

**State Water Infrastructure Authority**  
**Meeting Date: December 11, 2019**  
**Agenda Item F – Priority System for the Additional Supplemental Appropriations for Disaster Relief Act, 2019 (ASADRA) for CWSRF and DWSRF Programs**

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**Division of Water Infrastructure Staff Report**

**Background**

On June 6, 2019, the President signed P.L. 116-20, the "Additional Supplemental Appropriations for Disaster Relief Act, 2019" (ASADRA), into law. The Environmental Protection Agency (EPA) has allotted \$87,807,000 million in supplemental funding for the North Carolina State Revolving Fund (SRF) programs: \$19,193,000 for Clean Water State Revolving Fund (CWSRF) and \$68,611,000 for Drinking Water State Revolving Fund (DWSRF) 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. The following table shows the distribution of federal and state match funding available for ASADRA eligible projects.

<b>SRF Program</b>	<b>2019 ASADR Funds</b>	<b>State Match (S.L. 2019-250)</b>	<b>Total</b>
CWSRF	\$19,193,000	\$3,838,600	<b>\$23,031,600</b>
DWSRF	\$68,611,000	\$13,722,200	<b>\$82,333,200</b>
<b>Total</b>	<b>\$87,804,000</b>	<b>\$17,560,800</b>	<b>\$105,364,800</b>

Federal law allows states to transfer funds between SRF programs (subject to certain limits). North Carolina has not exercised this option. Prior to 2013, the SRF programs were administered by separate programs so fund transfer was not considered. After program consolidation in 2013, funding levels compared and demand on those funds have not necessitated the evaluation of a transfer. The ASADRA funding levels are more unbalanced than routine SRF funding levels, while the demand for ASADRA eligible funds is uncertain. Therefore, the state will retain the right 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. Note that EPA will not award the full amount of the grant if there are not adequate projects to fully utilize the funds. ASADRA requires EPA to reallocate any funds not obligated by the end of federal fiscal year 2020.

States are required to prepare a plan identifying the intended uses of the funds in the SRF and describing how those uses support SRF goals. States must submit supplemental Intended Use Plans (IUPs) specific to the ASADRA funding prior to approving the ASADRA grant award and release of funds. Included within each program’s IUP is the Priority Rating System which contains the points that are applied when an application for funding is evaluated. An IUP must contain a list of projects on the states project priority list (PPL), that are eligible for SRF assistance. The list must contain eligible projects for which the total cost of assistance requested at least equals the amount of the grant being applied for before a grant can be awarded. For an activity to be eligible for 2019 ASADRA funding, it must meet three criteria:

1. be an otherwise SRF eligible project,
2. be a system “impacted” by one of the named events, and
3. 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 work 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.

### **IUP Development and Authority Approvals**

Development of the supplemental IUP for the 2019 ASADRA funds includes documented action by the North Carolina State Water Infrastructure Authority (Authority). The following events are anticipated to be completed to meet the schedule for the ASADRA funds, and allow for the Division to advertise the 2019 ASADRA funds along with the Spring SRF funding cycle:

- **December 11, 2019:** Authority approves the proposed 2019 ASADRA Priority Rating System to proceed to public comment.
- **February 12, 2020:** Authority approves the proposed 2019 ASADRA Priority Rating System.
- **July 8, 2020:** Authority awards 2019 ASADRA funds.
- **September 30, 2020:** All 2019 ASADRA funds must be obligated to NC or funds will be reallocated.

### **Overview of Prioritization Rating System**

The proposed rating systems are based off of the existing priority rating systems for SRF funds. The rating system includes line items to appropriately prioritize resiliency projects to demonstrate that projects qualify for the ASADRA funds and that projects will be prioritized to align with ASADRA’s purpose.

The current DWSRF prioritization includes 3 prioritization points to projects that provide redundancy/resiliency for critical treatment and/or transmission/distribution system functions including backup electrical power source in line item 2.N. The same line item and priority points are proposed to be included in both CWSRF and DWSRF prioritization. Additionally, the following prioritization points are available to projects seeking 2019 ASADRA funds:

- **15 points** – Moving infrastructure out of floodplain (line item 2.N.1)
- **4 points** - Fortifying/elevating infrastructure within floodplain (line item 2.N.2)
- **4 points** - Improvement to assure continued operation during flood events (line item 2.N.2)
- **2 points** - Repair of infrastructure damaged by the storm event (line item 2.N.3)

Division staff recommend prioritizing projects that move infrastructure out of the floodplain, to provide the highest level of resiliency for future flooding events. Staff recommend a point difference of at least 11 points between “Moving infrastructure out of the floodplain” and the other project types to prioritize projects that move at-risk infrastructure out of the floodplain over projects that repair or fortify old infrastructure within the floodplain.

Staff recommend that 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.

Projects that include multiple resiliency activities will receive ASADRA priority points based on the resiliency activity with the highest percentage of construction costs. The maximum total points awarded to Category 2 – Project Benefits, will remain capped at 35 points. Projects demonstrating greater than 50% of project costs supporting resiliency will be eligible for ASADRA funds.

#### **Staff Recommendations**

- Staff recommends that the Authority approve the proposed Priority Rating System for 2019 ASADRA Wastewater Projects to be made available for public review.
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## PRIORITY RATING SYSTEM for 2019 ASADRA Wastewater Projects

**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.**

Line Item #	Category 1 – Project Purpose	Claimed Yes/No	Points
<b>1.A</b>	Project will consolidate a nonviable drinking water or wastewater utility		25
<b>1.B</b>	Project will resolve failed infrastructure issues		15
<b>1.C</b>	Project will rehabilitate or replace infrastructure		15
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, <b>OR</b> water/sewer lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		10
<b>1.D</b>	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		10
<b>1.E – 1.E.2</b>	Reserved for Other Programs		
<b>1.F</b>	Project will provide stream/wetland/buffer restoration		15
1.F.1	Restoration project that includes restoration of a first order stream and includes stormwater infiltration BMPs		5
1.F.2	Restoration project that includes restoration and / or protection of riparian buffers to at least 30 feet on both sides of the stream		5
<b>1.G</b>	Project will provide stormwater BMPs to treat existing sources of pollution		20

<b>PRIORITY RATING SYSTEM for 2019 ASADRA Wastewater Projects</b>			
1.G.1	Project that includes BMPs or BMPs in series that achieve at least 35% nutrient reduction (both TN and TP) and 85% TSS reduction		10
1.H	Project will provide reclaimed water/usage or rainwater harvesting/usage		15
<b>Maximum Points for Category 1 – Project Purpose</b>			25
<b>Subtotal claimed 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 – 2.B</b>	Reserved for Other Programs		
2.C	Project provides a specific environmental benefit by replacement, repair, or merger; includes replacing failing septic tanks		15
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, <b>OR</b>		5
2.E.2	Project directly resolves a Notice of Violation or Notice of Deficiency		3
2.F	Project includes system merger		10
<b>2.G – 2.H</b>	Reserved for Other Programs		
2.I	Project improves treated water quality by adding or upgrading a unit process		3
<b>2.J – 2.M</b>	Reserved for Other Programs		

<b>PRIORITY RATING SYSTEM for 2019 ASADRA Wastewater Projects</b>			
<u>Items 2.N. Additional Priority Points are only applicable to ASADRA funds and will not be applied to other funding prioritization.</u>			
<b>2.N</b>	<u>Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including backup electrical power source.</u>		<u>3</u>
<b>2.N.1</b>	<u>Project relocates infrastructure out of a floodplain <b>OR</b></u>		<u>15</u>
<b>2.N.2</b>	<u>Project fortifies or elevates infrastructure within floodplain, <b>OR</b></u> <u>Project improves ability to assure continued operation during flood events <b>OR</b></u>		<u>4</u>
<b>2.N.3</b>	<u>Project repairs infrastructure damaged during covered event</u>		<u>2</u>
<b>2.O</b>	Project <u>directly benefits</u> subwatersheds that are impaired as noted on the most recent version of the Integrated Report		20
<b>2.P</b>	Project <u>directly benefits</u> waters classified as HQW, ORW, Tr, SA, WS-I, WS-II, WS-III* or WS-IV* (* these classifications must be covered by an approved Source Water Protection Plan to qualify)		10
<b>2.Q</b>	Project will result in elimination of an NPDES discharge		3
<b>2.R</b>	Primary purpose of the project is to achieve at least 20% reduction in energy use		5
	<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		
<b>3.A.1</b>	Applicant has implemented an Asset Management Plan as of the date of application <b>OR</b>		10
<b>3.A.2</b>	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10-years and proposed project is included in the plan		2

<b>PRIORITY RATING SYSTEM for 2019 ASADRA Wastewater Projects</b>			
<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 – 3.E</b>	Reserved for Other Programs		
	<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 Single 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 – 4.E</b>	Reserved for Other Programs		

<b>PRIORITY RATING SYSTEM for 2019 ASADRA Wastewater Projects</b>		
	<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>	



<b>PRIORITY RATING SYSTEM for 2019 ASADRA Drinking Water Projects</b>			
<p>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.</p>			
<b>Line Item #</b>	<b>Category 1 – Project Purpose</b>	<b>Claimed Yes/No</b>	<b>Points</b>
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>			
<b>Line Item #</b>	<b>Category 2 – Project Benefits</b>	<b>Claimed Yes/No</b>	<b>Points</b>
2.A – 2.A1.	Reserved for Other Programs		
2.B	Project provides a specific public health benefit to a 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		20
2.C	Reserved for Other Programs		
2.D	Project addresses promulgated but not yet effective regulations		10
2.E	Project directly addresses enforcement documents		

<b>PRIORITY RATING SYSTEM for 2019 ASADRA Drinking Water Projects</b>			
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 public health water needs to be met during an emergency <b>OR</b>		10
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
<u>Items N.1 – N.3 Priority Points are only applicable to ASADRA funds and will not be applied to other funding prioritization.</u>			
<u>2.N.1</u>	<u>Project moves infrastructure out of floodplain, <b>OR</b></u>		<u>15</u>
<u>2.N.2</u>	<u>Project fortifies or elevates infrastructure within floodplain, <b>OR</b></u>		<u>4</u>

<b>PRIORITY RATING SYSTEM for 2019 ASADRA Drinking Water Projects</b>			
	<u>Project improves ability to assure continued operation during flood events, OR</u>		
<u>2.N.3</u>	<u>Project repairs broken infrastructure</u>		<u>2</u>
<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>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

<b>PRIORITY RATING SYSTEM for 2019 ASADRA Drinking Water Projects</b>			
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>		