

State Water Infrastructure Authority

Meeting Date: September 17, 2025

Agenda Item G

Funding Awards for the Drinking Water and Wastewater “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 September 17 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 – are 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 Decentralized), 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 CWSRF Helene Decentralized funds must be used to improve flood resilience to decentralized wastewater treatment systems (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 will be presented to the Authority on September 17, 2025
- Applications received by November 3, 2025 will be presented to the Authority on December 10, 2025
- Applications received by January 9, 2026 will be presented to the Authority in the February 2026 meeting (potentially February 18, 2026, pending Authority’s 2026 schedule approval)
- Applications received by March 2, 2026 will be presented to the Authority in the April 2026 meeting (potentially April 15-16, 2026, pending Authority’s 2026 schedule approval)

In order 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 2026 Authority meeting. In the April 2026 Authority meeting, previously partially-awarded applications 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 CWSRF Helene Decentralized funds are reserved for projects that repair/replace decentralized wastewater treatment systems only (without connections to centralized sewer systems) until April 2026. In the April 2026 Authority meeting, any unawarded funds from these reserves will be made available to previously partially-funded applications.

This staff report presents information on the applications received by the August 1, 2025 cutoff date (i.e., the August 2025 application round) for drinking water and wastewater projects to be funded from the DWSRF Helene and the CWSRF Helene funds. 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.

Applications and funding available for the CWSRF Helene Decentralized funds are not included in this report because the Division received no applications for these funds by the August 1 cutoff date.

Summary of Applications Received

August 2025 rolling applications had a cutoff date of August 1, 2025. Division staff received a total of 16 applications. A summary of the number of drinking water and wastewater applications considered for funding in this staff report is shown in Table 1. One wastewater application did not provide sufficient documentation in the application materials to demonstrate Hurricane Helene’s impact on the system and is considered ineligible at this time. The Division will work with the applicant to resubmit with more documentation in a future round.

Table 1. Number of Applications			
Category	Drinking Water	Wastewater	Total
August 2025 new applications	9	7	16
Previous applications reconsidered	N/A	N/A	N/A
Incomplete/Ineligible applications	0	1	1
Total Complete and Eligible Applications Considered	9	6	15
Total funding requested in complete and eligible applications	\$120.2 million	\$66.2 million	\$186.4 million

Total SRF Helene Funds Available

The following funds are available for award for the August 2025 rolling application round:

- Excluding set-asides, there is more than \$384.8 million in DWSRF Helene funds and more than \$238.4 million in CWSRF Helene funds available for awards. The funds are made available to potential applicants through the March 2, 2026 rolling application cutoff date. It is anticipated that all of the funds will be awarded by the Authority by the April 2026 meeting.

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

Example Funding Scenario for SRF Helene Construction Projects

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

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 \$5M at 100 percent principal forgiveness, then the remainder of the funding at 75 percent principal forgiveness 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 as 50 percent principal forgiveness 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 principal forgiveness, then the remainder of the funding at 30 percent principal forgiveness and 70 percent zero-interest loan.
4. All other applicants receive funding as 30 percent principal forgiveness and 70 percent zero-interest loan.

In the August 2025 funding round, all DWSRF Helene applicants qualified to receive the first \$5 million at 100 percent PF and the remainder of the funding at 75 percent PF and 25 percent zero-interest loans in the funding scenario. All CWSRF Helene applicants with eligible applications qualified

to receive all of their potential funding (up to the \$5 million initial cap) as 100 percent PF in the funding scenario. Table 2 summarizes the example funding scenario.

Table 2. Example Funding Scenario for SRF Helene Funding						
Project Types	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	9	8	\$55,280,813	\$5,100,935	\$60,381,748	\$59,832,817
CWSRF Helene	6	6	\$25,775,200	0	\$25,775,200	\$40,401,406
All Projects	15	14	\$81,056,013	\$5,100,935	\$86,156,948	\$100,234,223

Project-Specific Notes for Applications in the Example Funding Scenario

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

- Staff recommend eight out of the nine applications for drinking water projects for funding with DWSRF Helene funds (applications #1 – #8).
- The Town of Valdese submitted two applications for two different projects. The higher-scoring application (#5) is in the proposed funding scenario, and the Town of Valdese would potentially be awarded the initial cap of \$10 million per applicant for DWSRF Helene projects. The lower-scoring application for the Town of Valdese (#9) is not considered for funding in this scenario due to the initial cap.
- One out of nine applications (11 percent) were from LGUs designated as Distressed.
- Four projects in the funding range (applications #1, 2, 6, and 7) could be fully funded with DWSRF Helene funds. The other four projects in the funding range (applications #3, 4, 5, and 8) are recommended for funding up to the initial DWSRF Helene cap of \$10 million per applicant. The remainder of their funding needs will be considered for potential additional funding awards in April 2026 based on availability of DWSRF Helene funds at that time.
- All of the applicants qualify for the first \$5 million as 100 percent PF, and the remainder as 75 percent PF and 25 percent zero-interest loans.
- The City of Morganton (#8), the Town of Drexel (#7), and Town of Valdese (#9) individually submitted separate applications for the Morganton-Valdese-Drexel interconnection project. This project will create a new emergency interconnection between Towns of Morganton, Drexel and Valdese to establish water system resiliency in the wake of an extreme weather event. The total project cost for this project is estimated to be approximately \$48 million. Each applicant applied for funding assistance for their share of the total project cost. In the proposed funding scenario, the Town of Drexel's application will be fully funded for their share of this project. The City of Morganton also will receive \$10 million in funding for their \$12.6 million share. However, the Town of Valdese's share of approximately \$29 million remains unfunded in this funding scenario.
- Junaluska Sanitary District (#4) is in the proposed funding scenario to receive \$10 million to rebuild and provide resilience to withstand floods. The shifting of Pigeon River due to Helene flooding adversely impacted the very old system. The proposed project will replace outdated, undersized and aged water mains that service over 300 residential connections along the Pigeon River. These lines are dead-end lines and are not looped or connected to other water mains. New water mains along with valves, new water supply wells outside of 500-year flood plain and installation of backup power will provide resiliency, specifically for Haywood Community Hospital and Haywood County Emergency Services.
- Woodfin Sanitary District (#2) is in the proposed funding scenario to install emergency standby power and replace inoperable control valves at the Water Treatment Plant to ensure operators can properly operate and maintain the system during emergencies.
- The Town of Hot Springs (#6) is in the proposed funding scenario to install a new redundant transmission line beneath the French Broad River from the well system to the distribution system

and to install a new redundant waterline under Spring Creek to feed the 200,000-gallon water storage tank; construct a new 200,000-gallon water tank adjacent to an existing tank to provide redundant system storage; replace approximately 6,000 linear feet (LF) of damaged water lines; rehabilitate and improve the existing SCADA system to ensure operability & access during flood events, install radio read meters, which will allow town to quickly identify water leaks and provide repairs for customers, and install back-up standby power to increase resiliency.

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

- An application from the City of Conover did not sufficiently document Hurricane Helene impact on the wastewater system. The Applicant may resubmit their application with additional documentation, such as photographs or other reports documenting the impact of the hurricane. The Division will contact the Applicant with guidance.
- Staff recommend funding all six complete and eligible applications with CWSRF Helene funds (applications #1 - #6).
- Two out of six applications (33 percent) were from LGUs designated as Distressed.
- One project in the funding range (application #6) could be fully funded with CWSRF Helene funds. The other five projects in the funding range (applications #1 - #5) are recommended for funding up to the initial CWSRF Helene cap of \$5 million per applicant. The remainder of their funding needs will be considered for potential additional funding awards in April 2026 based on the availability of CWSRF Helene funds at that time.
- All of the applicants qualify for the first \$5 million – and therefore their potential entire funding award – as 100 percent PF. The remainder of the project would be eligible for 75 percent PF and 25 percent zero-interest loans if additional funding is awarded.
- The Town of Gamewell (#6) is in the funding scenario to receive \$775,200 in PF to replace/relocate gravity sewer lines and incorporate resiliency through various measures including stream bank stabilization. High velocities from excessive rainfall during Helene caused erosion of the riverway damaging pipe and support piers, misaligned manholes and loss of supporting soil.
- The Town of Waynesville (#4) is in the funding scenario to receive \$5 million in PF to convert a gravity sewer line to a forcemain with a new pump station and relocate an existing junction box outside of the 500-year flood plain. The Town of Waynesville officially declined a CWSRF funding award made by SWIA in July prior to submitting their CWSRF Helene application.
- The Town of Hot Springs (#1) is in the funding scenario to receive \$5 million in PF to include flood-resiliency improvements to three pump stations and improve approximately 5600 LF of gravity sewer. Generators and flood protection walls will be added, and wet wells and electrical equipment will be elevated.
- Town of Drexel (#5) is in the funding scenario to receive \$5 million in PF to fortify lines that are in the floodplain, and convert a treatment unit into an equalization basin. The pump station was flooded during Helene and installing an equalization basin would help reduce Sanitary Sewer Overflows and provide resiliency.

The example funding scenario is detailed in Tables 3 and 4 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 G-1 through G-4). 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.

Staff Recommendation

Staff recommend that the Authority fund the following projects as shown in the Staff report:

- DW Projects Nos. 1-8
- WW Project Nos. 1-6

[†]Note: DWSRF Helene and CWSRF Helene awards are contingent on DWI's receipt of funds from EPA.

Table 3: Drinking Water Project Applications in the Example Funding Scenario for DWSRF Helene Funding							
SWIA Sheet Appl. No.	Applicant Name	Project Name	County	Amount of Funding Requested	DWSRF Helene Principal Forgiveness	DWSRF Helene Zero-Interest Loan	Total DWSRF Helene funding
1	Clyde, Town of	New Water Supply Wells Thompson Cove Line	Haywood	\$4,978,008	\$4,978,008	\$0	\$4,978,008
2	Woodfin Sanitary Water & Sewer District	Water System Improvements	Buncombe	\$5,079,210	\$5,059,408	\$19,803	\$5,079,210
3	Canton, Town of	Canton/Clyde/Waynesville Interconnect	Haywood	\$16,381,098	\$8,750,000	\$1,250,000	\$10,000,000
4	Junaluska Sanitary District	Helene Water system improvements	Haywood	\$11,138,529	\$8,750,000	\$1,250,000	\$10,000,000
5	Valdese, Town of	Raw Water Intake Relocation & Substation Resiliency	Burke	\$30,361,090	\$8,750,000	\$1,250,000	\$10,000,000
6	Hot Springs, Town of	Helene Water System Improvements	Madison	\$5,204,990	\$5,153,743	\$51,248	\$5,204,990
7	Drexel, Town of	Morganton-Valdese-Drexel Interconnect	Burke	\$5,119,540	\$5,089,655	\$29,885	\$5,119,540
8	Morganton, City of	Morganton-Valdese-Drexel Interconnect	Burke	\$12,581,940	\$8,750,000	\$1,250,000	\$10,000,000
Totals for DWSRF Helene Project Applications in Funding Scenario					\$55,280,813	\$5,100,935	\$60,381,748

Table 4: Wastewater Project Applications in the Example Funding Scenario for CWSRF Helene Funding							
SWIA Sheet Appl. No.	Applicant Name	Project Name	County	Amount of Funding Requested	CWSRF Helene Principal Forgiveness	CWSRF Helene Zero-Interest Loan	Total CWSRF Helene funding
1	Hot Springs, Town of	Helene Sewer Sys Replace & PS Upgrade	Madison	\$5,201,020	\$5,000,000	\$0	\$5,000,000
2	Junaluska Sanitary District	Helene Sewer System Improvements	Haywood	\$11,001,575	\$5,000,000	\$0	\$5,000,000
3	Canton, Town of	New WWTP & Regionalization	Haywood	\$25,305,690	\$5,000,000	\$0	\$5,000,000
4	Waynesville, Town of	Little Champion Sewer Improvements	Haywood	\$8,490,531	\$5,000,000	\$0	\$5,000,000
5	Drexel, Town of	Bryant Road PS & Sewer Line Rehab/Repl.	Burke	\$15,402,590	\$5,000,000	\$0	\$5,000,000
6	Gamewell, Town of	Sewer System Flood Resiliency Project	Caldwell	\$775,200	\$775,200	\$0	\$775,200
Totals for CWSRF Helene Project Applications in Funding Scenario					\$25,775,200	\$0	\$25,775,200