

State Water Infrastructure Authority

Meeting Date: July 18–19, 2023

Agenda Items G and H

Spring 2023 Application Round and Example Funding Scenarios for Drinking Water and Wastewater

Division of Water Infrastructure Staff Report

This report presents a *preliminary* funding scenario for the consideration of the State Water Infrastructure Authority. Subsequent updates and corrections to the application information and funding scenario (including application scores, ranking, potential funding amount, etc.) may occur and will be presented to the Authority during the meeting on July 18-19. Applications are selected for funding by the Authority during the meeting, and the Authority’s selections are final.

Background

This staff report presents background information on the Spring 2023 Application Round for drinking water and wastewater applications to be funded from the Drinking Water State Revolving Fund (DWSRF), the Clean Water State Revolving Fund (CWSRF), and the Drinking Water and Wastewater Reserves (State Reserves). The Spring 2023 application round includes funds appropriated to Water Infrastructure Funds established in G.S. 159G. This information includes a summary of available funds and any limitation on awarding the funds, a summary of applications received, and the process staff used to apply funds in the funding scenario example presented to the State Water Infrastructure Authority (Authority). Funding demand continues to far exceed available funds.

Table 1 shows a comparison of funding requested from complete and eligible applications (including Fall 2022 reconsiderations) and the amount of funding available from the sources above, as well as from the Community Development Block Grant-Infrastructure (CDBG-I) program and the Local Assistance for Stormwater Infrastructure Investments (LASII) fund.

Table 1. Comparison of Funding Requested from Complete and Eligible Applications (including Fall 2022 Reconsiderations) and Amount of Funding Available					
Application Type	Number of Complete/Eligible Applications (including Reconsiderations)	Total Requests	Approximate Amount Available		
Drinking Water Projects - Construction	159	\$1.362B	DWSRF Loan: \$85M	State Reserve Grant: \$6.67M	CDBG-I Grant: \$14.7M ¹
Wastewater Projects - Construction	144	\$1.303B	CWSRF Loan: \$110M		
Stormwater Planning	35	\$11.7M	LASII Grant (ARPA): \$6.35M ²		
Total:	338	\$2.676B	\$222.7M		

¹ CDBG-I funding summary and recommendations are included in Agenda Item F.

² LASII funding summary and recommendations are included in Agenda Items I and J.

Spring 2023 Funds Available

The following funds are available for award for the Spring 2023 Application Round:

- Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) funds are available to local government units (LGUs) and nonprofit water corporations (and investor-owned drinking water corporations for the DWSRF) in the form of low-interest loans and principal forgiveness. State Revolving Fund (SRF) amounts in this staff report include a portion of the Bipartisan Infrastructure Law (BIL) General Supplemental funds for the CWSRF and DWSRF programs. The Spring 2023 application round does not include funding from capitalization grants for BIL Lead Service Line Replacements or for BIL Emerging Contaminants funding.

The Authority may consider the additional information provided in the wastewater project applications for determining funding commitments for the CWSRF. Federal requirements also specify that at least ten percent of the annual CWSRF capitalization grant shall be used for eligible Green Projects, and at least 15 percent of the annual DWSRF capitalization grant shall be used for providing loan assistance to small water systems.

- State Reserve Program (SRP) grants for drinking water and wastewater projects are available for construction projects for the Spring 2023 application round. State Reserve Program grants for drinking water and wastewater projects are limited to \$3,000,000 per eligible applicant every three years.
- The Community Development Block Grant – Infrastructure (CDBG-I) is a grant fund available to low-to-moderate income (LMI) communities for water and sewer improvements. Note: The funding scenario for these awards is presented in Agenda Item F and is therefore not a part of this staff report.
- The Local Assistance for Stormwater Infrastructure Investments (LASII) fund is available to projects addressing stormwater quantity and/or quantity issues. Division staff have based their funding recommendations on the *Plan to Administer American Rescue Plan Act's State Fiscal Recovery Fund Appropriated in the State Budget for Stormwater Projects*. Note: The funding scenario for these awards is presented in Agenda Item I and J and is therefore not a part of this staff report.

Summary of Applications Received

Spring 2023 application round applications were due May 1, 2023. A total of 152 drinking water, wastewater, and stormwater applications were submitted during the round. Of these, 115 were for drinking water and wastewater projects, including 12 applications for CDBG-I grants. Of the 103 drinking water and wastewater applications excluding CDBG-I applications; six were duplicated; and four were not complete and are not eligible for consideration for funding. An additional 200 unfunded Fall 2022 drinking water and wastewater applications were reconsidered as part of this application round. A total of 293 complete and eligible applications for drinking water and wastewater projects were considered for Spring 2023 funding, excluding CDBG-I applications.

A summary of the number of drinking water and wastewater applications for consideration, excluding CDBG-I applications, by funding source and project type, is shown in Table 2. Requested funding for construction projects far exceeds the amount of available funds for this round.

Table 2 - Number of Applications (including Reconsiderations)			
Category	Drinking Water	Wastewater	Total
Incomplete/Ineligible	1	3	4
Complete and eligible applications considered	155	138	293
Funding Requested from complete and eligible applications	\$1.354 billion	\$1.291 billion	\$2.646 billion

During earlier funding rounds, Authority members requested additional information on the types of projects in applications received. Table 3 shows the number of applications from Distressed systems; the number that self-identified that the project is the result of a previously awarded Asset Inventory and Assessment (AIA) or Merger/Regionalization Feasibility (MRF) project; and projects that received prioritization for certain, but not all, priority line items.

Table 3. Summary of Project Applications by Characteristics and Receiving Specific Priority Rating System Points

Project Type (excluding CDBG-I)	Parameter Type											
	Total	Local Government Unit Designated as Distressed	Result of Awarded AIA/MRF [†]	Consolidate a Non-Viable Utility ^a	Failing Infrastructure ^b	Rehab/Replace Old Infrastructure ^c	Service to Disadvantaged Areas ^d	Replace Lead Service Lines ^e	Address Emerging Contaminants ^f	Merger/ Regionalization ^g	Resiliency ^h	Benefits to Disadvantaged Areas ⁱ
Drinking Water	155	52	16	0	8	88	6	3	12	5	56	27
Wastewater	138	48	19	0	2	101	6	3	1	6	58	24
Total	293	100	35	0	10	189	12	3	13	11	114	51

^a Consolidate a Non-Viable Utility: successfully claimed Line Item 1.A of the Construction Priority Rating Systems for WW/DW.
^b Failing Infrastructure: successfully claimed Line Item 1.B of the Construction Priority Rating Systems for WW/DW.
^c Rehab/Replace Old Infrastructure: successfully claimed Line Items 1.C.1 or 1.D.1 of the Construction Priority Rating Systems for WW/DW.
^d Service to Disadvantaged Area: successfully claimed Line Item 1.E of the Construction Priority Rating Systems for WW/DW. Does not include similar applications that successfully claimed Line Item 1.B (Failing Infrastructure) points instead.
^e Replace Lead Service Lines: successfully claimed Line Item 2.B.2 of the Construction Priority Rating Systems for WW/DW. BIL Lead Service Line Replacement funds are not available in this funding round, but other DW funding can be used for this project type.
^f Address Emerging Contaminants: successfully claimed Line Item 2.H.3 of the Construction Priority Rating Systems for WW/DW. BIL Emerging Contaminants funds are not available in this funding round, but other WW/DW funding can be used for this project type.
^g Merger/Regionalization: successfully claimed Line Items 2.F.1 or 2.F.2 of the Construction Priority Rating Systems for WW/DW.
^h Resiliency: successfully claimed one of Line Items 2.N.1 through 2.N.7 of the Construction Priority Rating Systems for WW/DW.
ⁱ Benefits to Disadvantaged Areas: successfully claimed Line Item 4.D of the Construction Priority Rating Systems for WW/DW.
[†] Projects resulting from an AIA or MRF are self-identified.

Example Funding Scenario for SRF and State Reserve Programs

The Authority may consider multiple funding scenarios. In the example funding scenario presented, applications are shown as receiving the best available funding for project applications in priority order until available funds are exhausted as follows:

- Apply SRF principal forgiveness (up to initial cap of \$500,000) and SRF loan funds to eligible projects.
- Apply any additional available principal forgiveness to projects receiving SRF funds, up to principal forgiveness eligibility, starting with the highest scoring application receiving SRF funds.
- Apply State Reserve Program grants to eligible projects within the SRF funding range to replace SRF loan and principal forgiveness where the entire project cost can be funded with State Reserve Program grant.
- Apply State Reserve Program grants to eligible projects within the SRF funding range to projects eligible for additional grant/PF that was not met by PF.
- Apply rest of SRF loan and principal forgiveness funds to the next eligible projects in priority order to fully utilize all available funds.

Multiple projects were not awarded funding because there were insufficient grant or principal forgiveness funds available to meet the minimum grant amount the applicant indicated was needed for the project to move forward. Also, multiple projects did not qualify for the minimum amount of grant amount the applicant indicated was needed for the project to move forward. See staff notes on spreadsheet.

In the example funding scenario presented, nine drinking water projects and 25 wastewater projects would receive a loan, principal forgiveness, and/or grant funding from the SRFs and SRPs, totaling \$201.9 million in funding assistance, excluding CDBG-I. Table 4 summarizes the example funding scenario.

Table 4. Example Funding Scenario for SRF and SRP Funding (excluding CDBG-I)						
Construction Projects	Applications considered	Potential applications with SRF/SRP funding	Potential SRP grants	Potential SRF Principal Forgiveness	Potential SRF loans	Potential total SRF/SRP funding
Drinking Water	155	9	\$0	\$17.5M	\$67.7M	\$85.3M
Wastewater	138	25	\$6.67M	\$12.6M	\$97.5M	\$116.7M
Total	293	34	\$6.67M	\$30.1M	\$165.2M	\$201.9M

Table 5 shows the number of potential funded projects from Distressed systems, the number that self-identified that the project is the result of a previously awarded Asset Inventory and Assessment (AIA) or Merger/Regionalization Feasibility (MRF) project, and projects that received prioritization for certain, but not all, priority line items.

Table 5. Summary of Projects in the Example Funding Scenario by Characteristics and Receiving Specific Priority Rating System Points

Project Type (excluding CDBG-I)	Parameter Type											
	Total	Local Government Unit Designated as Distressed	Result of Awarded AIA/MRF [†]	Consolidate a Non-Viable Utility ^a	Failing Infrastructure ^b	Rehab/Replace Old Infrastructure ^c	Service to Disadvantaged Areas ^d	Replace Lead Service Lines ^e	Address Emerging Contaminants ^f	Merger/ Regionalization ^g	Resiliency ^h	Benefits to Disadvantaged Areas ⁱ
Drinking Water	9	1	2	0	3	5	0	0	6	2	4	3
Wastewater	25	9	3	0	1	18	3		0	2	11	8
Total	34	10	5	0	4	23	3	0	6	4	15	11

^a Consolidate a Non-Viable Utility: successfully claimed Line Item 1.A of the Construction Priority Rating Systems for WW/DW.

^b Failing Infrastructure: successfully claimed Line Item 1.B of the Construction Priority Rating Systems for WW/DW.

^c Rehab/Replace Old Infrastructure: successfully claimed Line Items 1.C.1 or 1.D.1 of the Construction Priority Rating Systems for WW/DW.

^d Service to Disadvantaged Area: successfully claimed Line Item 1.E of the Construction Priority Rating Systems for WW/DW. Does not include similar applications that successfully claimed Line Item 1.B (Failing Infrastructure) points instead.

^e Replace Lead Service Lines: successfully claimed Line Item 2.B.2 of the Construction Priority Rating Systems for WW/DW. BIL Lead Service Line Replacement funds are not available in this funding round, but other DW funding can be used for this project type.

^f Address Emerging Contaminants: successfully claimed Line Item 2.H.3 of the Construction Priority Rating Systems for WW/DW. BIL Emerging Contaminants funds are not available in this funding round, but other WW/DW funding can be used for this project type.

^g Merger/Regionalization: successfully claimed Line Items 2.F.1 or 2.F.2 of the Construction Priority Rating Systems for WW/DW.

^h Resiliency: successfully claimed one of Line Items 2.N.1 through 2.N.7 of the Construction Priority Rating Systems for WW/DW.

ⁱ Benefits to Disadvantaged Areas: successfully claimed Line Item 4.D of the Construction Priority Rating Systems for WW/DW.

[†] Projects resulting from an AIA or MRF are self-identified.

Project-Specific Notes for Applications in the Example Funding Scenario

Drinking Water Project Applications

- Fifty-two out of 155 drinking water project applications (34 percent) were from LGUs designated as distressed, and one is shown in the funding range in this scenario.
 - \$272 million funding requested from distressed units
 - The Town of Plymouth is in the funding range (\$7.3 million)
- Four applications from units under Local Government Commission's (LGC) fiscal control were received. All were from the Town of Robersonville, scoring 48 or 50 points. None received high enough prioritization to be included in the funding range.
- After identifying all applications that qualify for SRF loan assistance and receiving the initial \$500,000 principal forgiveness cap (where eligible), additional principal forgiveness funding was available. In accordance with the Intended Use Plan, the additional principal forgiveness funding exceeding the \$500,000 cap would be awarded to the highest scoring application(s) with SRF loan assistance, up to the maximum principal forgiveness eligibility of those projects, in priority order. For this funding round, additional principal forgiveness exceeding the \$500,000 cap was available for the following project:
 - City of Sanford, Water Filtration Facility (WFF) Expansion (\$16 million in principal forgiveness, \$9 million in DWSRF loan)
- Town of Fuquay-Varina's Sanford WFF Expansion project is the last application in the funding range. The project is partially funded with remaining DWSRF funds made available for this round.
- The following projects would remain partially funded in this funding scenario:
 - City of Sanford, WFF Expansion
 - Rocky Point Topsail W&S Authority, RO Water Treatment Plant and Associated Improvements
 - Fuquay-Varina, Sanford WFF Expansion

Wastewater Project Applications

- Forty-eight out of 138 wastewater project applications (35 percent) were from LGUs designated as distressed, and nine are shown in the funding range in this scenario.
 - \$193 million funding requested from distressed units,
 - Nine projects are in the funding range (\$34.6 million):
 - Towns of Farmville, Warrenton, Enfield, Sharpsburg, Halifax, Lake Lure, Plymouth, Taylorsville, and Edgecombe County
- One application from units under LGC's fiscal control was reconsidered from the Fall 2022 application round, the Town of Eureka's application. It did not receive high enough prioritization in this funding round. The Division continues to work with the LGC staff to identify a regional solution for the Town of Eureka.

- After identifying all applications that qualify for SRF loan assistance and receiving the initial \$500,000 principal forgiveness cap (where eligible), additional principal forgiveness funding was available. In accordance with the Intended Use Plan, the additional principal forgiveness funding exceeding the \$500,000 cap would be awarded to the highest scoring application(s) with SRF loan assistance, up to the maximum principal forgiveness eligibility of those projects, in priority order. For this funding round, additional principal forgiveness exceeding the \$500,000 cap was available for the following projects:
 - Town of Farmville, Farmville Reclaimed Water Line (\$1.5 million principal forgiveness, \$1.5 million in CWSRF loan)
 - Town of Enfield, Phase 6 Sewer System Improvements Project (\$4.88 million principal forgiveness and \$2.47 million in SRP grant)
- The Town of Enfield’s Phase 6 Sewer System Improvements Project receives the remaining principal forgiveness for this funding round and is supplemented with an SRP grant to fully fund the project.
- The Town of Waynesville’s WWTP Supplemental Funding application seeks an additional \$4,877,100 to supplement an existing CWSRF loan.
- The Town of Nashville’s two projects (Regency Estates Sewer Improvements and Essex Road Sewer Extension Improvements Project) aim to extend and connect sewer service to homes. Both projects are in the funding range with principal forgiveness or SRP grant. Funding would be conditional on the Town not charging connection fee/system development fees to connect the premises to the sewer system.
- The Town of Farmville’s Reclaimed Water Line project funding would be conditional on the Town providing reclaimed water or agreement in place prior to receiving approval for plans and specifications and beginning construction.
- The Town of Hillsborough, Lawndale Collection System Rehab application is the last wastewater project funded with CWSRF funds (excluding CWSRF loans for Green Project Reserve projects).
- The Town of Hobgood, Stormwater Quality Improvements application is in the funding scenario to meet the CWSRF Green Project Reserve requirement.
- The following project would remain partially funded in this funding scenario:
 - Cape Fear Public Utility Authority, Southside Wastewater Treatment Plant Replacement (\$207 million unfunded)

This example funding scenario is detailed in Tables 6 and 7 below. Those tables identify the projects that would potentially be funded under the example funding scenario (preliminary information). A full list of applications, including those that would not be funded under this scenario, are shown in

the accompanying spreadsheets. Application numbers in the tables below reference application numbers in the accompanying spreadsheets.

Other Funding Scenarios

Note that there are other funding scenarios which could be constructed, and staff can assist the Authority with other scenarios during the meeting.

Table 6. Drinking Water Project Applications in the Example Funding Scenario for SRF and SRP Funding

SWIA Sheet Appl. No.	Applicant Name	County	Project Name	Amount of Funding Requested	Potential State Reserve Grant	Potential DWSRF Principal Forgiveness	Potential DWSRF Loan	Potential Total Funding
2	AQUA North Carolina, Inc.	Cumberland	AQUA Brookwood Wells PFOS/PFOA Removal Project	\$2,342,800		\$0	\$2,342,800	\$2,342,800
3	AQUA North Carolina, Inc.	Wake, Durham	AQUA Wyntree & Willow Hill Well Improvements Project	\$1,031,875		\$0	\$1,031,875	\$1,031,875
4	Sanford, City of	Lee	Sanford Water Filtration Facility (WFF) Expansion	\$113,779,000 (partially funded in previous rounds)		\$16,000,000	\$9,000,000	\$25,000,000
6	Cumberland County	Cumberland	Gray's Creek Water and Sewer District (Cumberland County)	\$7,637,000		\$500,000	\$7,137,000	\$7,637,000
7	Spring Hope, Town of	Nash	Elevated Tank Replacement	\$1,766,080		\$500,000	\$1,266,080	\$1,766,080
8	Rocky Point Topsail Water and Sewer District	Pender	RO Water Treatment Plant and Associated Improvements	\$30,000,000		\$0	\$25,000,000	\$25,000,000
9	Washington, City of	Beaufort	Water Treatment Plant Rehabilitation	\$6,154,000		\$0	\$6,154,000	\$6,154,000
10	Plymouth, Town of	Washington	2023 Town of Plymouth Water System Improvements Project	\$7,323,702		\$500,000	\$6,823,702	\$7,323,702
11	Fuquay-Varina, Town of	Wake	Sanford WFF Expansion	\$72,383,000 (partially funded in previous rounds)		\$0	\$9,000,000	\$9,000,000
Totals for Drinking Water Applications in Funding Scenario					\$0	\$17,500,000	\$67,755,457	\$85,255,457

Table 7. Wastewater Project Applications in the Example Funding Scenario for SRF and SRP Funding

SWIA Sheet Appl. No.	Applicant Name	County	Project Name	Amount of Funding Requested	Potential State Reserve Grant	Potential CWSRF Principal Forgiveness	Potential CWSRF Loan	Potential CWSRF Loan for Green Project Reserve	Potential Total Funding
1	Beech Mountain, Town of	Watauga	2023 Sewer Main Improvements Project	\$2,961,490		\$0	\$2,961,490		\$2,961,490
3	Princeton, Town of	Johnston	Holts Pond Road Sewer Extension	\$224,000		\$168,000	\$56,000		\$224,000
4	Nashville, Town of	Nash	Regency Estates Sewer Improvements	\$984,046	\$984,046				\$984,046
5	Farmville, Town of	Pitt	Farmville Reclaimed Water Line	\$3,023,000		\$1,511,500	\$1,511,500		\$3,023,000
6	Warrenton, Town of	Warren	WWTP - Oxidation Ditch No. 1 Cleanout/Oxidation Ditch No. 2 Rotor Replacements	\$750,000	\$750,000				\$750,000
7	Enfield, Town of	Halifax	Phase 6 Sewer System Improvements Project	\$7,351,010	\$2,470,054	\$4,880,956	\$0		\$7,351,010
9	Edgecombe County	Edgecombe	Lone Pine MHP Wastewater System Improvements	\$2,724,100	\$1,362,050	\$500,000	\$862,050		\$2,724,100
10	Dunn, City of	Harnett	Dunn Juniper Creek Area Stormwater System Improvements	\$2,805,150		\$500,000	\$2,305,150		\$2,805,150
11	Cape Fear Public Utility Authority	New Hanover	Southside Wastewater Treatment Plant Replacement	\$242,056,884		\$0	\$35,000,000		\$35,000,000

Table 7. Wastewater Project Applications in the Example Funding Scenario for SRF and SRP Funding

SWIA Sheet Appl. No.	Applicant Name	County	Project Name	Amount of Funding Requested	Potential State Reserve Grant	Potential CWSRF Principal Forgiveness	Potential CWSRF Loan	Potential CWSRF Loan for Green Project Reserve	Potential Total Funding
14	Sharpsburg, Town of	Edgecombe, Nash, Wilson	2023 CWSRF Wastewater System Improvements Pump Station & WWCS Improvements	\$1,100,000	\$1,100,000				\$1,100,000
16	Spring Hope, Town of	Nash	2023 WWTP Improvements	\$1,194,800		\$500,000	\$694,800		\$1,194,800
21	Halifax, Town of	Halifax	Phase 1 Sewer Improvements	\$1,352,042		\$500,000	\$852,042		\$1,352,042
24	Waynesville, Town of	Haywood	Waynesville WWTP Supplemental Funding	\$29,140,200 (seeking \$4,877,100 to add to existing loan)		\$0	\$4,877,100		\$4,877,100
25	Roseboro, Town of	Sampson	2022 Wastewater Treatment Plant Improvements	\$1,819,000		\$0	\$1,819,000		\$1,819,000
26	Nashville, Town of	Nash	Essex Road Sewer Extension Improvements Project	\$595,830		\$500,000	\$95,830		\$595,830
27	Lake Lure, Town of	Rutherford	Subaqueous Sanitary Sewer Replacement Phase 3	\$7,000,000		\$0	\$7,000,000		\$7,000,000
28	Plymouth, Town of	Washington	2023 Town of Plymouth Wastewater Improvements Project	\$9,012,820		\$500,000	\$8,512,820		\$9,012,820
30	Burnsville, Town of	Yancey	Burnsville WWTP Rehabilitation Project	\$2,800,000		\$500,000	\$2,300,000		\$2,800,000
31	Beaufort, Town of	Carteret	Wastewater Pump Stations Replacement	\$6,186,000		\$0	\$6,186,000		\$6,186,000

Table 7. Wastewater Project Applications in the Example Funding Scenario for SRF and SRP Funding

SWIA Sheet Appl. No.	Applicant Name	County	Project Name	Amount of Funding Requested	Potential State Reserve Grant	Potential CWSRF Principal Forgiveness	Potential CWSRF Loan	Potential CWSRF Loan for Green Project Reserve	Potential Total Funding
33	Lowell, City of	Gaston	City of Lowell Wastewater Interconnection with Two Rivers Utilities	\$7,905,060		\$500,000	\$7,405,060		\$7,905,060
34	Taylorsville, Town of	Alexander	2022 Wastewater Treatment Plant Improvements	\$2,336,000		\$500,000	\$1,836,000		\$2,336,000
35	Clarkton, Town of	Bladen	Clarkton Sewer System Rehabilitation	\$5,385,000		\$500,000	\$4,885,000		\$5,385,000
36	Spindale, Town of	Rutherford	Wastewater Collection System Improvements	\$5,390,260		\$500,000	\$4,890,260		\$5,390,260
37	Hillsborough, Town of	Orange	Lawndale Collection System Rehab	\$1,116,730		\$500,000	\$616,730		\$1,116,730
99	Hobgood, Town of	Halifax	Hobgood-Stormwater Quality Improvements	\$2,792,770				\$2,792,770	\$2,792,770
Totals for Wastewater Applications in Funding Scenario					\$6,666,150	\$12,560,456	\$94,666,832	\$2,792,770	\$116,686,208