

State Water Infrastructure Authority
North Carolina Department of Environmental Quality
February 18, 2026
Meeting Minutes

State Water Infrastructure Authority Members Attending Meeting in Person or Via WebEx

- Hazel Edmond, Director of Rural Development, Department of Commerce (via virtual)¹
- Shadi Eskaf, Chair, Director, Division of Water Infrastructure
- Bill Goins, Commissioner, Surry County (via virtual)
- Corey Gooden, Town Manager, Town of Edenton
- Ed Goscicki, retired utility director²
- Dr. Bernadette Pelissier, former OWASA board member
- Jeff Poley, Director of Disaster Services and Rural Economic Development, Department of the State Treasurer³
- Dr. Juhann Waller, Principal, JC Waller & Associates, PC (via virtual)

Division of Water Infrastructure Staff Attending Meeting

- Cathy Akroyd, Public Information Officer
- Kavitha Ambikadevi, Section Chief, Water Infrastructure Finance Section
- Victor D’Amato, Supervisor, Viable Utilities Unit
- Trupti Desai, Supervisor, Wastewater Projects Unit
- Dr. Kristen Downs, Project Engineer, Viable Utilities Unit
- Tony Dongarra, Project Manager, Viable Utilities Unit
- David Giachini, Supervisor, Drinking Water Projects Unit
- Tony Evane, Supervisor, Wastewater Projects Unit
- Jennifer Haynie, Program Development Coordinator, Funding Services Unit
- Eric Karis, Supervisor, Community Development Block Grant – Infrastructure Unit
- Logan Kluttz, Project Engineer, Wastewater Projects Unit
- Renee Parkman, Supervisor, Drinking Water Projects Unit
- Matthew Rushing, Program Manager, Viable Utilities Unit
- Susan Wallace, Program Development Coordinator, Viable Utilities Unit

Department of Justice Staff

- Sarah Zambon, Assistant Attorney General, Environmental Division, NC Department of Justice

A. Call to Order

Chair Eskaf called the meeting to order and reminded all members of General Statute 138A, which states that any member who is aware of a known conflict of interest or potential conflict of interest

¹ Ms. Edmond joined the meeting late. Her arrival is noted in the record.

² Mr. Goscicki left the meeting early. His departure is noted in the record.

³ Mr. Poley left the meeting and returned. His arrival and departure is noted in the record.

with respect to any matters before the State Water Infrastructure Authority (Authority) is required to identify the conflict or potential conflict at the time the conflict becomes apparent.

Chair Eskaf took a roll call. All were present save for Ms. Goodwin. Ms. Edmond, Mr. Goins, and Dr. Waller were present via virtual.

B. Approval of December 10, 2025 Meeting Minutes

Chair Eskaf presented the December 10, 2025 meeting minutes for approval. There was no additional discussion.

Action Item B:

- Mr. Poley made a motion to approve the meeting minutes as presented. Mr. Goscicki seconded the motion. There was no discussion. The motion passed unanimously.

C. Attorney General's Office Report

Ms. Zambon had nothing to report.

D. Chair's Remarks

The U.S. Congress passed a budget that had funding for the State Revolving Funds (SRFs) and Community Development Block Grant (CDBG). Both were appropriated at the same level as last year. The Division will be applying for the SRF capitalization grants. FY 2026 is the last year for the Infrastructure Investment and Jobs Act (IIJA). For the SRFs, while appropriations are at the same level as the previous year, pre-appropriations have returned, meaning that states will see only 42 percent of the appropriations provided by Congress. For the state budget, the Division hopes that one will pass soon, which will enable appropriations for the CDBG-Infrastructure (CDBG-I) program.

Division staff have communicated with all subrecipients of American Rescue Plan Act (ARPA) funding about the need to request disbursement in a timely manner. Currently, the Division is on track to spend all ARPA funds. Closer to the deadline, staff will review the progress being made. Spending down ARPA on time hinges on monthly disbursement requests proceeding at full speed. Staff hoped to see these disbursement requests to continue to come in.

Ms. Edmond joined the meeting.

The Division has also been meeting with other federal and state funding agencies in a funders forum, where staff provide updates on funding programs, funding availability, and applications considered for awards. Additionally, Division staff have been meeting with the Governor's Recovery Office for Western North Carolina (GROWNC), which is focused on assisting communities across the western part of North Carolina in their recovery from Hurricane Helene. For SRF Helene funding, the last round of applications was due on March 2, 2026. Already, the Division has more funding requests than funds available.

E. Funding Awards for the Supplemental Appropriations for Hurricanes Helene and Milton and Hawai'i Wildfire

Ms. Ambikadevi gave the presentation.

Summary

Overall, North Carolina was awarded funding from the Supplemental Appropriations for Hurricanes Helene and Milton and Hawai'i Wildfires (also known as SRF Helene funds in North Carolina) for the Clean Water State Revolving Fund (SRF Helene CWSRF), Drinking Water State Revolving Fund (SRF Helene DWSRF), and CWSRF-Decentralized Wastewater Treatment System (SRF Helene DWTS) funding to the amount of approximately \$238 million, \$385 million, and \$22 million, respectively, for a total of approximately \$645 million. As proposed at the February 2026 Authority meeting, \$158,324,249 of SRF Helene CWSRF, \$389,507,145 of SRF Helene DWSRF, and \$16,824,633 of SRF Helene DWTS funds would have been spent, leaving \$80,135,891, \$95,349,353, and \$4,334,767 for the SRF Helene CWSRF, SRF Helene DWSRF, and SRF Helene DWTS funds to be awarded at the April Authority meeting (a total of \$179,820,193).⁴

To be eligible for SRF Helene funds, applicants must document direct impact(s) from Hurricane Helene to their system, and the project must be SRF eligible. Lastly the project must include elements of resiliency that reduce future flood damage risk, reduce vulnerability from rapid hydraulic change, and increase the chances of operability during and/or after a natural disaster.

Initially, Division staff limited awards of SRF Helene CWSRF funds to \$5 million per applicant and SRF Helene DWSRF funds to \$10 million per applicant. If an applicant had already met the cap, then the project would be skipped and considered as part of the April 2026 awards. If an applicant has partially met the funding cap, then the total award, including Principal Forgiveness (PF) would be considered up to the funding cap and PF eligibility limits. All SRF Helene loans have a zero-percent interest rate, and \$30 percent of both the drinking water and wastewater funds are set aside for small local government units (LGUs) that serve less than 10,000 people. Principal Forgiveness is based upon a variety of factors, including system size by residential connections, LGU indicators, and population.

Between November 4, 2025 and January 9, 2026, Division staff received a total of 26 complete and eligible applications (15 drinking water, five wastewater, and six DWTS) for a total of \$94.8 million, \$23.4 million, and \$8.6 million for drinking water, wastewater, and DWTS, respectively (\$126.87 million in total funding requests). In the example funding scenario, staff recommended a total of 15 drinking water applications (\$9,145,730), five wastewater applications (\$22,017,641), and one DWSRF application (\$612,800) for funding. If the Authority awarded the proposed scenario as-is, 28 percent of the SRF Helene funding would remain for award at the April 2026 meeting.

Regarding drinking water, Division staff recommended that the Authority fund all 15 applications received. All applicants, save for Carolina Water Service of North Carolina, qualified for the first \$5 million as PF. Three out of the 15 applications (20 percent) were from Distressed LGUs. Maggie Valley Sanitary District (MVSD) submitted two applications for less than the initial \$10 million cap. Both applications contained funding to update the Smoky Mountains Hazard Mitigation Plan (HMP), and Division staff will require that the two project scopes for the HMPs be unique or that the MVSD combines both projects into one funded project. The Town of Highlands was awarded \$1,173,000 in

⁴ All numbers discussed in this paragraph were based upon staff recommendations presented to the Authority. Note that the award amounts shifted.

SRF Helene DWSRF funding at the December 2025 Authority meeting for a different project. The proposed award in the January 2026 round was still within the Town's initial \$10 million limit.

For wastewater projects, Division staff recommended five of the six applications received for funding from the SRF Helene CWSRF. Two of the five applicants (40 percents) have been designated as Distressed by the Authority and Local Government Commission (LGC). Two projects in the proposed fundings scenario could be fully funded with SRF Helene CWSRF funds. All applicants qualified for the first \$5 million as PF. The Town of Liberty's application was considered to be ineligible for SRF Helene CWSRF funds. The Town operates a non-discharge system with a lagoon and spray fields. With the documented rainfall during Hurricane Helene, the Town had a sanitary sewer overflow (SSO) and wastewater spill from the lagoon. The Town also experienced an infestation of army worms in their spray fields that destroyed the crop. Additionally, the Town had experienced SSOs during other rain events prior to Helene. However, the Town was not listed by the Division of Water Resources (DWR) as one of the systems that was affected by Helene. Division staff met with staff from the DWR Winston-Salem Regional Office (WSRO) to gain an understanding of the system's history and the implications during and after Helene. In January 2024, the Town had a flow violation for exceeding permitted flows. On August 31, 2024, the Town received a Notice of Violation (NOV) for not maintaining the required 1.5 feet of freeboard in their lagoon. During Helene, the lagoon experienced a spill of 40 million gallons and has continued to receive NOVs for not meeting the 1.5 feet of required freeboard. Regarding the army worm infestation of the Town's spray fields, the WSRO had no history of army worms related to those spray fields. Staff researched showed that army worms can multiply after autumn rain events when the ground is warm.

For DWTs, all funds are 100 percent PF, and eligible recipients can include LGUs, nonprofit water corporations, Community Development Financial Institutions (CDFIs), and nonprofits that finance homeowner repairs to DWTs. Eligible projects include projects improving DWTs resilience as well as projects that connect DWTs to public sewer systems. All work must be conducted in areas that were affected by Hurricane Helene (e.g., in any of the disaster-declared counties). Until April, at least \$11 million has been reserved for projects that only repair/replace DWTs without connection to centralized sewer. For this round, the proposed funding line was at 15 points, which would require that at least 51 percent of the funds awarded by used for DWTs damaged during Helene. Division staff received two new SRF Helene DWTs applications and also reconsidered four applications that did not receive funding during the last round. Staff recommended one out of the six considered applications for funding. The one recommended project was for the City of Marion to connect sewer to a business whose DWTs failed during Helene. The cost per connection was \$612,800. However, the federal eligibility of using SRF Helene funds to connect a business was under review, and any award would be pending final determination of eligibility. The Clean Energy Fund (CEF) application was not recommended for funding. It would utilize SRF Helene DWTs funding to establish a revolving loan fund to repair/replace failing DWTs in fifteen western North Carolina counties. The Applicant would partner with MountainTrue, Haywood Waterways Association, and county environmental health departments, who would assess homeowner applications to the revolving loan program for eligibility. The project could potentially benefit western North Carolina for years beyond the initial scope of SRF Helene DWTs funding. The application would complement previously awarded applications in the same counties that focus on repairing Helene-damaged DWTs. MountainTrue's other application would focus on repairing/replacing failing DWTs.

Staff Recommendation

Division staff recommended that the Authority fund the following:

- Drinking Water Application Nos. 1 through 15
- Wastewater Application Nos. 1 through 5
- DWTS Application No. 1

Discussion

Chair Eskaf asked for questions.

Mr. Goscicki mentioned concerns related to funding projects that need replacement, for example, 10,000 linear feet (LF) of pipe where only 6,000 LF gets funded. He asked how the remainder of the project would get funded. Chair Eskaf stated that the information about what is being recommended for funding is being shared with GROWNC and the Funders Forum. CDBG-Disaster Recovery (DR) is also a funding source of last resort. When staff share funding, it shows where gaps are. Once the April meeting occurs, staff will again share what has been fully funded and where gaps may exist. If the Federal Emergency Management Agency (FEMA) is already working on projects, staff will identify that to keep scopes separate so that nothing is double funded. Applicants are also applying for the regular SRF funds to supplement SRF Helene funding. Dr. Pelissier asked about applicants who apply because they think they would get funded in April, and they might have applied with other funding in mind. Chair Eskaf stated that the Division encouraged applicants to submit what their needs were. Most drinking water projects were for \$10 million or less. Due to the initial caps, many applicants were prioritizing what they could get fully funded.

Regarding the Drexel/Morganton/Valdese interconnect, all three LGUs applied for funding. Drexel and Morganton were funded while Valdese's raw water intake was funded, and its second application for their part of the interconnect did not get funded. Valdese could move the money to the interconnect if they so desired. Staff shared this project with the Funder's Forum to see if other funding was out there. Division staff also encouraged Valdese to apply for regular DWSRF funding. They did not while Drexel did. Mr. Goscicki asked how the project was not identified as a joint project and treated as a regionalization project. Funding two pieces (Drexel and Morganton) but not the third (Valdese), makes no sense. Chair Eskaf stated that all three applicants applied separately for their portion. They could have applied as one entity, but the \$10 million cap would have applied, which meant that they would still be partially funded. Mr. Poley stated that if the interconnect did not go through, Drexel and Morganton should not keep their funding. Mr. Goscicki agreed. Chair Eskaf suggested that the Authority wait to see what transpired with the April round; then the project could be addressed again.

Mr. Poley left the meeting.

Regarding the Town of Liberty SRF Helene wastewater application, Mr. Goscicki observed that the Town stated soil moisture promoted the army worm infestation. He assumed that since the Town had been having freeboard issues, they had been maxing out application rates, and the conditions were wet anyway. It seemed to be an SSO rather than a Helene problem. Dr. Pelissier stated that

she was surprised the Town was not in western North Carolina. She had concerns about opening the door to other towns not in western North Carolina. She asked if they had applied for other funding. Ms. Ambikadevi replied that the Town had submitted a semiannual wastewater application that was incomplete. The Town could reapply in the spring round.

For the City of Marion DWTS application, Mr. Goscicki asked if the business was a significant business. Ms. Ambikadevi stated that it was a yoga and dance school. Mr. Goscicki observed that the cost per connection was rather high for one business that could move. Dr. Pelissier agreed. Chair Eskaf stated that the City was working on annexing the business.

Related to the CEF's application, Chair Eskaf stated that he was a big fan of revolving loans, and he was excited to see this kind of an application that would fund more work for failing DWTSs. The Authority could also go to ten points and higher for award, which would then allow the CEF application to be considered. All CEF work would occur in the western North Carolina mountains. He added that the Division would need documentation to show that at least 51 percent of the homes that get the benefit are in western North Carolina and have failed/failing DWTSs, which is what staff are requiring of other applicants. Ms. Ambikadevi added that the project would be managed like other projects, where funds would be disbursed as the Division receives the invoices. Mr. Klutz stated that the Division is creating a checklist to verify that the seed money is staying in compliance.

Mr. Poley returned to the meeting.

Action Item E.1:

- Mr. Poley made a motion to award funding from the SRF Helene DWSRF to Drinking Application Nos. 1 through 7, 9 through 12, 14, and 15. He withdrew the motion and made a motion to fund Application Nos. 1 through 15. The motion passed unanimously.⁵

Action Item E.2:

- Dr. Pelissier made a motion to award funding from the SRF Helene CWSRF to Wastewater Application Nos. 1 through 5. Mr. Poley seconded the motion. The motion passed unanimously.⁶

Action Item E.3:

- Mr. Goscicki made a motion to award funding from the SRF Helene DWTS to DWTS Application Nos. 2 and 3. Dr. Pelissier seconded the motion. The motion passed unanimously.⁷

F. Funding Awards for Drinking Water State Revolving Fund Lead Service Line Replacement

Mr. Giachini gave the presentation.

⁵ Ms. Edmond was not present for this vote.

⁶ Ibid.

⁷ Ibid.

Summary

For the awards considered at this meeting Division staff accepted applications for the IJJA Drinking Water State Revolving Fund Lead Service Line Replacement (DWSRF-LSLR) program between November 4, 2025 and January 9, 2026, which was the cutoff date to be considered for award in February. Division staff received ten applications by the cutoff date, and there were no reconsiderations from the previous round. The cutoff date will be March 2, 2026, with awards being made at the April Authority meeting. Of the ten applications received, two were to replace known lead service lines (LSLs) (\$5,244,158 in funding requests), one was for a find-and-replace project (\$1,321,866), and seven were for LSL inventory projects (\$4,441,600). The Division received a total of \$10,977,544 in funding requests. Funding caps and PF allocation methodologies remained the same as for previous rounds.

Division staff recommended that a total of nine applications be funded for a total of \$6,309,344, all of it being PF. One application was determined to be incomplete and was not considered for funding. All applications in the funding scenario would be fully funded; therefore, no applications would be carried forward into the next round. Two applications in the funding scenario are from LGUs designated as Distressed.

Staff Recommendation

Division staff recommended that the Authority award Application Nos. 1 through 9 with DWSRF-LSLR funding.

Discussion

Chair Eskaf asked for discussion. There were no questions.

Action Item F:

- Mr. Poley made a motion to award funding from the DWSRF-LSLR to Application Nos. 1 through 9. Mr. Gooden seconded the motion. The motion passed unanimously.^{8,9}

G. Funding Awards for the Drinking Water State Revolving Fund Emerging Contaminants Study Projects

Ms. Parkman gave the presentation.

Summary

Funds for the emerging contaminants (EC) study projects were made available from the IJJA DWSRF/CWSRF Emerging Contaminants (DWSRF-EC/CWSRF-EC) funding programs. These IJJA funds are available for between FY 2022 and FY 2026 and in North Carolina can only be used to fund PFAS projects. The Division has a reserve for EC study projects, which is currently \$9,658,880 for drinking water projects and \$1,919,000 for wastewater projects. All EC study funds are 100 percent PF. Each applicant has a maximum of \$500,000 per applicant.¹⁰ Additionally, there was a guidance change in

⁸ Ms. Edmond was absent for this vote.

⁹ All awards are contingent upon the Division's receipt of funds from the USEPA.

¹⁰ Based upon changes to the Intended Use Plan, effective August 1, 2025.

December 2025 to allow for flexibility to consider special circumstances in which applicants would not meet the PFAS Maximum Contaminant Levels (MCLs). Any remaining study funds will be made available to EC construction projects considered in the Fall 2025 funding round.¹¹

Division staff considered EC study applications accepted between November 4, 2025 and January 9, 2026 as well as any previously complete and eligible unfunded applications from the previous round. The Division had one application to be reconsidered and received one new application, both of them being drinking water applications. Both applications requested \$500,000, each, for a total of \$1 million being requested for funding.

Staff Recommendation

Division staff recommended that the Authority award funding to DWSRF-EC Application Nos. 1 and 2.

Discussion

Chair Eskaf asked for discussion. There were no questions.

Action Item G:

- Mr. Gooden made a motion to award funds from the DWSRF-EC study program to Application Nos. 1 and 2. Mr. Poley seconded the motion. The motion passed unanimously.^{12,13}

H. Fall 2025 Application Round, Example Funding Scenario, and Funding Decisions for the Community Development Block Grant – Infrastructure

Mr. Karis gave the presentation.

Summary

Funding for this round had the potential to come from three grant years: Federal Fiscal Year (FFY) 2019 (\$1,373,746.56), FFY 2020 (\$2,376,920.95), and FFY 2025 (\$18,980,379.00).¹⁴ Division staff received a total of six applications by the September 30, 2025 deadline; however, three of the six were considered to be ineligible or incomplete. The three remaining eligible and complete applications contained a total of \$8 million in funding requests. Division staff proposed to fund all complete and eligible applications for a total of \$8,000,000. Staff will offer the remaining funding during the Spring 2026 funding round.

Staff Recommendation

Division staff recommended that the Authority fund Application Nos. 1 through 3.

¹¹ See Agenda Item I.

¹² Ms. Edmond was absent for this vote.

¹³ All awards are contingent upon the Division's receipt of funds from the USEPA.

¹⁴ Pending approval of the State Budget for FY 2025-2027.

Discussion

Chair Eskaf asked for discussion. Mr. Poley observed that it sounded like approximately \$1.3 million would be given back to the North Carolina Department of Commerce (DOC). Mr. Karis replied that staff were receiving potential demand for FY 2025 funds and would be meeting with the LGU to further discuss the potential to use these funds. Information related to this will be presented at the April Authority meeting.

Action Item H:

- Mr. Poley made a recommendation to award funding from the CDBG-I program to Application Nos. 1 through 3. Dr. Pelissier seconded the motion. The motion passed unanimously.^{15,16}

I. Fall 2025 Application Round, Example Funding Scenarios, and Funding Decisions for Drinking Water and Wastewater Construction and Planning Projects (SRF/SRF-EC/SRP/VUR)

Ms. Edmond rejoined the meeting.

Ms. Ambikadevi and Mr. Rushing gave the presentation.

Summary

The SRFs contain both loans and PF. The State Drinking Water Reserve (SDWR) and State Wastewater Reserve (SWWR) contain both loans and grants for construction and only grants for planning while the Viable Utility Reserve (VUR) contains only grants for construction and planning. For the SRFs, loan percentages are one half the market rate. The SRFs also offer a one-percent interest rate reduction or zero-percent interest rate for applications, based on affordability criteria. There is also a one-percent interest rate reduction for projects funded from the Green Project Reserve.¹⁷ SRF loan limits are \$25 million per applicant per round for the DWSRF and \$35 million per applicant per round for the CWSRF. For PF, percentages are based on affordability criteria, which can be exceeded as per the Intended Use Plans (IUPs) for the SRFs. For CWSRF-EC and DWSRF-EC construction funding, all funds are 100 percent PF, and there is a \$5 million cap per applicant for DWSRF-EC construction projects and no cap for CWSRF-EC construction projects.¹⁸

For SDWR and SWWR funds, loans are for eligible drinking water and wastewater construction projects, and eligible entities are LGUs and non-profit water corporations. Loan terms are the same as for the SRFs; however, there are loan limits per applicant per round. For SDWR and SWWR loans, there is a \$3 million limit per every three fiscal years for targeted interest rates and \$3 million per fiscal year for loans at half-market rate. For SDWR and SWWR grants, SL 2025-26 required that during FY 2025-2026, these funds should be prioritized for the most Helene-Impacted Counties with less than 300,000 in population (16 counties in total). These grants are limited to \$3 million every three fiscal years. For SDWR and SWWR grant funds, staff prioritized SL 2025-26-eligible projects first, then used any remaining grant funds for asset inventory and assessment (AIA) and

¹⁵ Ms. Edmond was absent for this vote.

¹⁶ Funding contingent upon passage of the FY 2025-2027 State budget.

¹⁷ The Division received no applications for the Green Project Reserve this round.

¹⁸ The Division received no CWSRF-EC construction applications.

merger/regionalization feasibility (MRF) applications. The AIA grants are limited to LGUs with 10,000 or less residential connections and are limited to \$150,000 per system type per applicant every three years. For MRFs grants, the limits are \$50,000 per system type per applicant every three fiscal years.

For VUR grants, these funds were available for construction and planning projects. These grants must benefit LGUs designated as Distressed by the Authority and LGC. Each LGU is eligible to receive up to \$15 million of VUR grant funding for eligible planning and construction projects. Any VUR funds awarded, even during ARPA, count toward this limit. For the Fall 2025 funding round, up to \$5 million was available from the VUR for planning projects. Planning funds were limited to \$400,000 per applicant and were allowed for any combination of AIA, MRF, or rate study planning project. Since the funding demand for planning projects was less than \$5 million, the remaining funds were made available for VUR construction projects. Staff recommended only projects that would assist the Distressed LGU in achieving viability, which was based on the request of the Authority during a previous meeting.

Division staff received a total of 48 drinking water applications (\$670 million in funding requests), 64 wastewater applications (\$1.06 billion in funding requests), 37 AIA applications (\$6.7 million in funding requests), and eight MRF applications (\$1.4 million in funding requests).¹⁹ Overall, the Division received 157 complete and eligible applications for a total of \$1.74 billion in funding. Approximately \$360 million in funding was available. Division staff utilized a funding methodology that was as follows:

1. Apply SDWR and SWWR funds to eligible construction applications, as per SL 2025-26, up to the \$3 million limit.
2. Apply remaining SDWR and SWWR funds to MRF applications.
3. Apply any remaining SDWR and SWWR funds to AIA applications.
4. Apply VUR grants from the \$5 million planning set-aside to VUR-eligible MRF applications where the funding request exceeds \$50,000.
5. Apply DWSRF-EC construction funds to eligible construction projects.
6. Apply VUR grants to VUR-eligible drinking water and wastewater projects.
7. Apply PF up to the initial cap and SRF loan funds to eligible projects until available funds are exhausted.
8. Apply SDWR and SWWR loans to eligible construction projects, up to the \$3 million limit.
9. Adjust drinking water recommendations to meet the 30-percent small system reserve.
10. Apply any additional PF in \$500,000 increments in priority order to eligible projects, up to the application's maximum eligible, until all available PF funds are exhausted
11. Adjust loan amounts.

¹⁹ This includes reconsiderations.

Division staff proposed funding eight MRF applications (\$950,000 in funding), 37 AIA applications (\$5,150,000 in funding), 33 drinking water projects (\$135,942,180 in funding)²⁰, and 36 wastewater applications (\$203,552,595). This totaled to 108 applications recommended for award (\$345,594,774 in funding).

MRF Project Notes

Staff recommended eight of nine applications for funding. One application was considered to be incomplete due to lack of partner letters. Seven applications were recommended for full funding. The Town of Princeton requested \$857,500 in funding, but staff recommended \$400,000 in funding due to the \$400,000 per applicant limit. Two applications focused on the viability of Distressed LGUs while 14 of the 30 (47 percent) total LGUs/systems participating in an MRF are Distressed.

AIA Project Notes

Overall, 32 of 37 complete and eligible applications (86 percent) are shown as funded, 28 from the SDWR and SWWR and four from the VUR. The last funded project scored 11. Ten of 28 applications shown as funded from the SDWR and SWWR requested more than the \$150,000 statutory limit. Two of the four applications shown as funded from the VUR requested more than the \$400,000 per applicant limit. All eight applications from Distressed LGUs are shown as funded. Two applications replaced Fall 2024 reconsiderations and are shown as funded. Six of 38 total applications are shown as not funded. The three reconsiderations from the Fall 2024 round that were not replaced with a new submittal were not recommended for funding. Two new applications from the Fall 2025 round will be reconsidered in the Fall 2026 round. Thirteen of the 37 complete and eligible applications were from LGUs that have never before received AIA funding. Eight of those were recommended for funding. Six complete and eligible applications were from systems in the counties listed in SL 2025-26 and were recommended for funding.

DWSRF-EC Notes

Seven applications were submitted that addressed PFAS exceedances. The Fayetteville Public Works Commission (Fayetteville PWC) PO Hoffer/Glenville Lake WTP GAC project had previously received \$5 million in DWSRF-EC construction funds in July 2024 and was therefore bypassed since it met the maximum DWSRF-EC funding limit. The City of Goldsboro's PFAS Treatment Improvement Project was based upon the results of a previously funded EC study. This project was recommended for funding from the DWSRF-EC and was also in the funding range for additional DWSRF PF and loan funding. However, the project would remain partially funded. South Granville Water and Sewer Authority's (SGWASA's) Post Filter PFAS Treatment project was recommended by staff for funding and was based upon the results of a previously funded EC study. The project would use the remainder of EC funds this round. The project was also recommended for funding from the DWSRF PF and loan funding.

Drinking Water Projects Notes

One application was ineligible due to an incomplete Fund Transfer Certification Form. Forty-eight projects were in the funding scenario. Out of the \$670.5 million in total requests, staff

²⁰ Includes awards for DWSRF-EC construction funding.

recommended approximately \$135.9 million (20 percent of requests) as follows: \$4.09 from the VUR, \$6.17 million from the SDWR in grant, \$39.85 from the SDWR in loan, \$23.28 million in DWSRF PF, \$8.66 million in DWSRF-EC, and \$53.89 million in DWSRF loan.

Of the 48 applications received, 16 (33 percent) were from LGUs designated as Distressed, and ten of 32 applications (31 percent) recommended for funding were designated as Distressed. Additional PF would be awarded to all ten PF-eligible applicants.

Two applications in the funding range (Towns of Fairmont and Seaboard) were bypassed, as they did not qualify for the requested PF/SDWR grant and did not have enough VUR funding remaining within their \$15 million statutory limit.

Regarding the small system reserve, several projects were bypassed to meet the 30-percent reserve. Where eligible, staff recommended SDWR loans. Nineteen of 32 applications came from small systems. The Town of Parmele was recommended for funding from the CDBG-I; therefore, it was not recommended for funding from the SDWR, DWSRF, or VUR. Sampson County's Mintz area water main extension project was bypassed, as it was not eligible to receive the minimum PF requested; however, it is being considered for the Emerging Contaminant Small and Disadvantaged Community (EC-SDC) funding program.

CWSRF-EC Project Notes

Division staff received no applications for CWSRF-EC construction projects. However, approximately \$3.8 million of the FY 2026 capitalization grant and \$1.2 million remaining from the FY 2025 capitalization grants are available for future CWSRF-EC awards if applications are received for PFAS exceedances in wastewater.

Wastewater Projects Notes

The Division received two applications that were incomplete/ineligible. The Town of Liberty did not have a Priority Rating System (PRS) sheet and submitted its application after the deadline. Charlotte Water had an incomplete Fund Transfer Certification form.

Staff received a total of approximately \$1.06 billion in funding requests and recommended approximately \$203.55 million in funding (19 percent) as follows: \$52.87 million in VUR funds, \$20.93 million in SWWR grant funds, \$29.34 million in SWWR loan funds, \$14.04 million in CWSRF PF, and \$86.39 million in CWSRF loan.

Thirty-six out of the 64 highest-ranking projects (56 percent) were recommended for funding. Thirty-two of 64 (50 percent) of applications submitted came from LGUs designated as Distressed, and 23 of the 34 (72 percent) of the applications recommended for funding came from LGUs designated as Distressed.

The Town of Star's application was bypassed, as it did not qualify for the requested PF/SWWR grant and does not have enough VUR remaining within its \$15 million VUR statutory limit. The Town of Lake Lure submitted two applications. Its BFM Design and Construction project was the last project recommended for CWSRF funding. The second application, WWTP Design and Construction, was bypassed, as staff recommended that the Town receive remaining CWSRF funds and maximum

SWWR grant funds. The Authority had the option to give the Town flexibility to switch between those projects as needed. The City of Hendersonville's WWTF flood mitigation project was the last funded project with all funding sources save for those meeting the SWWR SL 2025-26 grant prioritization. Staff recommended that the project receive \$3 million in SWWR loan and \$3 million in SWWR grant. Staff bypassed the Fayetteville PWC's I-95 to NC 87, 54-inch sewer rehabilitation project because they had already met the CWSRF and SWWR loan limit with a higher-ranking application. Henderson County's Etowah Sewer Design project was the last project recommended for funding from all sources and was eligible for a grant from the SWWR due to the SL 2025-26 prioritization. Project construction was already funded with a State pre-allocation. The Cape Fear Public Utility Authority's (CFPUA's) Southside WWTP Replacement and Capacity Increase project was recommended for only \$14,800,761 in CWSRF loan; with this recommendation, CFPUA will have reached its \$200 million limit of CWSRF outstanding debt. The Authority has already funded \$175 million of this project with CWSRF loan. Staff also recommended \$3 million in SWWR loan.

Staff Recommendation

Division staff recommended that the Authority fund the following projects as shown in the revised staff report:

- MRF Application Nos. 1 through 8
- AIA Application Nos. 1 through 32
- DWSRF EC Application Nos. 2 and 3
- Drinking Water Application Nos. 2, 3, 5, 6, 8 through 22, 24 through 32, 34, and 37 through 40
- Wastewater Application Nos. 1 through 12, 14 through 18, 20 through 22, 24, 25, 27 through 36, 38 through 40, and 52

Discussion

Chair Eskaf asked for discussion.

Regarding the Town of Milton's MRF application, Dr. Pelissier asked about the consequences of Milton merging with Danville, Virginia. Mr. Rushing replied that as far as North Carolina was concerned, there would be potential construction implications. Staff planned to meet with General Counsel to address these potential implications. Chair Eskaf added that the MRF funds would be used for Milton to assess a merger feasibility.

Mr. Poley asked whether or not Lake Lure's and Hendersonville's projects would be covered by the Federal Emergency Management Agency (FEMA). Chair Eskaf replied that potentially, they could be. Staff are coordinating with the Governor's Recovery Office for Western North Carolina (GROW NC) and FEMA to ensure that the same activities are not funded. It requires a lot of back and forth communication.

Action Item I:

- Mr. Poley made a motion to award funding from the CWSRF, DWSRF-EC, DWSRF, SDWR, SWWR, and VUR, as shown in the revised staff report, as follows:
 - MRF Application Nos. 1 through 8
 - AIA Application Nos. 1 through 32
 - DWSRF EC Application Nos. 2 and 3
 - Drinking Water Application Nos. 2, 3, 5, 6, 8 through 22, 24 through 32, 34, and 37 through 40
 - Wastewater Application Nos. 1 through 12, 14 through 18, 20 through 22, 24, 25, 27 through 36, 38 through 40, and 52

Mr. Goscicki seconded the motion. The motion passed unanimously.²¹

J. Draft Priority Rating System for the Clean Water state Revolving Fund Decentralized Wastewater Treatment Systems Pilot Program

Mr. Kluttz gave the presentation.

Summary

The DWTS Pilot Program (Pilot Program) was established in FY 2022 as a pass-through funding program under the CWSRF with the purpose of funding repairs or replacements to failed or malfunctioning DWTSs. Division staff updated the program in FY 2024. Currently, up to \$1.5 million from the CWSRF is set aside for this program, and the funds are offered as zero-percent interest loans with PF as a possibility. Any funds received by applicants come with SRF conditions. To date, the Authority has awarded three projects for a total of \$1.25 million.

Principal Forgiveness is based upon the proportion of property owners receiving improvements to DWTSs that meet qualification criteria established by the LGU. For an applicant to receive 100-percent PF, 100 percent of recipients must meet the qualification criteria for PF. If median household income (MHI) is used as a criterion, the applicant's MHI should not exceed the State's MHI. The total award for 100-percent PF is less than or equal to \$250,000. For an applicant to receive 50-percent PF, 50 percent of recipients must meet the qualification criteria for PF. If MHI is used as a criterion, the applicant's MHI should not exceed the State's MHI. Alternatively, 50-percent PF may be provided to applicants where 50 percent of the recipients are in disadvantaged areas. The total award for 50 percent PF is less than or equal to \$500,000.

Interest in the Pilot Program has increased; however, the current CWSRF PRS does not fit the purpose of the Pilot Program. Division staff are proposing a new draft PRS to better prioritize DWTS projects that would follow the same outline as other construction PRSs: Category I – Project Purpose, Category II – Project Benefit, Category III – Program Management, and Category IV – Affordability. The proposed PRS would have a maximum of 50 points.

²¹ All VUR funding must be approved by the LGC.

Category I (Project Purpose) would be limited to 15 points and contains two line items. Line Item 1.A (15 points) would be for Applicants proposing that 50 percent of project funds would go toward identified DWTS projects that will require the repair, replacement, or upgrade of the DWTSs to conform with current North Carolina permitting law. Line Item 1.B (five points) would be for projects where the Applicant proposes a find-and-fix project that should result in construction projects for existing DWTSs that require repair, replacement or upgrade to the systems to conform with current North Carolina permitting laws.

Category II (Project Benefit) would be limited to five points. Line item 2.A (five points) would require that at least 25 percent of the proposed DWTSs would require that the effluent water quality be improved by upgrading or adding a unit process. Projects that successfully claimed Line Item 1.A would also be eligible for consideration for Line Item 2.A points. Additionally, to successfully claim Line Item 2.A, the Applicant must document how the proposed new DWTS would improve water quality.

Category III (Program Management) would be limited to a maximum of 20 points. Applicants could earn points for both Line Items 3.A and 3.B. Line Item 3.A (15 points) would be for Applicants who have an established loan repair/replacement program for failing or failed DWTSs. They would have to demonstrate that they have an existing program and describe how the program is managed. If the Applicants were intending to work with a non-profit agencies, but entities would have to provide signed letters of commitment. Line Item 3.B (five points) would be if the Applicant has a Responsible Management Entity (RME) which has the technical, managerial, and financial capacity to manage the project after completion. The Applicant would need to have a signed letter of commitment from the RME.

Category IV would be limited to a maximum of ten points. Line Item 4.A (ten points) would be awarded if 100 percent of the award would be limited to households that meet the Applicant's qualification criteria for assistance or have an MHI less than the state's. Line Item 4.B (five points) would be awarded if at least 50 percent of the award is limited to households that meet the Applicant's qualification criteria for assistance and have household income less than the state's or if 50 percent of the award is limited to disadvantaged areas.

Staff Recommendation

Division staff recommended that the Authority approve the CWSRF DWTS Pilot Program Draft PRS for public review as shown.

Discussion

Chair Eskaf asked for discussion.

Mr. Goscicki stated that when the Pilot Program began, he thought the Authority would look at new and innovative ways to deal with failing DWTSs. Dr. Pelissier agreed that innovation could be part of the Pilot Program. What prompted the discussion was if there were failing DWTSs, then an engineering recommendation for centralized sewer would be expensive but not necessary. The initial project discussed consisted of only five houses receiving centralized sewer, which would result in extremely high costs per connection. Instead, replacement or some other innovation might

be a better option. Mr. Goscicki added that the focus seemed to be on finding a newer alternative, but he had concerns the Pilot Program was morphing into a replacement program. Chair Eskaf stated that until the Pilot Program, the only way the CWSRF could address failing DWTSSs was through funding centralized sewer connections. Currently, there is a need for funding, and in a lot of situations, homeowners may find it unaffordable to replace DWTSSs. They could look at innovative components, but innovation could also come through developing pass-through programs, a process that only one or two other states have tried. Mr. Kluttz added that the goal is to have these LGUs create miniature SRF programs to be able to fund more and more DWTSS repairs/replacements over the years.

Chair Eskaf stated that the Division does reserve \$1.5 million from the CWSRF for the Pilot Program and that the PRS would help staff to prioritize who would be recommended for funding since there is more interest. Mr. Goscicki suggested that the program could apply only to an economically disadvantaged area. An LGU would need to assist when the economics of a system would be a factor. Chair Eskaf stated that there would be affluent communities who cannot afford to replace DWTSSs. The Pilot Program PF would need to be focused on the economically disadvantaged areas; however, there are also affluent communities who have expressed interest because their homeowners would never be able to afford DWTSS replacement. Mr. D'Amato stated that Beaufort and Hyde Counties were both funded from the CWSRF Pilot Program. Both are dealing with rising groundwater and flooding issues as well as functionality. The challenge occurs where LGUs have very little capacity at the county level. These counties are working to identify the right DWTSSs. Also, the funding is helping in Hyde County to take a proactive role to address an impending crisis where sanitary districts are barely functioning.

Regarding Category II, Mr. Goscicki suggested that an Applicant could get extra points if they could demonstrate from the literature that the area was degraded in terms of effluent water quality from DWTSSs. Dr. Pelissier also mentioned adding resilience components to the PRS.

Action Item J:

- Mr. Goscicki made a motion to table the Draft DWTSS PRS and to rework it, to be presented at the next meeting. Mr. Gooden seconded the motion. The motion passed unanimously.

Mr. Goscicki left the meeting.

K. Update to the Priority Rating System Guidance for the Community Development Block Grant – Infrastructure Program

Mr. Karis gave the presentation.

Summary

The CDBG-I PRS has three criteria under Category IV (Financial Situation). Line Item 4.B looks at the current combined monthly rates. Line Item 4.E looks at poverty rate, and Line Item 4.F looks at low-to-moderate income (LMI). For poverty rate scoring, an Applicant may possibly receive zero to 15 points based on their American Community Survey (ACS) LGU indicator for poverty rate. Currently, to maximize the score, the maximum poverty rate is 50 percent, which limits the total number of LGUs that can receive maximum points for Line Item 4.E to 15 out of 658 (2.28 percent). Division

staff planned to change the CDBG-I guidance to cap the maximum poverty rate at 26.4 percent to allow for a greater number of LGUs to receive a maximum value of 15 for this line item. This would result in 103 LGUs (15.65 percent) being eligible for the maximum amount of Line Item 4.B points. Staff sought input from the Authority on this guidance change.

Discussion

Chair Eskaf asked for discussion. There were no questions.

L. Draft Intended Use Plans for the Clean Water State Revolving Fund and Drinking Water State Revolving Fund

Ms. Ambikadevi gave the presentation.

Summary

The IUPs are updated annually for both the CWSRF and DWSRF and are a part of the capitalization grant application submitted to the U.S. Environmental Protection Agency (USEPA) annually. The IUPs discuss how the SRFs will be managed annually and includes the PRSs, which require Authority approval before public review. The Authority will also approve the final PRSs. The draft IUPs along with the draft PRSs will go for a 30-day public review period, most likely during March.

Currently, loan repayments are due in May (principal and interest) and November (interest only) of each year. The interest begins accruing on the date of completion of construction in the Notice to Proceed (NTP). The first loan repayment is due no sooner than six months after the completion date of the latest ending contract. The Division used to allow deferment for repayment invoices for projects with multiple contracts until the final contract finished. For projects with single contracts, the process will remain the same. For projects with multiple contract, the Division will collect on the initial invoice. The new process will not increase the total cost for the borrower, and interest and principal paid on an earlier amortization schedule will be credited upon the development of the final amortization schedule. In extreme cases such as unforeseen financial hardship or project completion needed to create revenues for repayment, the Division could allow delaying payments. All loan approvals and repayment schedules would have to be coordinated with the LGC.

Mr. Poley left the meeting.

For the 2024 LSLR IUP, eligibilities were limited to galvanized lines currently downstream of LSLs, galvanized lines that were ever downstream of LSLs, and galvanized lines downstream of unknown material (not known LSLs), all of which were categorized as Galvanized Requiring Replacements (GRR). The GRR were eligible under both the FY 2022 and FY 2023 capitalization grants. The USEPA had also determined that watermains, meters, and similar items were not eligible for LSLR funding. In November 2025, the USEPA issued a memorandum that said states had the option to fund integrated components connected to LSLs if the project met certain criteria and that GRRs needing replacement were not eligible for funding. The Division proposed to amend the FY 2024 LSLR IUP to remove the previous limitation of funding eligibility for galvanized lines and to broaden the funding eligibility to include integrated components.

Mr. Poley returned to the meeting.

For the CWSRF IUP, the PRS contains Line Items 2.C.1 and 2.C.2, both of which prioritize projects that eliminated failed/failing DWTs. The current guidance requires an NOV related to septic failures, which is an extremely rare penalty for county health departments to hand out. The guidance would be updated to include alternative documentation.

Division staff expected the public comment period to occur in March 2026, with final approval of the PRSs occurring at the April Authority meeting. The Division would then submit the IUPs as part of the grant application to the USEPA in May 2026, with funds being received during the Summer of 2026. Late Summer 2026, staff will conduct application training using the new PRSs and IUPs, with applications using these new PRSs and IUPs being accepted for the Fall 2026 round.

Discussion

Chair Eskaf asked for discussion. There were no questions.

Ms. Edmund left the meeting.

M. Viable Utility Program Update Part 2: Assessment Data and Education

Mr. Dongarra gave the presentation.²²

Summary

Viable utility initial education, also known as the Best Utility Management Practices (BUMP) is required in GS 159G-45(b)(2) and (3). Division staff also provide in-person training, and the NC League of Municipalities (NCLM) provides on-demand training for those who cannot make in-person training. Training began in 2022 and is offered twice a year at three locations across the state. In the Fall of 2023, staff began using GIS to select training locations that were within a one-hour drive of LGUs who had not met the training requirement. Training materials hit the three best management practices set out within the 2017 Master Plan. Staff track those who have completed training on an individual basis as well as LGU training status. For the first three years, on-demand training outpaced in-person training, but in 2025, in-person training outpaced on-demand training. Overall, 70 percent of LGUs have completed training, 27 percent have partially completed training, and three percent have not started training. After training, Division staff sought feedback. Trainees stated that the training should be required for all governing board members and should be a two-day training. Additionally, many felt that a working lunch would be a better use of time.

Ms. Edmond returned to the meeting.

Training grants are automatically awarded upon a Distressed designation, and grant amounts are capped at \$2,000 per Distressed LGU. Grants can be used for tuition to utility-specific training or mileage to and from approved training.

Staff plan to capitalize on the momentum created by scheduling timely status report and outreach meetings. Staff also plan to continually improve training materials and to expand participation via breakout activities. Staff are also examining ways to offer condensed onsite training.

²² Note that Dr. Downs's portion of the presentation was tabled until the April Authority meeting.

Discussion

Chair Eskaf asked for discussion. There were no questions.

Ms. Edmond left the meeting.

N. Informal Comments from the Public

Mr. Brent Detwiler, Assistant City Manager for the City of Hendersonville, spoke regarding the WWTP Flood Mitigation project. He thanked the Authority for the \$6 million in grant and loan for the project. The City appreciates the investment and continued partnership. The total cost far exceeds what any funding source can cover, and the City is also pursuing a variety of other funding sources. Mud Creek has long been on the 303(d) list, and the application submitted to the Division documented elevated bacteria and SSOs and confirms that SSOs have reached Mud Creek over the years. The Influent Pump Station has a firm capacity of 12 million gallons a day. Stormwater flows can far exceed that capacity. Improvements could reduce modeled overflows by 80 percent. This is not a new issue for the City, and Helene exposed system vulnerabilities.

O. Concluding Remarks by Authority Members, Chair, and Counsel

No Authority members or counsel had remarks. Chair Eskaf thanked staff for the work and time in putting together the meeting. He wished the Authority could fund every project submitted. He appreciated the input from the Authority members. In this meeting, projects were funded out of the SRF Helene funds, CDBG-I, DWSRF-LSLR, DWSRF-EC, DWSRF, CWSRF, SDWR, SWWR, and VUR. All total, \$572,495,737 was awarded in funding.

There will be no March meeting, and the next meeting will be in April in western North Carolina, location soon to be announced.

P. Adjourn – The meeting adjourned at 4:10.