

**State Water Infrastructure Authority**  
**Meeting Date – July 10, 2019**  
**Agenda Item I – 2019 Intended Use Plans (IUPs) for CWSRF and DWSRF Programs**

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**Division of Water Infrastructure Staff Report**

**Background**

North Carolina General Statute G.S. 159G-71 contains the powers and the duties of the State Water Infrastructure Authority (Authority) which include, “To establish priorities for making loans and grants consistent with federal law”.

The Authority has this responsibility for the federal Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF).

The Division of Water Infrastructure (Division) proposes the application priority ranking methods to evaluate applications for the CWSRF and DWSRF to the US Environmental Protection Agency (EPA) each year in North Carolina’s Intended Use Plan (IUP) for each of the SRF programs. Each program’s IUP includes the Priority Rating System which contains the points that are applied by Division staff to evaluate application. The Division submits the IUPs to the US EPA as part of the capitalization grant applications.

At the Authority’s April 10, 2019 meeting, the Division proposed the following changes to the CWSRF and DWSRF Priority Rating Systems:

- I. Add a new line item for projects that address emerging compounds in drinking water
- II. Revise Line Item 1.A (which currently addresses failed drinking water systems) to more broadly address consolidation of nonviable drinking water or wastewater utilities
- III. Renumber several line items in both the Drinking Water and Wastewater Priority Rating Systems to clarify the relationships between them

The Authority approved the attached CWSRF and DWSRF Priority Rating Systems for public review.

The Division opened the public comment period on May 6, 2019 and held a public meeting on May 29, 2019 to present the draft IUPs. The public comment period closed on June 6. The Division received an editorial request from the Public Water Supply Section of the Division of Water Resources and public comments from Mr. Bill Holman of The Conservation Fund (TCF):

1. Comment: TCF would be interested in engaging with the Authority and others to see if non-profits could be eligible for funds from the State Revolving Funds.

Response: The Division will not revise the draft IUP at this time because NCGS §159G-31 excludes such non-profits from the list of eligible applicants.

2. Comment: For CWSRF, TCF would like to have a conversation regarding restoration work on a larger scale than what can be done with the Division of Mitigation Services

Response: This is a request for discussion rather than a request to revise the draft IUP. The Division notes that restoration work is CWSRF eligible and can receive priority under Line Item 1.F.

3. For DWSRF, TCF would like to participate in DWSRF funding for watershed protection.

Response: This is a request for discussion rather than a request to revise the draft IUP.

**Staff Recommendation**

Staff recommends that Authority approve the CWSRF and DWSRF Priority Rating Systems for use in the 2019 IUPs.

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## Proposed Changes to PRIORITY RATING SYSTEM for 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
1.A	<u>Project will consolidate a nonviable drinking water or wastewater utility</u>		25
1.B	Project will resolve failed infrastructure issues		15
1.C	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
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		10
1.E – 1.E.2	Reserved for Other Programs		
1.F	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*

Line Item #	Category 1 – Project Purpose (Continued)	Claimed Yes/No	Points
1.G	Project will provide stormwater BMPs to treat existing sources of pollution		15*
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*
*CWSRF Only			
	<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.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
2.G – 2.H	Reserved for Other Programs		

Line Item #	Category 2 – Project Benefits (Continued)	Claimed Yes/No	Points
<b>2.I</b>	Project improves treated water quality by adding or upgrading a unit process		3
<b>2.J – 2.N</b>	Reserved for Other Programs		
<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*
*CWSRF Only			
	<b>Maximum Points for Category 2 – Project Benefits</b>		35
	<b>Subtotal claimed for Category 2 – Project Benefits</b>		
Line Item #	Category 3 – System Management	Claimed Yes/No	Points
<b>3.A</b>	<u>Capital Planning Activities</u>		
<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>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

Line Item #	Category 3 – System Management (Continued)	Claimed Yes/No	Points
3.C– 3.F	Reserved for Other Programs		
	<b>Maximum Points for Category 3 – System Management</b>		15
	<b>Subtotal claimed for Category 3 – System Management</b>		
Line Item #	Category 4 – Affordability	Claimed Yes/No	Points
4.A	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
4.B	Current Monthly Utility Rates at 5,000 gallons 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
4.C	Local Government Unit (LGU) Indicators		
4.C.1	3 out of 5 LGU indicators worse than state benchmark <b>OR</b>		3

Line Item #	Category 4 – Affordability (Continued)	Claimed Yes/No	Points
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
4.D – 4.E	Reserved for Other Programs		
	<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>			

## Proposed Changes to **PRIORITY RATING SYSTEM** for **Drinking Water 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
1.A	<u>Project will consolidate a nonviable drinking water or wastewater utility</u>		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</b> water/sewer 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	SDWR Pts
2.A – 2.A.1	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		



Line Item #	Category 2 – Project Benefits	Claimed Yes/No	SDWR Pts
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 DENR 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
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 <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	<u>Project addresses an emerging compound without a MCL but above a health advisory level</u>		<u>7</u>
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
2.K	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
2.L – 2.M	Reserved for Other Programs		
2.N	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including backup electrical power source		3

Line Item #	Category 2 – Project Benefits (Continued)	Claimed Yes/No	Points
<u>2.O – 2.R</u>	Reserved for Other Programs		
	<b>Maximum Points for Category 2 – Project Benefits</b>		35
	<b>Subtotal claimed for Category 2 – Project Benefits</b>		
Line Item #	Category 3 – System Management	Claimed Yes/No	Points
<u>3.A</u>	<u>Capital Planning Activities</u>		
<u>3.A.1</u>	Applicant has implemented an Asset Management Plan as of the date of application <b>OR</b>		10
<u>3.A.2</u>	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10-years and proposed project is included in the plan		2
<u>3.B</u>	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
<u>3.C</u>	Applicant has an approved Source Water Protection Plan and/or a Wellhead Protection Plan		5
<u>3.D</u>	Applicant has implemented a water loss reduction program		5
<u>3.E</u>	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>		
Line Item #	Category 4 – Affordability	Claimed Yes/No	Points
<u>4.A</u>	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
<u>4.B</u>	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

Line Item #	Category 4 – Affordability (Continued)	Claimed Yes/No	Points
4.B.3	Greater than \$47 <b>OR</b>		8
4.B.5	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>		