

State Water Infrastructure Authority

Meeting Date: February 18, 2026

Agenda Item E

Funding Awards for the Drinking Water, Wastewater, and Decentralized Wastewater Systems “SRF Helene” Rolling Applications

Division of Water Infrastructure Staff Report

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

Background

The 2025 State Revolving Fund Supplemental Appropriation for Hurricanes Helene and Milton and the Hawai’i Wildfires (SA-HMW) – also known as “SRF Helene” in North Carolina – is appropriated to the Water Infrastructure Fund established in NC GS 159G. The SRF Helene funds are administered via the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF). North Carolina’s allotment is \$409,422,000 in DWSRF Helene funds, \$253,681,000 in CWSRF Helene funds, and \$22,510,000 in CWSRF Helene funds for decentralized wastewater treatment systems (CWSRF Helene DWTS), including amounts to be used in set-asides for administrative costs. DWSRF Helene and CWSRF Helene funds must be used to improve flood resilience in drinking water and wastewater systems that were impacted by Hurricane Helene, and SRF Helene DWTS funds must be used to improve flood resilience to decentralized wastewater treatment systems (DWTSs) (or to connect to centralized wastewater systems) in Hurricane Helene-affected areas.

Applications for funding from SRF Helene are accepted on a rolling basis. Applications received by certain cutoff dates will be reviewed and presented at a subsequent Authority meeting as follows:

- Applications received by August 1, 2025 were presented to the Authority on September 17, 2025. The Authority awarded \$86,156,948 in SRF Helene funding.
- Applications received by November 3, 2025 were presented to the Authority at the December 10, 2025 meeting. The Authority awarded \$270,180,045 in SRF Helene funding.
- Applications received by January 9, 2026 will be presented to the Authority at the February 18, 2026 meeting.
- Applications received by March 2, 2026 will be presented to the Authority at the April 15-16, 2026 meeting.

To provide adequate time for all potential applicants to submit applications for SRF Helene funds, funding awards are initially capped at \$10 million per applicant for DWSRF Helene awards and \$5 million per applicant for CWSRF Helene awards until the April 15-16, 2026 Authority meeting. Applicants were also informed during application trainings that CWSRF Helene DWTS awards may also be capped until the April 15-16, 2026 Authority meeting, but the amount of the initial cap per applicant would not be determined until the Division and the Authority receive and review the first round of applications to determine what an appropriate cap might be. At the December 10, 2025

meeting, the Authority did not set a cap for the DWTS funding, and the largest single award exceeded \$7.5 million.

At the April 2026 Authority meeting, partially awarded applications from previous meetings will be considered for additional funding from the available SRF Helene funds at that time.

Thirty percent of the DWSRF Helene and CWSRF Helene funds are reserved for small systems serving up to 10,000 people until the April 2026 meeting. Likewise, \$11 million of the SRF Helene DWTS funds are reserved for projects that repair/replace DWTSs only without connections to centralized sewer systems until April 2026. By the second round of funding in December 2025, all three reserve targets were already met. Thus, all applications are considered going forward without specifically reserving funds for small systems or repairs to DWTSs only.

This staff report presents information on the applications received between November 4, 2025 and the January 9, 2026 cutoff date (i.e., the January 2026 application round) for drinking water, wastewater, and DWTS projects to be funded from the DWSRF Helene, CWSRF Helene, and CWSRF Helene DWTS funds, respectively. This report includes a summary of available funds and any limitation on awarding the funds, a summary of applications received, and the process staff used to apply funds in the funding scenario example presented to the Authority.

Summary of Applications Received

Division staff received a total of 23 applications, summarized in Table 1. One of the CW applications was determined to be ineligible for the Helene funds in this round as it was determined that the system did not demonstrate impact that was specific or unique to Hurricane Helene.

Four DWTS applications that scored 10 points and below were not awarded funding during the December 2025 awards. These applications are reconsidered for the February 2026 DWTS funding awards.

| Table 1. Number of Applications | | | | |
|--|-----------------------|---------------------|--------------------|----------------------|
| Category | Drinking Water | Wastewater | DWTS | Total |
| January 2026 new applications | 15 | 6 | 2 | 23 |
| Previous applications reconsidered | N/A | N/A | 4 | 4 |
| Incomplete/Ineligible applications | 0 | 1 | 0 | 1 |
| Total Complete and Eligible Applications Considered | 15 | 5 | 6 | 26 |
| Total funding requested in complete and eligible applications | \$94,834,323 | \$23,406,645 | \$8,625,709 | \$126,866,677 |

Total SRF Helene Funds Available

- Excluding set-asides, there are approximately \$384.9 million in DWSRF Helene funds and approximately \$238.5 million in CWSRF Helene funds available for awards. Out of this, approximately \$203.8 million in DWSRF awards and \$136.3 million in CWSRF awards were made by SWIA during the September and December 2025 meetings. The remaining funds – \$181,038,128 in DWSRF Helene and \$102,153,532 in CWSRF Helene – are made available to potential applicants through the March 2, 2026, rolling application deadline. It is anticipated that all of the funds will be awarded by the Authority by the April 2026 meeting, including providing any remaining SRF Helene funds to previously partially-funded projects.
- DWSRF Helene and CWSRF Helene funding is available to local government units (LGUs) and nonprofit water corporations (and investor-owned drinking water corporations for the DWSRF) in the form of zero-interest loans and principal forgiveness (PF). Applicants must document impacts from Hurricane Helene, and the proposed project must include resiliency with the purpose of reducing flood damage risk and vulnerability to rapid hydraulic change or natural disaster.
- At least 30 percent of the DWSRF Helene and CWSRF Helene funds are reserved to provide funding assistance to small systems serving up to 10,000 people, until the April 2026 Authority meeting. These reserves were met by the December 2025 funding awards.
- DWSRF Helene awards are initially limited to \$10 million per applicant until the April 2026 Authority meeting. CWSRF Helene awards are initially limited to \$5 million per applicant until the April 2026 Authority meeting.
- Excluding set-asides, there is \$21,159,400 available in SRF Helene DWTS funds available for awards. Out of this, \$16,211,833 was awarded by SWIA in December 2025. The remaining funds – \$4,947,567 – are made available to potential applicants through the March 2, 2026, rolling application deadline. It is anticipated that all of the funds will be awarded by the Authority by the April 2026 meeting, including providing any remaining funds to previously partially-funded or unfunded projects.
- All of the CWSRF Helene DWTS funds are 100 percent PF. These funds are available to LGUs, nonprofit water corporations, and community development financial institutions (CDFIs) and nonprofits that finance homeowner repairs of DWTSs.
- CWSRF Helene DWTS funds may be used to improve the resiliency of DWTSs and/or to connect homes currently on DWTSs to public sewer systems. All of the work must be conducted in areas that were affected by Hurricane Helene (e.g. in any of the disaster-declared counties).
- At least \$11 million of the CWSRF Helene DWTS funds are reserved for projects that repair/replace DWTSs only without connections to centralized sewer systems until April 2026. This reserve was met by the December 2025 funding awards.
- CWSRF Helene DWTS funds may be initially limited per applicant until the April 2026 Authority meeting. An initial limit has not been established yet.

- Applicants are eligible to incur a total DWSRF debt (across all DWSRF funding programs) of up to \$200 million and a total CWSRF debt (across all CWSRF funding programs) of up to \$200 million.
- Applications for funding for previously awarded projects will only be considered for any additional funds needed for the project that were not previously awarded by the Authority.

Example Funding Scenario for SRF Helene Drinking Water and Wastewater Construction Projects

The Authority may consider multiple funding scenarios. In the example funding scenario presented, applications are shown as recommended to receive funding in priority order. All eligible DWSRF Helene and CWSRF Helene applications are recommended for funding, provided the award amounts are within the established initial caps.

The Authority may consider alternative funding scenarios such as awarding higher-scoring projects only and making more funding available for future rounds. Further, the Authority may consider the Town of Liberty application’s eligibility for CWSRF Helene funding.

Principal forgiveness eligibility was calculated based on the following criteria:

1. Applicants designated as distressed or applicants with up to 20,000 residential connections and with two or more LGU indicators worse than the state benchmark receive the first \$5 million at 100 percent PF, then the remainder of the funding at 75-percent PF and 25-percent zero-interest loan.
2. Applicants with 20,001 – 40,000 residential connections and with two or more LGU indicators worse than the state benchmark receive funding at 50-percent PF and 50-percent zero-interest loan.
3. Applicants serving up to 20,000 people (equivalent to approximately 8,000 connections) receive the first \$5 million at 100-percent PF, then the remainder of the funding at 30-percent PF and 70-percent zero-interest loan.
4. All other applicants receive funding as 30-percent PF and 70-percent zero-interest loan.

Example Funding Scenario for CWSRF Helene DWTS Projects

The Authority may consider multiple funding scenarios. In the example funding scenario presented, applications are shown as recommended to receive funding in priority order. Total CWSRF Helene DWTS funds available for projects is \$21,159,400. Out of this, \$16,211,833 was awarded at the December 2025 meeting. Total funds left over to award is \$4,947,567.

At the December 2025 meeting, four applications that received the maximum 15 priority rating system (PRS) points were funded by the Authority. These four projects will improve/replace DWTSs where at least half of the systems in the project area were damaged by Hurricane Helene. This is the highest priority project type established in the CWSRF Helene DWTS PRS for this funding source. In the same meeting, four applications scoring fewer than 15 points were not selected for funding and are eligible for reconsideration in this round and in the April 2026 meeting.

Two new applications were received this round for a total of \$2,249,900. The Town of Marion’s application scored 15 points and proposed extending a sewer line to connect to one business that has had its septic system damaged during the hurricane. Note that at the time of this report, the Division is reviewing the eligibility of this application based on the criteria established by the US Environmental Protection Agency. The other application, which is to establish a revolving loan fund to finance the repair and replacement of failing septic systems for residents in 15 western North Carolina counties scores 10 points.

The four applications that were reconsidered from last round score 5 or 10 points and request a total of \$6,375,809.

The Authority may consider multiple funding scenarios. The proposed scenario continues the precedent set in December of awarding only the projects that score 15 points and reserving all other applications for the next funding round (April 2026). The proposed funding in this scenario is \$612,800, pending the confirmation of eligibility of the project with EPA. This scenario will leave \$4,334,767 for the next funding round, to be awarded at the April 2025 Authority meeting. All five applications that remain unfunded will be reconsidered in that meeting.

The Authority may consider another funding scenario. An alternative scenario is to award all projects that score 10 points or higher, including the applications that were reconsidered from the December 2025 meeting. This would add two applications – from the North Carolina Clean Energy Fund and MountainTrue – to the funding scenario for a total of \$4,498,184 to be awarded in this round, leaving \$449,383 to be awarded in April 2026. The remaining unfunded applications request more than this amount.

Summary of the Example Funding Scenario

Table 2 summarizes the example funding scenario across all three funding sources. The Authority may consider different funding scenarios.

| Table 2. Example Funding Scenario for SRF Helene Funding | | | | | | |
|---|--|---|--|--------------------------------------|--------------------------------|----------------------------------|
| Funding Source | Complete and Eligible Applications Considered | Potential Applications in the Example Funding Scenario | Potential Principal Forgiveness | Potential Zero-interest Loans | Potential Total Funding | Potential Unfunded Amount |
| DWSRF Helene | 15 | 15 | \$76,846,740 | \$8,841,853 | \$85,688,593 | \$9,145,730 |
| CWSRF Helene | 5 | 5 | \$22,017,641 | \$0 | \$22,017,641 | \$1,389,004 |
| CWSRF Helene DWTS (including 4 reconsiderations) | 6 | 1 | \$612,800 | \$0 | \$612,800 | \$8,012,909 |
| All Projects | 26 | 21 | \$99,477,181 | \$8,841,853 | \$108,319,034 | \$18,547,643 |

Table 3 provides the total amount of awards and funding available after three rounds of SRF Helene application awards if the example funding scenario is selected by the Authority as presented in this

report. After three funding rounds, 72 percent of the total SRF Helene funds will be awarded, retaining 28 percent for applications in the next funding round. Total funding requested from eligible applications already exceeds the remaining available funds, and the Authority will be able to award all of the SRF Helene funds in April 2026 as planned.

| Funding Source | Total Available Funds | Sept 2025 Round | Dec 2025 Round | Jan 2026 round (Pending approval) | Potential Total Funding | Potential Remaining Funds (%) | Potential unfunded Amount (from the requests) |
|-----------------------|------------------------------|------------------------|-----------------------|--|--------------------------------|--------------------------------------|--|
| DWSRF Helene | \$384,856,680 | \$60,381,748 | \$143,436,804 | \$85,688,593 | \$289,507,145 | \$95,349,535 (25%) | \$324,488,297 |
| CWSRF Helene | \$238,460,140 | \$25,775,200 | \$110,531,408 | \$22,017,641 | \$158,324,249 | \$80,135,891 (34%) | \$303,439,935 |
| CWSRF Helene DWTS | \$21,159,400 | \$0 | \$16,211,833 | \$612,800 | \$16,824,633 | \$4,334,767 (20%) | \$8,012,909 |
| All Programs | \$644,476,220 | \$86,156,948 | \$270,180,045 | \$108,319,034 | \$464,656,027 | \$179,820,193 (28%) | \$635,941,141 |

Project-Specific Notes for Applications in the Example Funding Scenario

Drinking Water Project Applications (Agenda Items E-1 and E-2)

- Staff recommend all 15 applications for funding with DWSRF Helene funds (applications #1 – #15).
- Four out of 15 applications (27 percent) were from LGUs designated as Distressed.
- 13 projects in the funding scenario could be fully funded with DWSRF Helene funds. The two projects in the funding range that are partially funded are from City of Belmont and the Town of Forest City.
- All applicants except Carolina Water Service of NC qualify for the first \$5 million as 100 percent PF.
- Carolina Water Service submitted three applications, and all of them combined are less than the initial funding cap of \$10 million. Therefore, all three projects are in the proposed funding scenario.
- Maggie Valley Sanitary District submitted two applications for less than the initial \$10 million cap. Therefore, both projects are included in the proposed funding scenario. The two applications include funding an update to the Smoky Mountains Hazard Mitigation Plan. The Division will require that the two project scopes are unique or that the Applicant combine both applications into one funded project.

- The Town of Highlands was awarded \$1,173,000 in DWSRF Helene funds in December 2025 for a different drinking water project. The potential award in this round is still within the applicant's initial \$10 million limit and PF eligibility.

Wastewater Project Applications (Agenda Items E-3 and E-4)

- Staff recommend five out of six applications for funding with CWSRF Helene funds (applications #1 – #5).
- Town of Liberty's (Randolph County) application was considered to be ineligible for CWSRF Helene funds. The applicant documented rainfall during Helene that resulted in a sanitary sewer overflow. However, the Town's wastewater system has also experienced sanitary sewer overflows during other rain events prior to Helene, and the impact was not specific or unique to Hurricane Helene.
- Two out of 5 eligible applications (40 percent) were from LGUs designated as Distressed.
- Two projects in the funding scenario could be fully funded with CWSRF Helene funds.
- All applicants qualified for the first \$5 million as 100 percent PF.
- Since the preliminary cap for CWSRF funding is limited to \$5 million, all awards proposed in the scenario are Principal Forgiveness (PF) with no loan portion.

Decentralized Wastewater System Project Applications (Agenda Items E-5)

- Two new applications were received for CWSRF Helene DWTS funding.
- Four applications that did not receive funding during the last round were reconsidered this time.
- Continuing the practice of awarding only projects that score 15 points, Staff recommend one out of six applications for funding with CWSRF Helene DWTS funds (application #1).
- The project included in the funding scenario is from the City of Marion for extending sewer to connect a business whose septic system failed during Hurricane Helene and cannot be rehabilitated. The per-connection cost for this project is high: \$618,200 to connect one business. The project includes costs for 750 linear feet of gravity sewer, 4 manholes, and a jack and bore under a roadway, as well as costs associated with abandoning the septic system.
- The federal eligibility of using CWSRF Helene DWTS funds to connect a business in the City of Marion's application is being reviewed. If awarded, the funding award would be pending final determination of eligibility.
- The Clean Energy Fund's application is to leverage the CWSRF Helene DWTS funding to establish a revolving loan fund to repair/replace failing septic systems in 15 western NC counties. This project could potentially benefit western North Carolina communities for years beyond the initial scope of the SRF Helene funding. The applicant would partner with MountainTrue and Haywood Waterways Association and Environmental Health Departments, which would assess the homeowner applications to the revolving loan program for eligibility. The Applicant indicated that the majority of the septic systems that would be repaired are failing (qualifies for 10 points) but did not specify that the majority of the systems are Helene-damaged (which would qualify for 15

points). The application is for a project that would complement previously awarded applications in the same counties that are focusing on repairing, primarily, Helene-damaged systems.

- MountainTrue’s reconsidered application is to repair and replace, primarily, failing septic systems that may not be Helene-damaged, scoring 10 points. MountainTrue was awarded \$4,261,917 in December for a separate application to repair and replace, primarily, Helene-damaged septic systems, scoring 15 points. If awarded funding, the Division will work with the Applicant to ensure that project scopes and funding do not overlap with other funded projects.

The example funding scenarios for DWSRF, CWSRF and DWTS funding programs are detailed in Tables 4, 5 and 6 below. These tables identify the projects that would potentially be funded under the example funding scenario. A full list of applications, including those that would not be funded under this scenario, are shown in the accompanying spreadsheets (Agenda Items E-1 through E-5). Application numbers in the tables below refer to application numbers in the accompanying spreadsheets.

Other Funding Scenarios

Note that there are other funding scenarios which could be constructed, and staff can assist the Authority with other scenarios during the meeting. Staff will be prepared to discuss alternative funding scenarios.

Table 4. Drinking Water Project Applications in the Example Funding Scenario for DWSRF Helene Funding

| SWIA Sheet Appl. No. | Applicant Name | County | Project Name | Amount of Funding Requested | Proposed DWSRF Helene Principal Forgiveness | Proposed DWSRF Helene Zero-Interest Loan | Total Proposed DWSRF Helene Funding |
|-----------------------------|--|-----------------------|---|------------------------------------|--|---|--|
| 1 | Boone, Town of | Watauga | Water Resilience in Boone | \$3,780,806 | \$3,780,806 | \$0 | \$3,780,806 |
| 2 | Carolina Water Service of North Carolina | Ashe | Nikanor - Piping Replacement | \$302,430 | \$151,215 | \$151,215 | \$302,430 |
| 3 | Maggie Valley Sanitary District | Haywood | MVSD Resiliency Project | \$4,292,976 | \$4,292,976 | \$0 | \$4,292,976 |
| 4 | Maggie Valley Sanitary District | Haywood | MVSD Cambell Creek & Well Project | \$5,706,309 | \$4,456,488 | \$1,249,821 | \$5,706,309 |
| 5 | Newland, Town of | Avery | Newland DW System Resiliency Improvement | \$10,000,000 | \$8,750,000 | \$1,250,000 | \$10,000,000 |
| 6 | Marion, City of | McDowell | Buck Crk Hazard Mitigation & Resilience | \$9,462,760 | \$8,347,070 | \$1,115,690 | \$9,462,760 |
| 7 | Spruce Pine, Town of | Mitchell | Water System Resiliency Improvements | \$4,999,958 | \$4,999,958 | \$0 | \$4,999,958 |
| 8 | Forest City, Town of | Rutherford | Water System Resiliency improvements | \$12,346,335 | \$8,750,000 | \$1,250,000 | \$10,000,000 |
| 9 | Carolina Water Service of North Carolina | Rutherford | Fairfield Mountain - Tank 12 & Booster | \$1,204,110 | \$602,055 | \$602,055 | \$1,204,110 |
| 10 | Carolina Water Service of North Carolina | Jackson, Transylvania | Sapphire Valley - Well 7 6" Main Replace | \$117,300 | \$58,650 | \$58,650 | \$117,300 |
| 11 | McDowell County | McDowell | Water Resiliency Improvements | \$7,456,200 | \$6,842,150 | \$614,050 | \$7,456,200 |
| 12 | Brevard, City of | Transylvania | Helene Water System Improvements | \$5,201,490 | \$5,151,118 | \$50,372 | \$5,201,490 |
| 13 | Belmont, City of | Gaston | Belmont SRF Helene Drinking Water Project | \$16,799,395 | \$8,750,000 | \$1,250,000 | \$10,000,000 |

Table 4. Drinking Water Project Applications in the Example Funding Scenario for DWSRF Helene Funding

| SWIA Sheet Appl. No. | Applicant Name | County | Project Name | Amount of Funding Requested | Proposed DWSRF Helene Principal Forgiveness | Proposed DWSRF Helene Zero-Interest Loan | Total Proposed DWSRF Helene Funding |
|--|-----------------------|---------------|--|------------------------------------|--|---|--|
| 14 | Taylorsville, Town of | Alexander | Taylorsville Water Resiliency Projects | \$10,000,000 | \$8,750,000 | \$1,250,000 | \$10,000,000 |
| 15 | Highlands, Town of | Macon | Drinking Water Resiliency Improvements | \$3,164,254 | \$3,164,254 | \$0 | \$3,164,254 |
| Totals for DWSRF Helene Applications in Funding Scenario: | | | | \$94,834,323 | \$76,846,740 | \$8,841,853 | \$85,688,593 |

Table 5. Wastewater Project Applications in the Example Funding Scenario for CWSRF Helene Funding

| SWIA Sheet Appl. No. | Applicant Name | County | Project Name | Amount of Funding Requested | Proposed CWSRF Helene Principal Forgiveness | Proposed CWSRF Helene Zero-Interest Loan | Total Proposed CWSRF Helene Funding |
|--|-----------------------|---------------|--|------------------------------------|--|---|--|
| 1 | Newland, Town of | Avery | Newland WW System Resiliency Improvement | \$5,808,431 | \$5,000,000 | \$0 | \$5,000,000 |
| 2 | Forest City, Town of | Rutherford | Sewer System Resiliency Improvements | \$5,580,573 | \$5,000,000 | \$0 | \$5,000,000 |
| 3 | Boone, Town of | Watauga | Sewer Resilience in Boone | \$2,686,374 | \$2,686,374 | \$0 | \$2,686,374 |
| 4 | Taylorsville, Town of | Alexander | Taylorsville Wastewater Resiliency Project | \$5,000,000 | \$5,000,000 | \$0 | \$5,000,000 |
| 5 | Banner Elk, Town of | Avery | Banner Elk WWTP Resiliency Improvements | \$4,331,267 | \$4,331,267 | \$0 | \$4,331,267 |
| Totals for CWSRF Helene Applications in Funding Scenario: | | | | \$23,406,645 | \$22,071,641 | \$0 | \$22,071,641 |

| Table 6. Decentralized Wastewater Treatment System (DWTS) Applications in the Example Funding Scenario for CWSRF Helene DWTS Funding | | | | | | |
|---|-----------------------|---------------|------------------------------|---------------------|------------------------------------|---|
| SWIA Sheet Appl. No. | Applicant Name | County | Project Name | Project Type | Amount of Funding Requested | Proposed Total CWSRF Helene Decentralized Funding (100% Principal Forgiveness) |
| 1 | Marion, City of | McDowell | 1904 US 70W Sewer Connection | Sewer Extension | \$612,800 | \$612,800 |
| Totals for DWTS Applications in the CWSRF Helene DWTS Funding Scenario: | | | | | | \$612,800 |