

**North Carolina
Clean Water State Revolving Fund
And
Bipartisan Infrastructure Law CWSRF
General Supplemental Funds
Intended Use Plan
Fiscal Year 2022-2023**

**Draft for Public Review
(Proposed changes underlined and highlighted in red)**

DRAFT

Division of Water Infrastructure

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1. Introduction

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) and non-profit water/wastewater utilities¹ 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 the eligibility of projects for certain water infrastructure funding programs, including the Clean Water State Revolving Fund (CWSRF), consistent with federal law. The priorities reflected in this document have been approved by the Authority.

Specific to this document, the Division administers the federal-state CWSRF program as established by Title VI of the Federal Water Pollution Control Act (a.k.a. Clean Water Act) as amended in 1987. The CWSRF program offers loans to LGUs at interest rates lower than market rates for clean water infrastructure. As a LGU repays the loan, the monies are again loaned out, hence the revolving nature of the program. All loan repayments must go back into the CWSRF. This Intended Use Plan (IUP) serves to explain how the capitalization grant will be used and the CWSRF will operate.

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

2. Financial History

Congress appropriates an overall CWSRF funding level that is allocated to states based on percentages in the Clean Water Act. This allocation has not been updated since the 1987 amendments that established the CWSRF. The North Carolina allocation is approximately 1.8% of the national appropriation. Capitalization grants, including the required State match, enable increasing amounts of loan commitments. This is due to loan repayments being loaned again, thereby providing public benefits repeatedly through time. While providing substantial support, this infrastructure financing has only met a small percentage of the clean water infrastructure needs for LGUs in North Carolina. However, if capitalization grants continue (or are increased), the program will better be able to meet infrastructure financing needs for LGUs.

[Congress appropriated additional funds to the CWSRF in the Infrastructure Investment and Jobs Act of 2021, commonly referred to as the Bipartisan Infrastructure Law \(BIL\). The BIL appropriated additional funds for five fiscal years \(FY2022-FY2026\), referred to as the CWSRF General Supplemental Funding \(or BIL Supplemental CWSRF for short\), to supplement the base CWSRF program and its yearly appropriations. The BIL also appropriated funds specifically to address emerging contaminants issues, plans for which will be described in a separate IUP.](#)

¹ For brevity, "LGUs" in this IUP refers to eligible entities, including local government units and non-profit utilities.

3. Programmatic Goals

Pursuant to the Clean Water Act, the State must identify the goals and objectives of its water pollution control revolving fund (i.e., the CWSRF). The State has the following goals for its CWSRF program:

3.1. Overall CWSRF Program Goal

Provide funding for clean water infrastructure while advancing the NCDEQ's mission to provide science-based environmental stewardship for the health and prosperity of ALL North Carolinians.

3.2. Short-Term Goal

Continue efforts to inform local government units of the availability of funds, benefits of the CWSRF program, and funding process improvements.

3.3. Long -Term Goals

Goal #1: Continue efforts to streamline the funding process to ensure the funds are used in an expeditious and timely manner in accordance with §602(b)(4) of the Clean Water Act.

Goal #2: Aid compliance with state and federal water quality standards by all funded publicly-owned wastewater treatment works.

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

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

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

4. Information on Activities to be Supported

North Carolina's program will continue to be one of low-interest loans, supplemented with principal forgiveness as allowed by §603(i)(3) of the Clean Water Act. 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.

In addition to funding infrastructure projects, the CWSRF also allows the use of capitalization grant funds for technical assistance. Up to 2% of the CWSRF capitalization grant and BIL Supplemental CWSRF Capitalization Grant will be used for technical assistance. Technical assistance may be carried out directly by the Division or the Division of Water Resources in the Department of Environment Quality and through contracts with other agencies and organizations. The Division intends to use technical assistance set asides to fund Division efforts to implement the State's Viable Utility program and assist rural, small, and tribal publicly owned treatment works. The Viable Utility program works directly with local government units identified as being Distressed as

defined by State law to meet requirements to conduct utility asset condition and risk assessment, develop a system operational and maintenance plan, perform a rate study that supports operations, maintenance, and replacement of infrastructure, develop a long term and short-term financial plans for long term utility viability. Technical assistance will be provided to assist disadvantaged communities in preparing for potential CWSRF projects. The Division reserves the right to utilize unused portions of the technical assistance set aside for use at a later date.

The Division reserves the authority for BIL inter-SRF transfers and use the authority in later years from subsequent BIL appropriations.

The following table provides a summary of the projected funds available as a result of the Federal capitalization grant:

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Sources and Uses For the Life of the Program

Historic Sources and Uses		(From CWNIMS)							
FY	Revenues					Expenditures		Net For FY	Cumulative Net
	Title VI Cap	State Match	Repayments Principle	Repayments Interest	Interest Earned	Project Disbursements	4% Admin and Set-Asides		
1989	\$22,677,869	\$4,535,574						\$27,213,443	\$27,213,443
1990	\$33,020,181	\$6,604,036				\$832,959	\$201,999	\$38,589,259	\$65,802,702
1991	\$39,039,068	\$7,807,814	\$93,098	\$26,095		\$2,325,135	\$428,363	\$44,212,577	\$110,015,279
1992	\$35,066,790	\$7,013,358	\$96,512	\$57,455	\$2,604	\$16,935,791	\$631,067	\$24,669,861	\$134,685,140
1993	\$34,688,907	\$6,937,781	\$312,847	\$279,547	\$25,906	\$53,307,895	\$735,053	-\$11,797,960	\$122,887,180
1994	\$21,523,986	\$4,304,797	\$2,031,416	\$1,149,187	\$82,487	\$36,500,242	\$815,408	-\$8,223,777	\$114,663,403
1995	\$22,229,658	\$4,445,931	\$4,751,663	\$3,481,087	\$334,091	\$41,628,927	\$1,078,750	-\$7,465,247	\$107,198,156
1996	\$36,412,875	\$7,282,573	\$6,640,508	\$4,687,320	\$953,958	\$33,089,280	\$1,428,751	\$21,459,203	\$128,657,359
1997	\$11,247,984	\$2,249,596	\$10,694,842	\$6,122,694	\$1,762,067	\$35,858,322	\$1,772,360	-\$5,553,499	\$123,103,860
1998	\$24,302,619	\$4,860,523	\$12,266,033	\$5,877,291	\$2,861,611	\$32,646,756	\$1,667,740	\$15,853,581	\$138,957,441
1999	\$24,304,599	\$4,860,919	\$15,416,998	\$7,474,609	\$3,951,306	\$19,434,231	\$1,609,647	\$34,964,553	\$173,921,994
2000	\$24,222,231	\$4,844,446	\$16,091,644	\$6,976,287	\$5,062,731	\$43,995,537	\$1,549,377	\$11,652,425	\$185,574,419
2001	\$24,006,906	\$4,801,381	\$17,073,660	\$7,133,702	\$5,323,531	\$52,275,405	\$1,601,947	\$4,461,828	\$190,036,247
2002	\$24,060,366	\$4,812,073	\$20,133,928	\$8,759,606	\$5,219,200	\$60,898,838	\$1,464,268	\$622,067	\$190,658,314
2003	\$23,903,946	\$4,780,789	\$21,082,695	\$9,061,238	\$5,391,271	\$49,986,344	\$1,363,979	\$12,869,616	\$203,527,930
2004	\$23,918,400	\$4,783,680	\$24,881,118	\$10,516,594	\$4,735,840	\$40,675,883	\$1,373,264	\$26,786,485	\$230,314,415
2005	\$19,447,857	\$3,889,571	\$25,576,460	\$10,343,438	\$4,811,322	\$67,022,666	\$1,774,524	-\$4,728,542	\$225,585,873
2006	\$15,804,261	\$3,160,852	\$27,163,010	\$10,053,528	\$5,552,843	\$65,232,990	\$1,813,433	-\$5,311,929	\$220,273,944
2007	\$19,316,385	\$3,863,277	\$31,235,426	\$11,983,058	\$6,959,845	\$89,612,981	\$1,950,049	-\$18,205,039	\$202,068,905
2008	\$12,281,247	\$2,456,249	\$35,248,991	\$12,528,511	\$8,866,941	\$39,030,703	\$1,981,175	\$30,370,061	\$232,438,966
2009	\$12,281,148	\$2,456,230	\$36,715,791	\$12,213,960	\$9,365,937	\$62,821,405	\$1,880,879	\$8,330,782	\$240,769,748
2009 ARRA	\$70,729,100								
2010	\$36,773,000	\$7,354,600	\$40,793,762	\$13,011,181	\$3,737,429	\$89,278,230	\$2,829,164	\$9,562,578	\$250,332,326
2011	\$26,650,000	\$5,330,000	\$44,499,092	\$13,343,726	\$2,544,846	\$75,822,573	\$1,225,767	\$15,319,324	\$265,651,650
2012	\$25,507,000	\$5,101,400	\$50,747,102	\$13,961,676	\$1,997,212	\$92,326,265	\$0	\$4,988,125	\$270,639,775

2013	\$24,096,000	\$4,819,200	\$57,103,194	\$12,641,174	\$1,131,131	\$111,420,255	\$2,189,477	-\$13,819,033	\$256,820,742
2014	\$25,304,000	\$5,060,800	\$52,085,979	\$14,244,396	\$1,031,247	\$96,624,370	\$1,502,219	-\$400,167	\$256,420,575
2015	\$25,175,000	\$5,035,000	\$54,433,833	\$14,793,448	\$2,107,019	\$125,900,815	\$1,494,060	-\$25,850,575	\$230,570,000
2016	\$24,113,000	\$4,822,600	\$66,280,242	\$15,049,112	\$591,974	\$102,943,029	\$1,007,000	\$6,906,899	\$237,476,899
2017	\$23,928,000	\$4,785,600	\$63,243,272	\$14,019,493	\$6,144,737	\$110,022,818	\$964,520	\$1,133,764	\$238,610,663
2018	\$28,967,000	\$5,793,400	\$65,069,666	\$16,058,602	\$5,480,830	\$65,751,180	\$957,120	\$54,661,198	\$293,271,861
2019	\$28,676,000	\$5,735,200	\$66,676,292	\$15,430,220	\$8,194,850	\$46,725,169	\$1,158,680	\$76,828,713	\$370,100,574
2020	\$28,590,000	\$5,736,000	\$76,395,801	\$14,144,801	\$9,575,286	\$136,456,346	\$1,057,040	-\$3,071,498	\$367,029,076
2021	\$28,676,000	\$5,735,200	\$199,020,018	\$13,099,212	\$6,372,851	\$110,004,165	\$1,143,600	\$141,755,516	\$508,784,592
2022	\$27,500,000	\$5,700,000							
2022 BIL	\$32,122,000	\$3,212,200							
Totals	\$960,563,383	\$174,972,650	\$1,143,854,893	\$298,522,248	\$120,172,903	\$2,007,387,505	\$42,650,680	\$508,784,592	
Projected Sources and Uses for FY 2022				(Based on Availability Model)					
			\$60,000,000	\$9,000,000	\$5,000,000	\$150,000,000	\$1,100,000	-\$77,100,000	
								\$431,684,592	
Projected Uses for Active Projects beyond FY 2022									
(Does not take into account future funding rounds or revenues which cover the negative)						\$660,000,000		\$660,000,000	
								-\$228,315,408	

Values in RED are approximate values.

5. Criteria and Methods for Distributing Funds

5.1. Project List and Prioritization

The Intended Use Plan Project Priority List may be supplemented or replaced based on applications received as a part of future funding cycles (see 5.2. below). Applications that are received in one cycle and are not selected for funding will be reconsidered in one more cycle (the next one) for funding. The State's ranking for construction loan projects will be based on the Priority Rating System (see Appendix C).

The Priority Rating 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 consolidate nonviable systems, resolve issues associated with failed or failing infrastructure, rehabilitate or replace infrastructure, serve disadvantaged areas. Projects that reduce nonpoint source pollution (e.g., stormwater best management practices) are also prioritized.

In terms of project benefits, the Division seeks to prioritize projects where replacement, repair, resiliency, regionalization or merger will provide an environmental benefit. For example, the Division more highly prioritizes projects that benefit impaired waters and/or replaces failing septic tanks.

In addition to correcting water quality issues, the Division desires to support those LGU systems that seek to be proactive in their system management, including prioritization points for having implemented 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. Projects the benefit disadvantaged areas receive additional priority points.

The Authority may adjust the rank of any application based on its 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 CWSRF program operates on a priority basis and accepts funding applications semi-annually. Projects are allocated funding in priority order (as noted above) until available funds are exhausted and within special reserve requirements (e.g. Green Project Reserve, Principal Forgiveness Reserve, etc. as described herein). Funding availability is determined based on the 2022 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 CWSRF 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 CWSRF 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 CWSRF staff
 - 5.2.7.4. Obtainment of the Division'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 CWSRF 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 CWSRF 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 CWSRF 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 Clean Water Act and NCGS 159G, including wastewater treatment facilities, collection systems, stream restorations, stormwater SCMs, etc. that improve 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 CWSRF loan amount will be established at \$30 million per applicant per funding round.
- 5.3.1.5. The maximum CWSRF loan availability per applicant is not more than ~~\$100,000,000~~ \$200,000,000 in outstanding debt to the CWSRF program.
- 5.3.1.6. Notwithstanding the limits in Items 5.3.1.4., and 5.3.1.5., 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 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 (but no less than zero percent).

5.3.2. Principal Forgiveness

- 5.3.2.1. Communities that are eligible to receive principal forgiveness are defined as disadvantaged communities. Based on the current proposed appropriation, 10% of the base CWSRF Capitalization Grant and 49% of the BIL Supplemental CWSRF Capitalization Grant will be used to provide additional subsidization in the form of principal forgiveness to disadvantaged communities.
- 5.3.2.2. The Division will provide additional subsidization to projects in the categories provided in 5.3.2.2.1 – 5.3.2.2.3 in project priority order. The

Division will provide principal forgiveness to a project using at-most one of the categories provided in 5.3.2.2.1 – 5.3.2.2.3.

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 5.3.2.2.2 and served by a public wastewater system will receive principal forgiveness for the full amount of the loan up to \$3,000,000. The disadvantaged community either meets the affordability criteria listed in 5.3.2.2.2 or is representative of the criteria.

5.3.2.2.2. Affordability: Projects that receive project purpose points when the applicant has less than 20,000 residential wastewater connections, at least three (3) of five (5) LGU economic indicators (“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 that project to increase the utility rates above the 70th percentile of state-wide utility rates will receive principal forgiveness following the affordability criteria grant percentage matrix found in Appendix D.

Projects that receive project purpose points when the benefiting system has been designated as distressed per § 159G-45, has utility rates greater than the state median, and/or project cost per connection that project to increase the utility rates above the 70th percentile of state-wide utility rates will receive principal forgiveness percentages following the affordability criteria grant percentage matrix found in Appendix D.

Principal forgiveness will range from 25% to 100% in increments of 25% up to \$500,000 per applicant per round with the targeted interest rate as described under 5.3.1.7 applied to the remaining portion of the loan.

5.3.2.2.3. Disadvantaged Area: Project benefiting disadvantaged areas will receive principal forgiveness for 50% of the project costs of the loan up to \$500,000 limited to project costs benefiting disadvantaged areas.

Disadvantaged areas will be based on either North Carolina Department of Environmental Quality’s determination of “Potentially Underserved Block Groups” or Tribal boundaries

displayed on the NC DEQ Community Mapping System, or information provided in the application. Potentially Underserved Block Groups on the Community Mapping System are census block groups where the share of nonwhites and Hispanic or Latino (of any race) is over fifty percent or at least ten percent higher than the County or State share, AND the share of population experiencing poverty is over twenty percent or at least five percent higher than the County or State share. If the proposed project does not fall within a Potentially Underserved Block Group or Tribal boundary layer on the map, the applicant must provide information in the application explaining what factors would qualify the project area as disadvantaged (such as demographic, historical, cultural, linguistic, or low-wealth factors; existing contamination, or other considerations deemed relevant).

5.3.2.3. Principal forgiveness is not available for green projects.

5.3.2.4. Notwithstanding the above limits in Items 5.3.2.2.2 and 5.3.2.2.3, if availability of principal forgiveness funds exceeds project demand, the limits may be exceeded in project priority order to ensure all available funds are utilized in the following order:

5.3.2.4.1. Affordability limit of \$500,000 in item 5.3.2.2.2 may be exceeded up to the grant percentage determined in the affordability grant percentage matrix found in Appendix D, and disadvantaged area limit of \$500,000 in item 5.3.2.2.3 may be exceeded up to 50% of the project costs benefiting the disadvantaged areas.

5.3.2.4.2. Affordability percentages determined in 5.3.2.2.2 and 5.3.2.2.3 may be exceeded by 10% not to exceed 100% for eligible projects in priority order. If funds remain after all eligible projects receive the percent increase, principal forgiveness percentages can be increased by additional 10% increments (not to exceed 100%) for eligible projects until principal forgiveness funds are utilized.

5.3.3. Green Projects

5.3.3.1. Not less than 10% of the 2022 federal capitalization grant appropriations will be provided for green projects, provided there are sufficient applications to utilize this reserve. Funding may bypass a higher priority project to satisfy the Green Project Reserve. Any such bypassing will be shown in the Intended Use Plan Project Priority List. If sufficient

applications are not received to utilize this reserve after two cycles of funding applications, funds may be utilized for non-green projects. However, the State will continue to conduct outreach to promote green project funding opportunities. Green projects funded through the Green Project Reserve will receive targeted interest rates.

5.3.3.2. Notwithstanding the above paragraph, the State will offer targeted interest rates to green projects beyond the requirements of the capitalization grant consistent with the priority rating system.

5.3.3.3. A green project will be eligible for a 1% reduction from the targeted interest rate (but not less than zero percent).

5.3.3.4. Principal forgiveness is not available for green projects

5.3.4. Decentralized Wastewater Treatment System Pilot Program (DWTSP)

5.3.4.1. Not more than \$1,000,000 of available CWSRF may be provided for applicants for the decentralized wastewater treatment system pilot program, provided there are sufficient applications to utilize the funds. Funding may bypass a higher priority project.

5.3.4.2. The Decentralized wastewater treatment system pilot program will be a pass-through funding program where the CWSRF recipient passes funding to qualified recipients with failed or malfunctioning decentralized wastewater systems including onsite wastewater, single family non-discharge systems, or single-family discharge facilities, to repair or replace those systems.

5.3.4.3. Eligible entities for pass-through funding must meet award specific affordability criteria established prior to disbursement of funds. The project specific affordability criteria will be based on criteria established in Section 5.3.2

5.3.4.4. The State will offer 0% targeted interest rate to recipients.

5.3.4.5. Principal forgiveness eligibility will not exceed 50% of the full amount of the award.

5.3.5. Miscellaneous Criteria/Provisions:

- 5.3.5.1. Davis-Bacon prevailing wage rates apply to loans as required by grant agreements/conditions.
- 5.3.5.2. American Iron and Steel provisions will apply to loans as required by Federal mandates.
- 5.3.5.3. Build America, Buy America requirements will apply to loans as required by US EPA and by Federal mandates.
- 5.3.5.4. Brooks Act requirements will be applied to projects in a dollar amount equal to or exceeding the capitalization grant.
- 5.3.5.5. The CWSRF 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.
- 5.3.5.6. Approval of a CWSRF loan is contingent on approval by the Local Government Commission (LGC).
- 5.3.5.7. CWSRF loan terms are set by the LGC.
- 5.3.5.8. The maximum CWSRF loan term is determined by State statute and federal requirements.
- 5.3.5.9. A 2% loan fee is required. The loan fee cannot be financed by the CWSRF fund.
- 5.3.5.10. Loan repayments are due in May (principal and interest) and November (interest only) of each year.
- 5.3.5.11. Interest begins accruing on date of completion in the Notice to Proceed.
- 5.3.5.12. 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 §606(c)(4) of the Clean Water Act, 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 CWSRF 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 CWSRF 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, CWSRF National Information Management System (NIMS), and the CWSRF Benefits Reporting (CBR) system.
- 6.2.3. The State will ensure that all applicants to the CWSRF 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 CWSRF and Drinking Water State Revolving Fund

Transfer of funds between the CWSRF and the Drinking Water State Revolving Fund are authorized by federal statutes. This IUP does not propose any such transfer of funds. However, the Division reserves the ability to make transfers in managing cash flow. If such transfer takes place, a subsequent transfer will be made by transferring that amount back from the receiving fund to the providing fund (i.e., no permanent transfers) as soon as possible.

7. Public Review and Comment

[Section pending completion of Public Comment Period]

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. 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.

- 8.3. The source of State match funds is from appropriations and supplemented by loan fees as needed. State match funds will be deposited into the CWSRF before drawing any federal funds.
- 8.4. 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.

DRAFT

Appendix A

Draft - Intended Use Plan Project Priority List for base CWSRF and BIL Supplemental CWSRF

Applicant Name	Project Name	Permit Number	County	Total Funding Request	Base CWSRF Green Project Reserve	Base CWSRF Principal Forgiveness	Base CWSRF Loans	BIL Supplemental CWSRF Green Project Reserve	BIL Supplemental CWSRF Principal Forgiveness	BIL Supplemental CWSRF Loans	Priority Points	Estimated Binding Commitment
Spring 2022 Application Round Funded Projects (to be added upon awards by the Authority)												

Applicant Name	Project Name	Permit Number (tbd)	County	Total Funding Request	Base CWSRF Green Project Reserve	Base CWSRF Principal Forgiveness	Base CWSRF Loans	Priority Points	Estimated Binding Commitment
Fall 2021 Application Round Funded Projects									
Louisburg, Town of	Green Hill Pump Station Replacement / Relocation		Franklin	\$1,034,996				65	
Pilot Mountain, Town of	Collection System Improvements		Surry	\$2,845,000				63	
Wilkesboro, Town of	Wilkesboro Cub Creek WWTP Expansion		Wilkes	\$60,000,000		\$500,000	\$29,500,000	63	2/1/2023

Applicant Name	Project Name	Permit Number (tbd)	County	Total Funding Request	Base CWSRF Green Project Reserve	Base CWSRF Principal Forgiveness	Base CWSRF Loans	Priority Points	Estimated Binding Commitment
Pikeville, Town of	2022 Sanitary Sewer Improvements		Wayne	\$500,000		\$500,000		58	2/1/2023
Halifax, Town of	Phase 1 Sewer System Improvements Project		Northampton	\$1,100,000				53	
Eden, City of	Contracts IIB and V - Junction Pump Station Rehab & Smith River Replacement and Rehab and Siphon Replacement		Rockingham	\$9,972,770		\$500,000	\$2,513,243	52	2/1/2023
Brevard, City of	North Brevard Sewer		Transylvania	\$2,287,367		\$500,000	\$1,787,367	52	2/1/2023
Graham, City of	Graham WWTP Improvements Project		Alamance	\$10,151,000		\$500,000	\$9,651,000	50	2/1/2023
Enfield, Town of	2021 CWSRF Sanitary Sewer Phase 4 Pump Stations 2, 6, 8 & 9 Replacement / Repair and		Halifax	\$1,877,615				50	

Applicant Name	Project Name	Permit Number (tbd)	County	Total Funding Request	Base CWSRF Green Project Reserve	Base CWSRF Principal Forgiveness	Base CWSRF Loans	Priority Points	Estimated Binding Commitment
	Collection Lines Improvements								
Manteo, Town of	UV Disinfection and Resiliency Upgrade		Dare	\$1,882,030			\$1,882,030	47	2/1/2023
Ayden, Town of	Carmichael MHP Sewer Pump Station Improvements		Pitt	\$500,000				47	
Cape Fear Public Utility Authority	Walnut Street Pump Station (PS9) Replacement		New Hanover	\$5,149,900	\$5,149,900			44	2/1/2023
Pembroke, Town of	Wastewater System Improvements		Robeson	\$2,000,000				43	
Clayton, Town of	Neuse River Water Reclamation Facility & ECIA PS & FM		Johnston	\$59,940,000				43	
Wallace, Town of	Wallace Gravity Sewer Rehabilitation - Phase 2		Duplin	\$1,520,720				39	
Burgaw, Town of	Wastewater Infrastructure		Pender	\$7,405,733				39	

Applicant Name	Project Name	Permit Number (tbd)	County	Total Funding Request	Base CWSRF Green Project Reserve	Base CWSRF Principal Forgiveness	Base CWSRF Loans	Priority Points	Estimated Binding Commitment
	Rehabilitation & Improvements								
Stantonsburg, Town of	Stantonsburg Sanitary Sewer Rehab Phase II		Wilson	\$1,387,776				36	
Belmont, City of	Belmont Pump Station and Force Main		Gaston	\$15,095,034			\$15,095,034	34	2/1/2023
Orange Water and Sewer Authority	Secondary Clarifier No. 4 Improvements Project		Orange	\$2,200,000				31	
Durham County	Chin Page Road Pump Station		Durham	\$19,298,025			\$19,298,025	31	2/1/2023
Mebane, City of	Wastewater Resource Recovery Facility Expansion		Alamance	\$50,000,000				30	
Wilkesboro, Town of	Cub Creek Phase III Stream Restoration		Wilkes	\$1,586,400				29	
Wilson, Town of	Lower Bloomery		Wilson	\$6,349,131				28	

Applicant Name	Project Name	Permit Number (tbd)	County	Total Funding Request	Base CWSRF Green Project Reserve	Base CWSRF Principal Forgiveness	Base CWSRF Loans	Priority Points	Estimated Binding Commitment
	Swamp and Old Fields Interceptor Sewer Project								
Bald Head Island, Village of	Bald Head Island Wastewater Treatment Plant Expansion Project		Brunswick	\$12,973,895				27	
Contentnea Metropolitan Sewage District	2021 CMSD Sewer Force Main Replacement		Pitt	\$3,934,500				26	
Nashville, Town of	Essex Road Sewer Extension		Nash	\$597,232				24	
Graham, Town of	Copper Road Pump Station Upgrade		Alamance	\$2,616,000				22	
Fayetteville Public Works Commission	Rockfish Creek WRF Expansion Phase 3		Cumberland	\$74,966,000				19	
Orange Water and Sewer Authority	Morgan Creek Interceptor Replacement		Orange	\$1,400,000				18	

Applicant Name	Project Name	Permit Number (tbd)	County	Total Funding Request	Base CWSRF Green Project Reserve	Base CWSRF Principal Forgiveness	Base CWSRF Loans	Priority Points	Estimated Binding Commitment
Contentnea Metropolitan Sewage District	20201 WWTP Re-Rating		Pitt	\$4,012,000				16	

Applicant Name	Project Name	Permit number (tbd)	County	Total Funding Request	Base CWSRF Green Project Reserve	Base CWSRF Principal Forgiveness	Base CWSRF Loans	Priority Points	Estimated Binding Commitment
Spring 2021 Application Round Funded Projects									
Dunn, City of	Collection System Improvements		Harnett	\$2,000,000		\$500,000	\$1,500,000	75	8/1/2022
Bessemer City, City of	Vantine Pump Station and Sewer Replacement		Gaston	\$1,887,000		\$500,000	\$1,387,000	72	8/1/2022
Farmville, Town of	Middle Swamp Sanitary Sewer Outfall Relocation		Pitt	\$3,000,000				69	NA
Oxford, City of	WWTP Rehabilitation		Granville	\$6,062,000				66	NA
Bailey, Town of	Wastewater Treatment		Nash	\$1,567,000				65	NA

Applicant Name	Project Name	Permit number (tbd)	County	Total Funding Request	Base CWSRF Green Project Reserve	Base CWSRF Principal Forgiveness	Base CWSRF Loans	Priority Points	Estimated Binding Commitment
	Plant Improvements								
Jamesville, Town of	Wastewater Treatment and Collection		Martin	\$2,850,000				64	NA
Fairmont, Town of	Sewer Pump Station Relocation and Flood Protection Project		Robeson	\$1,938,000				62	NA
Louisburg, Town of	Green Hill Pump Station Replacement / Relocation		Franklin	\$1,034,650				61	NA
Farmville, Town of	Moore Street Sanitary Replacement		Pitt	\$500,000		\$500,000		61	8/1/2022
Whitakers, Town of	Porter Street Sewer Pump Station Improvements		Edgecombe	\$500,000		\$500,000		59	8/1/2022
Laurinburg, City of	Bridge Creek & College Park Sanitary Sewer Rehab		Scotland	\$8,951,000		\$500,000	\$8,451,000	59	8/1/2022
Reidsville, City of	WWTP Headworks Replacement		Rockingham	\$3,920,000				55	NA

Applicant Name	Project Name	Permit number (tbd)	County	Total Funding Request	Base CWSRF Green Project Reserve	Base CWSRF Principal Forgiveness	Base CWSRF Loans	Priority Points	Estimated Binding Commitment
Ayden, Town of	Carmichael MHP Pump Station Improvements		Pitt	\$500,000				55	NA
Elm City, Town of	Elm City -- Sewer Collection System Rehab		Wilson	\$1,996,726				55	NA
Middlesex, Town of	Sewer Collection System Rehabilitation / Relining Project		Nash	\$829,589			\$829,589	55	8/1/2022
Lumberton, City of	2021 Wastewater System Improvements		Robeson	\$2,829,790			\$2,829,790	53	8/1/2022
Enfield, Town of	2021 CWSRF Sewer Phase 4		Halifax	\$982,746				52	NA
Edenton, Town of	2021 Wastewater System Improvements		Chowan	\$1,886,490			\$1,886,490	50	8/1/2022
Manteo, Town of	UV Disinfection and Resiliency Upgrade		Dare	\$1,882,330				50	NA
Garland, Town of	2020 Wastewater		Sampson	\$500,000				49	NA

Applicant Name	Project Name	Permit number (tbd)	County	Total Funding Request	Base CWSRF Green Project Reserve	Base CWSRF Principal Forgiveness	Base CWSRF Loans	Priority Points	Estimated Binding Commitment
	Treatment Plant Improvements								
Fair Bluff, Town of	Regional Pump Station / Collection System Improvements		Columbus	\$1,009,630				49	NA
Dunn, City of	Black River WWTP Improvements		Harnett	\$3,626,000			\$3,626,000	47	8/1/2022
Jacksonville, City of	Ellis Pump Station		Onslow	\$2,453,165				46	NA
Lumberton, City of	2021 WTP Sludge Removal and Lagoon Modifications		Robeson	\$519,750			\$519,750	43	8/1/2022
Edgecombe County	2021 Kingsboro Industrial Park Sewer System Improvements		Edgecombe	\$1,307,436				42	NA
Clayton, Town of	Neuse River Water Reclamation Facility		Johnston	\$138,750,000			\$50,000,000	40	8/1/2022
Conover, City of	Northeast WWTF		Catawba	\$1,232,000			\$1,232,000	33	8/1/2022

Applicant Name	Project Name	Permit number (tbd)	County	Total Funding Request	Base CWSRF Green Project Reserve	Base CWSRF Principal Forgiveness	Base CWSRF Loans	Priority Points	Estimated Binding Commitment
	Headworks Improvements								
Statesville, City of	Replace Elevated Sewer Line		Iredell	\$455,500			\$455,500	23	8/1/2022
Johnston County	WWTF 4 MGD Expansion		Johnston	\$84,000,000				20	NA

Appendix B
2022 CWSRF Proposed Payment Schedule

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

<u>Payment Quarter</u>	<u>2022 CW Payment Amount</u>	<u>2022 BIL CWSRF General Allotment Payment Amount</u>
April 1, 2022 – June 30, 2022		
July 1, 2022 - September 30, 2022	TBD	\$32,122,000
October 1, 2022 - December 31, 2022		
January 1, 2023 - March 31, 2023		
April 1, 2023 - June 30, 2023		
July 1, 2023 - September 30, 2023		
October 1, 2023 - December 31, 2023		
January 1, 2024 - March 31, 2024		
April 1, 2024 - June 30, 2024		
Total	TBD	\$32,122,000

Appendix C

PRIORITY RATING SYSTEM for Wastewater Projects

DRAFT - 2022 PRIORITY RATING SYSTEM for Wastewater Projects			
<p>Instructions: For each line item, <u>mark "X" to claim the points for that line item.</u> Be sure that your narrative includes justification for every line item claimed. At the end of each category, provide the total points claimed for each program in the subtotal row for that category. Then add the subtotals from each category and enter the Total of Points for All Categories in the last line. Note that some categories have a maximum allowed points that may be less than the total of individual line items.</p>			
Line Item #	Category 1 – Project Purpose (Points will be awarded for only one 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 <u>failed or failing</u> infrastructure issues		15 <u>20</u>
1.C	Project will rehabilitate or replace infrastructure, <u>including by a regionalization project</u>		15 <u>12</u>
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, or tanks to be rehabilitated or replaced are greater than 40 years old		10 <u>8</u>
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, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		10 <u>8</u>
<u>1.E</u>	<u>Project will provide service to disadvantaged areas</u>		<u>20</u>
<u>1.F</u>	Reserved for other programs		

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<u>1.G</u>	Project will provide stream/wetland/buffer restoration		15 <u>10</u>
<u>1.G.1</u>	Restoration project that includes restoration of a first order stream and includes stormwater infiltration <u>SCMs</u>		5
<u>1.G.2</u>	Restoration project that includes restoration and/or protection of riparian buffers to at least 30 feet on both sides of the stream		5
<u>1.H</u>	Project will provide <u>SCMs</u> to treat existing sources of pollution		20 <u>10</u>
<u>1.H.1</u>	Project that includes <u>SCMs</u> in series that achieve at least 35% nutrient reduction (both TN and TP) and 85% TSS reduction		10
<u>1.I</u>	Project will provide reclaimed water/usage or rainwater harvesting/usage		15 <u>10</u>
Maximum points for Category 1 – Project Purpose			25
Subtotal claimed for Category 1 – Project Purpose			
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 <u>Project provides a specific environmental benefit</u>		
<u>2.C.1</u>	<u>Project eliminates failed onsite wastewater system or non-discharge system</u>		15
<u>2.C.2</u>	<u>Project eliminates malfunctioning onsite wastewater systems</u>		<u>10</u>

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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, OR		5
2.E.2	Project directly resolves a Notice of Violation or Notice of Deficiency		3
2.F	Project includes system merger or regionalization		
2.F.1	Project includes system merger OR		10
2.F.2	Project includes system regionalization		5
2.G – 2.H	Reserved for other programs		
2.H.3	Project addresses an emerging compound without a MCL.		10
2.I	Project improves treated water quality by adding or upgrading a unit process		3
2.J – 2.M	Reserved for other programs		
2.N	Project provides resiliency for critical system functions		
2.N.1	Project relocates infrastructure from inside 100-year floodplain to outside 500-year floodplain OR		8
2.N.2	Project relocates infrastructure out of a 100-year floodplain OR		5

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2.N.3	Project relocates infrastructure from between the 100-year and 500-year floodplains to outside the 500-year floodplain OR		3
2.N.4	Project fortifies or elevates infrastructure within floodplain OR		4
2.N.5	Project improves ability to assure continued operation during flood events OR		4
2.N.6	Project reduces the size of infrastructure as a result of a buyout or other abrupt loss of population OR		4
2.N.7	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including <u>cybersecurity and/or</u> backup electrical power source.		3
2.O	Project <u>directly benefits</u> subwatersheds that are impaired as noted on the most recent version of the Integrated Report		20
2.P	Project <u>directly benefits</u> waters classified as HQW, ORW, Tr, SA, <u>UWL, PNA, AFNA, SAV</u> , WS-I, WS-II, WS-III* or WS-IV* (* these classifications must be covered by an approved Source Water Protection Plan to qualify)		10
2.Q	Project will result in elimination of an NPDES discharge		3
2.R	Primary purpose of the project is to achieve at least 20% reduction in energy use		5
2.S	Reserved for other programs		
Maximum points for Category 2 – Project Benefits			35
Subtotal claimed for Category 2 – Project Benefits			

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Line Item #	Category 3 – System Management	Claimed Yes/No	Points
3.A	Capital Planning Activities		
3.A.1	Applicant has implemented an Asset Management Plan as of the date of application OR		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
3.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% of MHI		5
3.C – 3.E	Reserved for other programs		
Maximum points for Category 3 – System Management			15
Subtotal claimed for Category 3 – System Management			
Line Item #	Category 4 – Affordability	Claimed Yes/No	Points
4.A	Residential Connections		
4.A.1	Less than 10,000 residential connections OR		2
4.A.2	Less than 5,000 residential connections OR		4
4.A.3	Less than 1,000 residential connections		8
4.B	Current Monthly Combined Utility Rates at 5,000 Usage		
4.B.1	Greater than \$79 OR		4
4.B.2	Greater than \$90 OR		6

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4.B.3	Greater than \$107 OR		8
4.B.4	Greater than \$129		10
4.C	Local Government Unit (LGU) Indicators		
4.C.1	3 out of 5 LGU indicators worse than state benchmark OR		3
4.C.2	4 out of 5 LGU indicators worse than state benchmark OR		5
4.C.3	5 out of 5 LGU indicators worse than state benchmark		7
4.D	<u>Project benefits disadvantaged areas</u>		<u>5</u>
4.E – 4.G	Reserved for other programs		
Maximum points for Category 4 – Affordability			25
Subtotal claimed for Category 4 – Affordability			
Total of Points for All Categories			

Appendix D Grant Percentage Matrix

Table 4. Proposed Step 4 (Affordability Matrix)

Percentile Ranges for grant eligibility categories	Combined Monthly Bills ¹ based on 2020 data (\$/5000 gallons)	% Grant or PF	Combined Monthly Bills + Project cost per customer per month ² based on 2020 data (\$/5000 gallons)	% Grant or PF
> 99 Percentile	> \$148	100%	> \$148	100%
95 - 99 Percentile	\$129 - \$148	100%	\$129 - \$148	75%
85 - 95 Percentile	\$107 - \$129	75%	\$107 - \$129	50%
70 - 85 Percentile	\$90 - \$107	50%	\$90 - \$107	25%
50 - 70 Percentile	\$79 - \$90	25%	\$79 - \$90	0%
0 - 50 Percentile	\$0 - \$79	0%	\$0 - \$79	0%

¹ Single utility providers may divide by 0.4 for water or 0.6 for sewer applicant for calculating a combined monthly bill.

² Project cost per customer per month calculated assuming 0% interest financing for 20 years.