure, including funding for positions.

## Appendix A

### UPDATED Intended Use Plan Project List (March 2024)

#### North Carolina Drinking Water ASADRA State Revolving Fund State Project List<sup>5</sup>

Applicant Name	Project Name	County	Total Funding Requested	ASADRA Principal Forgiveness	ASADRA Loan	DWSRF Funds Provided	Priority Points
Scott's Hill Water and Sewer District	Elevated Water Tank and Associated Improvements <sup>2</sup>	Pender	\$ 13,187,000	\$ 2,819,250	\$10,367,750		47
Lumberton, City of	2020 Well Replacement	Robeson	\$2,316,900	\$2,316,900			44
Rocky Point Topsail Water and Sewer District	RO Water Treatment Plant and Associated Improvements <sup>3</sup>	Pender	\$84,311,486	\$5,000,000	\$25,561,486	\$ 53,750,000	39
Dunn, City of	Raw Water Electrical Relocation and 24" Line Replacement	Harnett	\$3,515,000	\$878,750	\$2,636,250		38
River Bend, Town of	Water Meter Replacement	Craven	\$ 732,810	\$602,500		\$130,310	36
Washington, City of	WTP Emergency Generator	Beaufort	\$409,160	\$102,290	\$306,870		35
Surf City, Town of	Water System Resiliency Projects <sup>4</sup>	Pender	\$6,805,000	\$701,250	\$6,103,750		30
Johnston County	2022 AC Water Main Replacement	Johnston	\$7,123,350		\$6,077,050	\$1,046,300	27
Reidsville, City of	Redundant Water Supply Line	Rockingham	\$4,654,000	\$1,000,000	\$3,654,000		26
Elm City, Town of	Water Filtration and Emergency Backup Generation	Wilson	\$ 497,272	\$497,272			24



<b>Applicant Name</b>	<b>Project Name</b>	<b>County</b>	<b>Total Funding Requested</b>	<b>ASADRA Principal Forgiveness</b>	<b>ASADRA Loan</b>	<b>DWSRF Funds Provided</b>	<b>Priority Points</b>
Rockingham County*	Hogan's Creek Water Booster Pump Station Relocation and Flood Protection1	Rockingham	\$1,791,500			\$1,791,500	60
<b>TOTALs</b>			<b>\$125,343,478</b>	<b>\$13,918,212</b>	<b>\$54,707,156</b>	<b>\$56,718,110</b>	

\*can be switched for ASADRA funds.

## Appendix B

### 2019 ASADRA DWSRF Proposed Payment Schedule

(Dependent on timing of state match and award of federal grant)

<u>Payment Quarter</u>	<u>2019, 2021 and 2022 ASADRA DW Payment Amount</u>
April 1, 2022 – June 30, 2022	\$0
July 1, 2022 - September 30, 2022	\$0
October 1, 2022 - December 31, 2022	\$84,514,000*
January 1, 2023 - March 31, 2023	\$0
April 1, 2023 - June 30, 2023	\$0
July 1, 2023 - September 30, 2023	\$0
October 1, 2023 - December 31, 2023	\$0
January 1, 2024 - March 31, 2024	\$0
April 1, 2024 - June 30, 2024	\$0
July 1, 2024 – September 30, 2024	-\$25,354,200
Total Funds Available	Total Cap grant Award: \$84,514,000
	30% Transfer: -\$25,354,200
	Total DWSRF Award after transfer: \$59,159,800

\*These funds have already been awarded.

## Appendix C

<b>PRIORITY RATING SYSTEM for 2019 ASADRA Drinking Water Projects</b>			
<p><b>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 Project Total 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></p>			
Line Item #	Category 1 – 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 infrastructure issues		25
1.C	Project will rehabilitate or replace infrastructure		12
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, <b>OR water/sewer</b> lines, storage tanks, drinking water wells or intake structures 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, <b>OR</b> lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		8
1.E – 1.H	Reserved for Other Programs		
	<b>Maximum Points for Category 1 – Project Purpose</b>		25
	<b>Subtotal claimed for Category 1 – Project Purpose</b>		
Line Item #	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A – 2.A1.	Reserved for Other Programs		
2.B	Project provides a specific public health benefit to a		20

## PRIORITY RATING SYSTEM for 2019 ASADRA Drinking Water Projects

	public water supply system by replacement, repair, or merger; includes replacing dry wells, addressing contamination of a drinking water source by replacing or additional treatment; or resolves managerial, technical & financial issues		
<b>2.C</b>	Reserved for Other Programs		
<b>2.D</b>	Project addresses promulgated but not yet effective regulations		10
<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 DENR Administrative Order, <b>OR</b>		5
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 documented low pressure		10
<b>2.H</b>	Project addresses contamination		
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 supply source other than acute <b>OR</b>		10
2.H.3	Project addresses an emerging compound without a MCL but above a health advisory level		7
<b>2.I</b>	Project improves treated water quality by adding or upgrading a unit process		3
<b>2.J</b>	Water loss in system to be rehabilitated or replaced is 30% or greater		3
<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>		10
2.K.2	Project creates an additional or larger interconnection between two systems already interconnected which allows one system's		10

<b>PRIORITY RATING SYSTEM for 2019 ASADRA Drinking Water Projects</b>			
	public health water needs to be met during an emergency <b>OR</b>		
2.K.3	Project creates any other type of interconnection between systems		5
<b>2.L – 2.M</b>	Reserved for Other Programs		
<b>2.N</b>	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including backup electrical power source.		3
Items N.1 – N.3 Priority Points are only applicable to ASADRA funds and will not be applied to other funding prioritization.			
2.N.1	Project moves infrastructure out of floodplain, <b>OR</b>		15
2.N.2	Project fortifies or elevates infrastructure within floodplain, <b>OR</b> Project improves ability to assure continued operation during flood events <b>OR</b> Project downsizes infrastructure related to buyouts <b>OR</b>		4
2.N.3	Project repairs broken infrastructure		2
<b>2.O – 2R</b>	Reserved for Other Programs		
<b>Maximum Points for Category 2 – Project Benefits</b>			35
<b>Subtotal claimed for Category 2 – Project Benefits</b>			
<b>Line Item #</b>	<b>Category 3 – System Management</b>	<b>Claimed Yes/No</b>	<b>Points</b>
<b>3.A</b>	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		2
<b>3.B</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%		5
<b>3.C</b>	Applicant has an approved Source Water Protection Plan and/or a Wellhead Protection Plan		5

<b>PRIORITY RATING SYSTEM for 2019 ASADRA Drinking Water Projects</b>			
<b>3.D</b>	Applicant has implemented a water loss reduction program		5
<b>3.E</b>	Applicant has implemented a water conservation incentive rate structure		3
	<b>Maximum Points for Category 3 – System Management</b>		15
	<b>Subtotal claimed for Category 3 – System Management</b>		
<b>Line Item #</b>	<b>Category 4 – Affordability</b>	<b>Claimed Yes/No</b>	<b>Points</b>
<b>4.A</b>	Residential Connections		
4.A.1	Less than 10,000 residential connections <b>OR</b>		2
4.A.2	Less than 5,000 residential connections <b>OR</b>		4
4.A.3	Less than 1,000 residential connections		8
<b>4.B</b>	Current Monthly Utility Rates at 5,000 Usage		
4.B.1	Greater than \$33 <b>OR</b>		4
4.B.2	Greater than \$40 <b>OR</b>		6
4.B.3	Greater than \$47		8
4.B.4	Greater than \$58		10
<b>4.C</b>	Local Government Unit (LGU) Indicators		
4.C.1	3 out of 5 LGU indicators worse than state benchmark <b>OR</b>		3
4.C.2	4 out of 5 LGU indicators worse than state benchmark <b>OR</b>		5
4.C.3	5 out of 5 LGU indicators worse than state benchmark		7
<b>4.D</b>	Reserved for the CDBG Program		
<b>4.E</b>	Reserved for the CDBG Program		
	<b>Maximum Points for Category 4 – Affordability</b>		25
	<b>Subtotal claimed for Category 4 – Affordability</b>		
<b>Total of Points for All Categories</b>			

## Appendix D Grant Percentage Matrix

